NHS
Lancashire Teaching Hospitals
NHS Foundation Trust

Lancashire Teaching Hospitals NHS Foundation Trust

Annual Report and Accounts 2016–17

Excellent care with compassion

@LancsHospitals

Lancashire Teaching Hospitals NHS Foundation Trust
Annual Report and Accounts 2016-17

Presented to Parliament pursuant to schedule 7, paragraph 25(4)(a) of the National Health Service Act 2006

CONTENTS

- **Overview**
  - Chairman's statement 2016/17 1
- **Performance report** 4
  - Overview of performance 5
  - Performance analysis 10
- **Accountability report** 19
  - Directors' report 20
  - Remuneration report 37
  - Staff report 48
  - Disclosures set out in the NHS Foundation Trust Code of Governance 63
  - NHS Improvement's Single Oversight Framework 68
  - Statement of accounting officer's responsibilities 69
  - Annual governance statement 70
  - Council of Governors' report 84
  - Membership report 90
  - Audit Committee report 95
- **Quality report** 101
  - Independent auditors' report to the Council of Governors on the Quality report 168
- **Financial review** 171
  - Independent auditors' report to the Council of Governors on the financial statements
  - Foreword to the accounts
  - Statement of comprehensive income
  - Statement of financial position
  - Statement of changes in taxpayers' equity
  - Statement of cash flows
  - Notes to the accounts

This symbol indicates that more information is available on our website:

www.lancsteachinghospitals.nhs.uk

CHAIRMAN'S STATEMENT 2016/17

Welcome to our annual report for the financial year 2016/17, which sets out our achievements, activity and performance. The annual report is also an opportunity to share our vision and priorities at a time of significant pressure and change within the NHS.

Our ambition is to provide the very best specialised services for patients in Lancashire and South Cumbria, together with the highest standards of general hospital care for our local population.

I was delighted to join the Trust as the new Chairman on 3 January 2017. Up to that point, the Trust was led by the previous Chairman, Stuart Heys, who concluded his term of office after serving for the maximum nine-year term.

2016/17 has been a very busy and productive year, and we have made some excellent progress.

We were delighted to celebrate the 20th anniversary of providing radiotherapy this year, and are thankful for Rosemere Cancer Foundation's support to secure a state of the art surgical robot. This means our patients throughout the region can now receive the very latest cancer treatment.

During 2016/17 we continued to have strong focus on staff engagement. We are delighted to note that this year's staff survey was completed with a response rate of 44.1%, this is an increase from last year of 35.5%; it is above the acute Trust national average.

The results show our staff engagement levels are at 3.80 out of 5 which is an increase from 3.75 the previous year, and is our highest level of staff engagement in the last 5 years. The results of the survey illustrate the outstanding commitment our staff have to deliver excellent care with compassion. It was pleasing to note that we have improved in 18 out of the 32 key findings, which is a fantastic achievement. The areas which have seen the biggest improvements from 2015 to 2016 include levels of effective team working, support from immediate managers, the organisation and managers being interested in and take action on health and wellbeing, satisfaction with flexible working opportunities and feeling able to contribute towards achievements at work. When compared against the national average for acute Trusts it is pleasing to note that we are in the top 20% of Trusts in relation to 7 out of 32 key findings, the areas are: staff experiencing discrimination at work in the last 12 months, experiencing physical violence, harassment, bullying or abuse from patients, relatives or public in the last 12 months, staff attending work in the last 3 months despite feeling unwell because they felt pressure, feeling satisfied with the opportunities for flexible working, working additional hours, and feeling able to contribute to improvements.

We worked hard to reinstate the emergency department at Chorley and South Ribble Hospital in January, a notable achievement given the continuing national shortage of emergency medicine doctors. Along with the new 24 hour, seven day-a-week urgent care centres which have opened at both hospitals, local people can now access a wider range of services for acute and serious illness and injury.

We had a planned a deficit of £10.4m before impairments for 2016/17; however, as a result of the temporary closure of the emergency department at Chorley, we incurred substantial net costs of £5 million. Due to such exceptional circumstances, this amount was allowed for in the control total set by our regulator, NHS Improvement, and, as such, the Trust met its control total for 2016/17.

Demand for hospital services has risen sharply over the past few years, and this trend continued throughout 2016-17. We have seen more outpatients, provided more operations and admitted more patients than in 2015-16. So too has the number of delayed discharges increased in the past year as has the average length of time people spend in hospital after they are medically fit to leave. This increasing demand, along with delays in discharging people who no longer need our care, means our hospitals are exceptionally busy, and our ability to provide planned procedures and operations on time has been affected. As a result we were not able to deliver all the access to care performance targets this year, including the emergency department target. However we did achieve the majority of national standards despite the very significant pressures on our hospitals and we are working hard to improve our performance for next year.

For example, we have implemented a new system to monitor the progress of every single patient, every day which will help us reduce delays within our hospitals. We are continuing to work closely with our commissioners and local authority and community providers to develop more services that support people to stay well and to receive the care they need in the right place when they no longer require specialist hospital treatment.

Our Health Our Care aims to transform how health and social care works in central Lancashire, so that services are provided in a sustainable way and so that local people are able to get the care and treatment they need, when they need it, in the appropriate setting. Throughout the year clinicians and local people have shared their views about what is working well and what they think should be improved to help define options for the future. The involvement of local people in shaping our health and care system for the future is critical to our decision-making.

Providing the highest standards of care, and the best regional, specialised services demands a committed and talented team who drive innovation in both practice and treatment. With Lancaster University and Lancashire Care Foundation Trust this year we established a new research centre within a purpose built facility at Royal Preston Hospital. This has now been officially designated as a National Institute of Health research centre, confirming the quality of research activity undertaken, and securing long term funding.

Our volunteers continue to work with great enthusiasm to welcome and reassure visitors and patients to our hospitals as well as undertaking a wide range of tasks that keep everything running smoothly. On behalf of the Board, I sincerely thank them for their vital contribution. Our governors too have been ably representing the public's views this year and have had particular success in encouraging local people and members to get involved in the Our Health Our Care transformation programme.

Between 27th and 30th of September 2016, the Trust was inspected by the Care Quality Commission as part of the NHS acute hospital inspection programme. Whilst it was pleasing to note the rating of 'good' across the whole Trust in respect of the caring domain, we were given an overall rating of 'requires improvement'. The CQC have identified a number of key areas of focus including:

- Strengthening governance arrangements
- Addressing issues associated with the aging estate and facilities
- Staffing levels and recruitment, and
- Safeguarding training.

Whilst many improvements have been made during the eight months since the inspection, we recognise the need to do more. We have developed a comprehensive improvement plan to enable us to achieve our ambition to be recognised as an outstanding organisation.

In the year ahead, we will continue to work with all of our partners and stakeholders, staff, governors and patients to define and implement the changes that will be necessary to transform health and care services for the people we are very proud to serve.

Sue Musson
Chairman
25 May 2017

PERFORMANCE REPORT
2016/17

OVERVIEW OF PERFORMANCE

The purpose of this report is to inform the users of the Trust's performance and to help them assess how the directors have performed in promoting the success of the Trust.

This report is prepared in accordance with sections 414A, 414C and 414D Companies Act 2006, as interpreted by paragraphs 5.2.6 to 5.2.11 of the Treasury's Financial Reporting Manual. For the purposes of this report, we have treated ourselves as a quoted company. Additional information on our forward plans is available in our operational plan on our website. Information on any mandatory disclosures included within this report is provided on pages 63 to 66.

The accounts contained within this report have been prepared under a direction issued by Monitor under the National Health Service Act 2006.

Who we are

Lancashire Teaching Hospitals NHS Foundation Trust was established on 1 April 2005 as a public benefit corporation authorised under the Health and Social Care (Community Health and Standards) Act 2003. We are registered with the Care Quality Commission without conditions to provide the following regulated activities:

- diagnostic and screening services
- maternity and midwifery services
- surgical procedures
- termination of pregnancies
- treatment of disease, disorder or injury
- management of supply of blood and blood-derived products
- assessment or medical treatment for persons detained under the Mental Health Act 1983

We provide acute services to our local population of around 400,000 and provide a number of tertiary services to around 1.6 million people across Lancashire and South Cumbria. Most of our clinical services are provided on our two hospital sites – Chorley and South Ribble Hospital and Royal Preston Hospital. We also have a specialist mobility and rehabilitation service in Preston, the Broadoaks child development centre in Leyland and we provide dialysis units in various locations in Lancashire.

We provide the following general hospital services to our local population:

- 24-hour emergency department facilities
- intensive, high dependency and coronary care units
- general medicine, including elderly care
- general surgery and urology
- child health
- ear, nose and throat surgery
- orthopaedics
- maternity services
- gynaecology
- anaesthetics
- oral and maxilla-facial surgery
- ophthalmology
- support services for diagnosis and treatment, such as pathology, x-ray, physiotherapy, occupational therapy and specialist nurse
- rehabilitation services

People in Lancashire and South Cumbria also access the following specialist services:

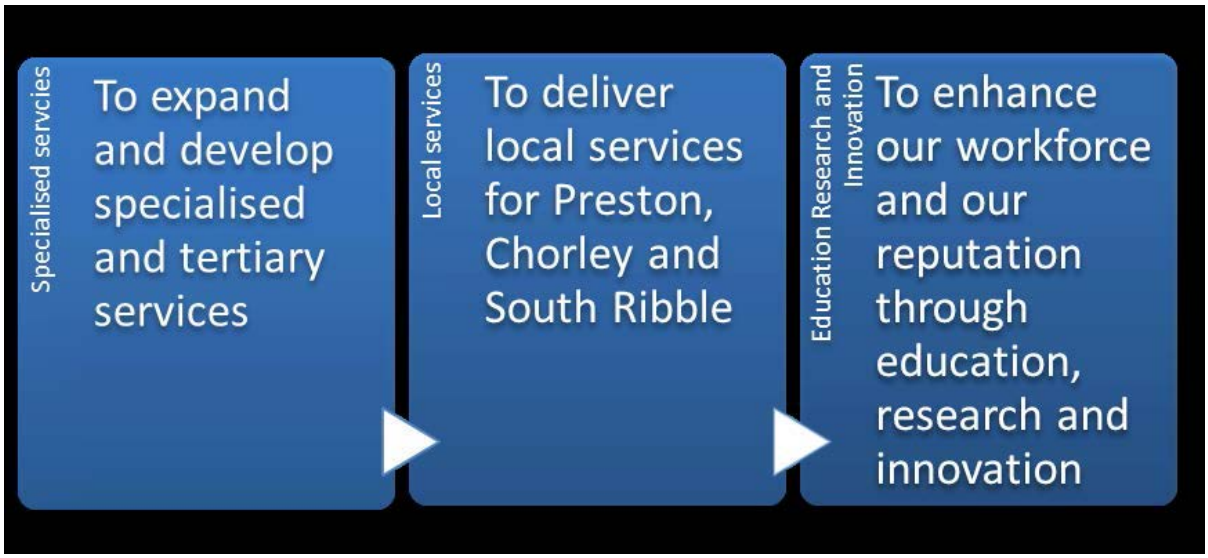
- neurosurgery and neurology
- oncology (radiotherapy and chemotherapy) and complex cancer surgery
- elective and emergency vascular surgery
- renal and plastic surgery
- specialist mobility and rehabilitation services
- major trauma services

Our business model

The governance structure of a foundation trust is prescribed through legislation, and is reflected within our constitution. All foundation trusts are required to have a board of directors and a council of governors as well as a membership scheme, which is open to members of the public and staff who work at the foundation trust. Members vote to elect governors and can also stand for election themselves. The council of governors is responsible for representing the interests of NHS foundation trust members and the public and staff in the governance of the Trust. It remains the responsibility of the board to design and then implement agreed priorities, objectives and the overall strategy of the organisation. Governors are responsible for regularly feeding back information about the Trust, its vision and its performance to members and the public and the stakeholder organisations that either elected or appointed them. The board of directors retains the overall responsibility for decision-making within the organisation, except where the council has statutory responsibilities. The board does, however, work closely with the council in formulating its forward plans. A schedule of matters reserved to the board is in place and this document details the matters reserved to the board, as well as providing more detailed information on the respective roles of the council of governors and the board of directors.

Our main objectives and strategies

The Trust's five year Strategic Plan was published in June 2014. Three corporate aims were adopted to create the framework for the strategy to ensure the sustainable future of Lancashire Teaching Hospitals NHS Foundation Trust. These three corporate aims are:



These are underpinned by five key delivery strategies:

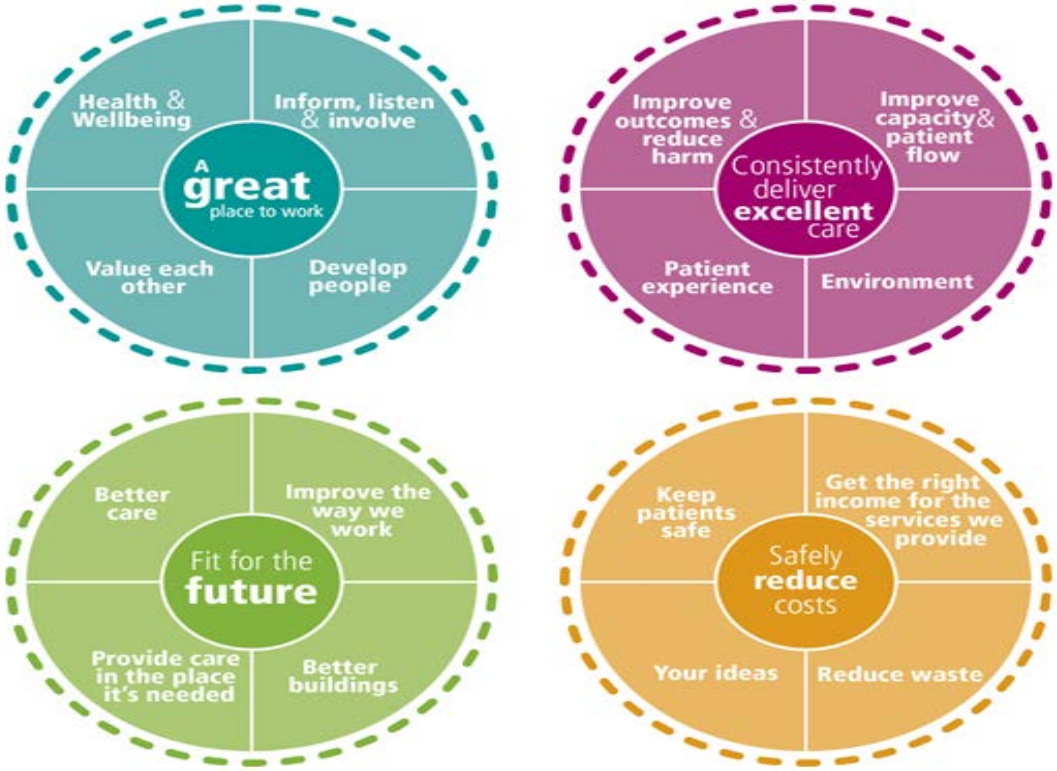
- Quality
- Clinical service development
- Operational effectiveness
- Information technology
- Organisational development and workforce

We ensure that our long-term aims are being driven forward through our key delivery strategies. In particular, our long term aims are related to the principles within our Clinical Service Strategy:

1. We will continue to develop as the specialised centre for Lancashire and South Cumbria, providing a portfolio of services that are financially viable.
2. We will continue to provide local secondary care services to our patients in Preston, Chorley and South Ribble. We will work closely with our GP and community partners and seek to change the how people with chronic conditions access secondary care, making it part of a single pathway of care. We will ensure pathways for emergency and urgent care are delivered to the appropriate standard and create a non-admitted pathway for a high proportion of patients. We will consider how we can best use technology and diagnostics to transform outpatient and planned care.
3. We will continue to focus on our excellence in education, innovation and research in order to attract the best people to work at our organisation. We will continue to expand our reach in research and will expand our capacity for clinical trials.

Our long term aims, together with our key delivery strategies, provide the focus and drive on clinical quality and long-term sustainability, whilst informing local service planning and development priorities. All of our strategies have metrics associated with their delivery.

During 2016/17 the Board developed four key ambitions, which underpinned the 2016/17 business planning framework. Each of the Trust's Divisions prepared their year ahead plans which reflected how they will deliver the organisation's key ambitions:



During 2016/17 we and the local clinical commissioning groups continued to progress the 'Our Health Our Care' programme. The Our Health Our Care programme has been established to look at how we could provide services in a different way across Chorley, South Ribble and Greater Preston to ensure that services continue to meet the needs of residents, both now and in the future. We know that demand and costs are rising, this is why partners across Central Lancashire have come together to ensure that our services are constantly improving and sustainable for the future. The programme consists of representatives from NHS Greater Preston Clinical Commissioning Group, NHS Chorley and South Ribble Clinical Commissioning Group, Lancashire Care NHS Foundation Trust, Lancashire Teaching Hospitals NHS Foundation Trust, local councils, NHS England and specialist commissioners.

Our Health Our Care

This programme fits within a wider planning context for the NHS. Within Central Lancashire, we have a Local Delivery Plan which contributes to the Sustainability and Transformation Plan (STP) for Lancashire and South Cumbria. The STP describes the required scale of change across the wider pan Lancashire footprint and the key priorities, and the Local Delivery Plan focuses on local priorities and local implementation. The Our Health Our Care programme provides the process through which we will together develop new models of care that are clinically and financially sustainable for the long term future within a more integrated health and care system for the population of Central Lancashire.

Our principal issues and risks

Our board assurance framework reflects the principal strategic risks associated with failure of the organisation to meet its corporate objectives and the actions being taken by the Trust to mitigate such risks. The board assurance framework is used to enable the Board of Directors to evaluate whether we have the systems, policies and people in place to operate in a manner that is effective in driving the delivery of the Trust's corporate objectives. The board assurance framework is reviewed by the board and the executive team each month, and is presented to each board sub-committee at every meeting.

The principal risks and uncertainties that could affect our ability to deliver our strategic objectives include:

- challenges associated with the delivery of a sustainable financial plan
- high levels of bed escalation and increasing levels of demand for clinical activity across our two hospital sites
- implications of adhering to agency caps imposed by NHS Improvement on our ability to fill key posts
- delivery of the targets and indicators set within regulatory and compliance frameworks including provider licence
- reduced availability of consultants and doctors, particularly in Emergency Medicine
- continuing difficulties in recruiting and retaining the required number of nurses

Relevant controls and mitigation are included within our assurance framework, and these are monitored on a regular basis.

With respect to the risk in relation to the reduced availability of consultants and doctors particularly for Emergency Medicine, at the end of quarter 4 2015/16 it became increasingly difficult to staff our middle grade doctor rota for our emergency departments and as a consequence, on 18th April 2016, we had to implement a temporary service change by downgrading the emergency department at Chorley and South Ribble Hospital to an urgent care centre. We continued to work hard to recruit sufficient staff and on 18 January 2016 we reinstated the emergency department at Chorley and South Ribble Hospital on a limited hours' basis, a notable achievement given the continuing national shortage of emergency medicine doctors. Along with the new 24 hours a day, seven day-a-week integrated urgent care centres at both hospitals, which are being run by *GTD Healthcare*, local people can now access a wider range of services for acute and serious illness and injury.

Our performance

The Trust has worked hard to improve its access to key services throughout 2016/17 and has performed well against a number of key performance targets and agreed improvement trajectories throughout the year in particular:

- ✓ Less than 1% diagnostics waiting over 6 weeks
- ✓ Cancer 2 week wait target
- ✓ Breast referrals seen within 2 weeks
- ✓ Cancer treatments started within 31 days
- ✓ Low infection rates against set target

However it has overall been a challenging year with significant pressures experienced for the most part of the year, increasing further during the winter months which resulted in the non-compliance of:

- Emergency Department – 95% of patients admitted , transferred or discharge within 4 hours
- Elective Care - 92% treated within 18 weeks from referral to treatment
- Cancer – 85% patients treated within 62 days from referral

Going Concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

For 2016/17 the Trust planned a deficit of £10.4m before impairments, and had been on course to achieve this improvement from the previous year without the impact of the exceptional closure of the Emergency Department at Chorley for staffing and patient safety reasons, which cost the Trust £5m. This amount has been allowed for in the control total set by NHS Improvement, and as such the Trust has met its control total for 2016/17. The Trust has a plan for 2017/18 which further reduces the recurrent deficit after the achievement of a challenging performance efficiency target. The Trust has been accepted into the Financial Improvement Programme run by NHS Improvement in which it will receive assistance to deliver savings over and above current Trust plans in 2017/18 and future years. Although the current Working Capital loan from the Department of Health is due for repayment in March 2018, it is expected that this will be re-negotiated during the coming financial year.

The Trust's expectation is that services will continue to be provided from the existing hospital sites. However it recognises that sustainable financial balance needs to come through engagement with the wider health economy requiring not only the Trust to achieve service efficiencies but also for it to maximise the use of its assets and support the wider transformational change in service delivery. The Trust will work with NHS Improvement and its stakeholders to achieve this objective.

In addition to the matters referred to above, the Trust has not been informed by NHS Improvement that there is any prospect of its dissolution within the next twelve months and it anticipates the continuation of the provision of services in the foreseeable future as evidenced by the inclusion of financial provision for those services in published documents and contracts for services with commissioners.

Based on these indications, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

PERFORMANCE ANALYSIS

Our performance

The Trust pays particular attention to flow through the organisation and as such uses a range of national (NHS Improvement) and local key performance indicators, as key criteria of success within the performance area. In addition the Trust was set agreed improvement trajectories throughout the year for RTT target (treatment within 18 weeks from referral), the Emergency Department 4-hour target and Cancer targets. The speed of access to services, whether elective or non-elective, is a key determinant for patients in assessing the quality of their experience.

Supporting the performance reporting function of these key access targets are a number of operational meetings where performance information is used to underpin the decision making of the operational teams in managing these targets. A weekly performance meeting takes place reviewing lists of all patients awaiting treatment to support the timely management of these patients through

the system. To ensure a smooth flow of inpatient activity throughout the hospital , bed meetings take place daily that proactively manage the flow of patients in and out of the hospital and use intelligent information to anticipate demand to ensure enough capacity is available.

Performance metrics for access are updated regularly dependent on the requirements of the metric (non-elective metrics are refreshed more frequently than elective). The development and production of these metrics is managed through an independent line management structure to the operational divisions that deliver performance to ensure that no conflict of interest exists. In addition, the Performance management function is held under a separate management line of delivery to ensure objectivity and consistency.

The Trust faced a number of challenges throughout most of the year with an increasing acuity of emergency pressure which was heightened during the winter months; in particular a rise in the elderly attending A&E requiring admissions and a higher acuity of patient resulting in a higher than normal admission ratio and an increase in medical length of stay. In addition to the bed stock being consumed with high emergency admissions the Trust also experienced a significant and continued rise in the delay transfers of care (on average 70 patients officially delayed at any given time during the winter). This directly impacted onto the Trust's ability to deliver its elective activity with beds having to be prioritised for emergency patients and in turn maintain the 62 day cancer target. The 62 day cancer target is also complicated by the receipt of tertiary referrals as a tertiary centre which are sometimes received late in the pathway.
The activity for 2016/17 shows the underperformance in elective activity which is a direct correlation to the increase in emergency work and the inability to in achieve the 18 week RTT and 62 day cancer standard.

The Trust is working together with its partners in primary, social and community care and has taken a number of actions to ensure that urgent patients can be treated within the right setting and to tackle the high number of delay transfers of care as a priority. An urgent care and planned care board with senior leadership across the whole health economy are established and during January 2017 two urgent care centres were set up on both sites. To ensure elective patients can also be treated whilst the Trust has high emergency pressures a number of patients have been offered alternative providers including the use of the independent sector and additional weekend working of elective theatre lists.

The table below summarises the position by category of contact for 2016/17 and demonstrates the inability of the Trust to deliver its elective work load to the plan set at the beginning of the year due to the constraints on the system and the emergency flow pressures as described.

	Actual	Plan	Difference
Elective in-patients	10754	14249	-3495
Day cases	51902	55599	-3697
Total electives	62656	69848	**-7192**
Non-elective in-patients	51036	51818	-782
Total inpatient/day cases	113692	121666	**-7974**

New outpatients	125316	132861	-7545
Follow up outpatients	345481	373825	-28344
Outpatient procedures	49883	50438	-555
Total outpatients	**520680**	**557124**	**-36444**
ED attendances (total)	**121309**	**114809**	**6500**
Births*	**4668**	**4711**	**-43**
Regular day/night attendees*	**109778**	**108451**	**1327**

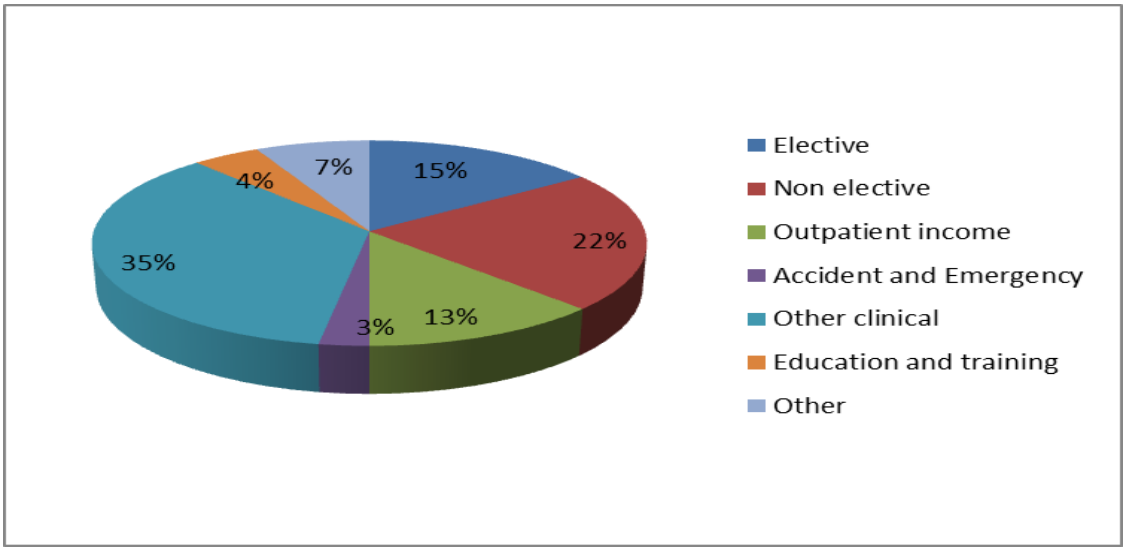
Our finances

We completed the year, having achieved a use of resources score of 3. The deficit before impairments of £25.4m was a significant worsening on the Trust's original plan and reflected the Trust's closure of Chorley ED for safety reasons. The Trust's control total was amended to recognise this cost pressure, increasing from £10.4m to £15.4m.

Income Generation

During 2016/17 we received £409m from patient care. A further £55m was generated from training levies, research funding, car parking, catering and retail outlets and from providing services to other organisations. Changes to national and local tariffs benefitted the Trust during the year and resulted in increases in income received.

Income Analysis

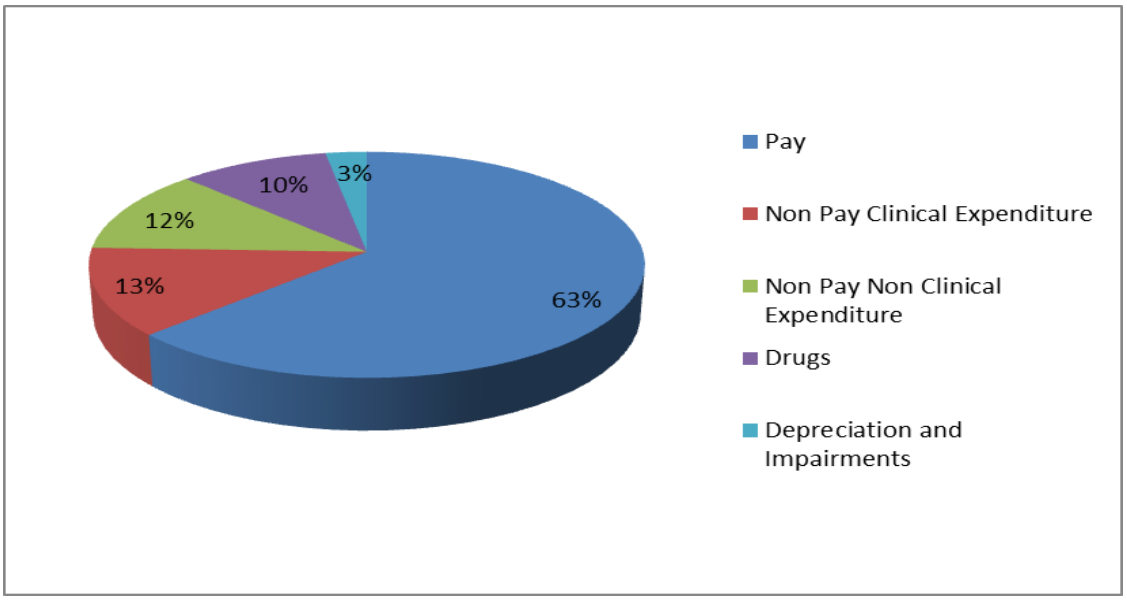


Expenditure

Operating expenditure (excluding impairments) was £479m, an increase of 2% on 2015/16. The largest element of the rise in costs can be attributed to staff costs and reflects the ongoing difficulties the Trust has experienced in recruiting substantive staff.

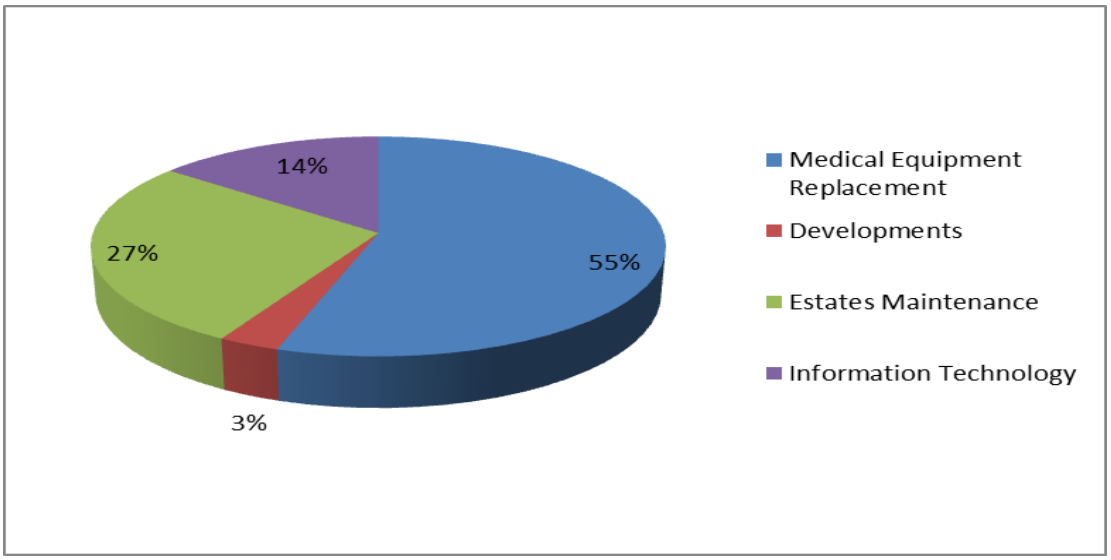
The challenging target for Performance and Efficiency savings of £25m was achieved by means of initiatives across the whole organisation including more efficient purchasing of consumable items and drugs and improving processes through the use of technology.

Expenditure Analysis



Capital Investment

£9m was spent in 2016/17 on maintaining the asset base of the Trust as illustrated in the chart below. With the current level of national austerity capital expenditure has been managed to the replacement of essential items.



Better Payment Practice Code (BPPC)

We aim to treat all suppliers ethically and we are working towards compliance with the Confederation of British Industry's BPPC target, which is that we should aim to pay all valid invoices by the due date or within 30 days of receipt of a valid invoice, which is later. For 2016/17 we paid 94% of invoices to this timescale.

Being a Good Corporate Citizen

The Trust works in a number of ways to control the physical impact it has on the environment and surrounding neighbourhoods. One key aspect is through benchmarking as this helps to develop the direction for change and subsequent investment. The recent NHS Estates and Facilities dashboard released in January 2017 as part of the Carter review reports the Trust as being better than the

equivalent Trust median for energy consumption and cost, which given the age of the estate is a positive reflection on past investment decisions.

With respect to the physical impact, over 2016/17 the Trust continues to:

- Maximise the benefits of the Combined Heat and Power plants on its two hospital sites. First installed circa 7 years ago the Trust uses this equipment to generate over 50% of its own electricity on the two sites. This reduces the Trust's overall carbon footprint as well as avoiding significant cost in the purchase of electrical energy from the National Grid. A more subtle benefit is that the Trust reduces its impact on the local electrical infrastructure, releasing spare electrical capacity for the benefits of other developments within the surrounding areas.

- The use of CHP continues to allow the Trust to reduce its energy bill by circa £ 800k per year.

- Construct buildings to the highest Building Research Establishment Efficiency Assessment Methodology (BREEAM) possible.

- Invest in the use of LED lighting whenever possible as replacement or in any new developments.

- Start to introduce other modern and more efficient technology which includes more efficient electrical transformers and pumps to help reduce carbon emissions and lower costs.

- Continue to provide transport between our two sites at a cost of £ 100k per year – the purpose being to reduce the impact of travelling and single car usage.

- Develop a car parking strategy and supporting infrastructure to allow for more on site patient parking, provide sufficient parking spaces for staff and reduce traffic flow problems at peak periods on Sharoe Green Lane.

- The Trust is actively working with other Health organisations collaboratively in an effort to share working practices which will promote more efficiency and enhanced economic saving opportunities. This will offer a more regional strategic strategy approach to be developed.

Social, community and human rights issues

Many of our departments have supported our work familiarisation programme for 9 years now. Students with learning difficulties from Runshaw, Cardinal Newman College, Preston's College and Sir Tom Finney School attend timetabled activities to learn about different job roles. Some sessions include a 'behind the scenes' tour. One example is the Catering session where students get the chance to see how the kitchen staff prepare thousands of meals for staff, patients and visitors at the Trust. We now run this programme twice a year seeing 36 students complete every 12 months, totalling over 300 students completing this programme since the first pilot. With the support from various departments we have been able to invite more colleges and schools to take part in this programme and expand it to a wider audience.
Every programme ends with a celebration where students are awarded for their commitment. The programme continues to be extremely popular and very successful with both the Trust and the Colleges involved.

We have continued with our commitment to offer work experience placements to young people across Chorley, Preston and South Ribble and over 200 individual placements have been organised this year. We are also supporting college curriculum by providing students requiring work based hours as part of their study programme, in particular Health and social care students and those studying business and administration.

Since 1st April 2016 the Trust has started 108 apprentices which is an increase on the previous year of 192%. We are now offering more apprenticeship opportunities than ever before and an ever increasing range of apprenticeships. We now offer 17 different types of apprenticeships in both clinical and non-clinical roles in occupations from Accountancy to Pre-Nursing. Our apprenticeship offer continues to grow and we will start our new 'bespoke' car parking attendant apprenticeship in the coming weeks.

2017 will see significant changes to apprenticeships with the introduction of the Apprenticeship Levy and the 2.3% Public Sector target for apprenticeship starts. For the Trust that means we are expected to have at least 161 apprenticeship starts each and every year. Whilst this presents a challenge there are also some real opportunities to introduce the next generation to careers in the NHS and to support our existing members of staff to develop new skills that will support them in their roles. The biggest opportunity we have embraced is to become a training provider for apprenticeships.

The preparation for nursing programme continues to grow from strength to strength. We have 2 students from the pilot programme now on our BNAP degree programme. With 30 places on offer we invite applications from students in their second year of the health and social care programmes at Preston, Runshaw and Cardinal Newman Colleges. The programme runs for 7 weeks and includes a range of activities to help the students make informed choices about nursing careers. In addition to attending the course, the students committed to one shift a week as a 'buddy' to a healthcare assistant.

We have continued to offer the Preston Widening Access Programme which supports young people to access a career as a doctor. This is another extremely popular and successful programme that now offers 40 places to A level students from our local colleges and sixth forms following an application process. This September will see 4 of our pilot PWAP students starting at the Trust for

their clinical years as Manchester medical students. A further 6 will be moving into their 2nd year and we have 15 students waiting to hear the outcome of their interviews for a provisional offer.

In March 2016 we held a 'Professions in Health showcase' where over twenty of our departments provided activities and gave careers guidance to high school and college students. This year's event will be extended to incorporate more stands from a broader variety of departments such as domestic services, human resources, finance and IT. Over 300 students, parents and public members attended the event last year and we anticipate many more this year as word of our event spreads for the next event on 20th April 2017.

The Trust is committed to providing NHS career opportunities to people from all backgrounds and abilities. As a large employer we also take some responsibility to support the local community who are unemployed back into work. The Trust has proudly supported the Pre-employment programme in partnership with Skills for Health and Prestons' college for the last 4 years. The aim of the programme is to support unemployed adults move into employment by providing them with a period of training hosted by the college, followed by a valuable work experience placement within our Trust. Since the first programme back in 2013 our support services has offered placements to 40 candidates with 28 of these gaining employment either with the Trust or externally as a direct result of the programme. Later this year we launch a new similar programme aimed at 18 – 24 year olds who are Not in Employment or Educational Training (NEET).

Organisational development (OD) within the Trust continues to advance, with recognition being given to the value it can bring in helping to transform the culture of the organisation and ultimately inspire, engage, facilitate, motivate and develop staff. The aims of the refreshed organisational development strategy (2015 – 2017) are to continue to facilitate the evolvement of a culture in which staff are empowered, involved and engaged. This includes continuing to deliver a wide range of leadership development interventions, which utilise blended learning methodologies in order to equip managers and leaders at all levels with the skills they need to lead high performing teams and be able to bring about service improvements. We have also continued to build the capability and capacity of our staff by further developing talent management and succession planning processes to ensure the future success of the organisation.

Health and safety performance

It is our policy to safeguard the health and safety of our employees, patients, visitors and anyone who may be affected by its activities. There are a number of committees that receive Health & Safety reports – those being:

Risk Management Committee

Whilst the Risk Management Committee was a board sub-committee during 2016/17, from April 2017 became an operational group reporting into the Safety and Quality Committee (which is one of the board sub-committees). This committee receives all aspects of clinical and non-clinical risk, including health and safety information primarily associated with the physical environment.

During 2016/17 we have strengthened our risk management arrangements and our approach to assurance encouraging Divisions to identify both the risks through their Divisional risk registers and the mitigation to manage the risk in lieu of any immediate investment. Each Divisional Director reports on a half yearly basis on their high and significant risks within their divisional risk register to the Risk Management Committee and are expected to actively demonstrate their approach to risk management throughout the preceding 6 months.

Health and Safety Committee

Supporting the function of the Risk Management Committee is our health and safety committee, which is made up of both union and non-union health and safety representatives from departments throughout our organisation. The committee also includes advisors with expertise in health and safety, fire and security.

The health and safety committee meets regularly to receive reports from all areas, and provides an opportunity for managers and staff to raise concerns and issues about health and safety. This group used to report to the Safety Environment Group (SEGs) – which was disbanded in the summer 2015. In lieu of this the Divisional Director of Estates and Facilities provides a monthly update to the Risk Management Committee on issues that affect the physical environment.

Further supporting the Risk Management Committee is a series of operational groups with Terms of Reference that seek assurance on the safe management of areas such as:

- Control of fire including the management of the physical environment
- Water Management
- Asbestos Management
- Catering
- Control of Contractors
- Infrastructure

Many of the issues that arise in the Clinical Divisions relate to the replacement of medical equipment. We have introduced stronger procedures to ensure we focus limited financial resources on the highest risks. This is achieved through the joint review of equipment assessment by the Clinical Division and Medical Engineering. The review is initially considered in the Medical Devices Committee and then further assessed by the Clinical Equipment Procurement Group (CPEG). The procurement list was presented and signed off by the Finance Investment Committee as part of the overarching review of the capital programme.

Safety and Quality Committee

This is a board sub-committee, which has a wide agenda receiving all aspects of clinical health and safety information. There is a broad representation from each of the Divisions including Estates and Facilities. They have reported positively on aspects such as:

- The People Led Assessment of the Clinical Environment (PLACE) with high/good scores ensuring the Trust sit in the upper quartile for most areas
- Strong results following the introduction of robust systems linked to the management of the Strategic Decontamination of medical equipment
- Ongoing strong results on monthly cleaning figures
- Successful external inspection of our catering environments by the Local Authority Environmental Health Officers resulting in the receipt of 5 * (highest) ratings in many of our environments

Other areas that we have reviewed and/or tested in the last year include:

- A Major Incident exercise was conducted in March 2016 to test our capacity to respond to a mass casualty event. The exercise identified a number of issues which, coupled with the learning from the real experience of the Paris attacks in 2015, has identified how we can improve our existing plans. These improvements will be made in the forthcoming year.

- The Trust continues to assess itself against the national core standards for emergency planning resilience and response (EPRR). One aspect of the core standards is to ensure all on-call staff are fully trained to respond to a Major Incident. Linking to the outcomes of the exercise in March, the Trust will now implement a revised training programme to ensure staff are aware of the changes to our plans.

The Trust has received no prohibition or enforcement notices from any of the regulating authorities but to consolidate our position and to ensure ongoing regulatory compliance, a “deep dive” series of audits across our safety managements systems will be completed during 2017/18.

This Performance Report is signed on behalf of the board of directors by:

Karen Partington
Chief Executive
25 May 2017

ACCOUNTABILITY REPORT
2016/17

DIRECTORS' REPORT

The directors present their annual report on the activities of Lancashire Teaching Hospitals NHS Foundation Trust.

This directors' report is prepared in accordance with:

- sections 415, 416, 418 and 419 Companies Act 2006 (section 415(4)-(5) and sections 418(5)-(6) do not apply to NHS foundation trusts)
- Regulation 10 and Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. All the requirements of schedule 7 applicable to the Trust are disclosed within the report
- additional disclosures required by the Treasury's Financial Reporting Manual
- additional disclosures required by Monitor in its Annual Reporting Manual 2014/15.

Our Board of Directors

Our board of directors is a unitary board, and has a wide range of skills with a number of directors having a medical, nursing or other health professional background. The non-executive directors have wide-ranging expertise and experience, with backgrounds in finance, audit, estates, property, healthcare, business development, organisational development and research. The board believes that it is balanced and complete in its composition, and appropriate to the requirements of the organisation.

Please note that (I) indicates that the non-executive director is considered independent.

Sue Musson, Chairman (I)
Appointment: 3 Jan 2017 to 2 Jan 2020
Sue's executive career has encompassed a number of roles focused on economic development, business development and consultancy within the UK and Europe, including the role of Managing Director of consultancy firm, Firecracker Projects Limited. She has considerable experience of dealing with change management, strategic planning, research and building sustainable partnerships with agencies such as local authorities and universities. Sue was the Chair of Southport and Ormskirk NHS Foundation Trust before joining us; she has also held NHS Non-Executive Director and Senior Independent Director roles at Alder Hey Children's NHS Foundation Trust and at Bridgewater Community Healthcare NHS Foundation Trust. She has served as a Patient Representative for the National Joint Registry for five years, a role that keeps her close to the patient experience. Other than involvement in her consultancy firm, Firecracker Projects Ltd, Sue has no other significant commitments.

Michael Welsh, non-executive director (I)
Appointment: 1 May 2013 to 30 April 2019
After studying law at Oxford, Michael became an international marketing executive with British and American companies. From 1979 to 1994 he was Member of the European Parliament for Lancashire Central and then County Councillor for Preston North East from 1997 to 2013. He served as Chairman of Chorley NHS Trust from 1994 to 1998 when it merged with Preston to form Lancashire Teaching Hospitals and was an appointed governor of the combined Trust from 2009 to 2013. Michael is the Senior Independent Director and the Chair of the Trust's Finance and Investment Committee.

Tim Watkinson, non-executive director (I)
Appointment: 1 April 2016 to 31 March 2019
Tim is a qualified accountant with over 25 years' experience in senior audit positions in the public sector. He was previously the Group Chief Internal Auditor for the Ministry of Justice and prior to that was a District Auditor with the Audit Commission, including terms of office in Lancashire County Council, Preston City Council and Chorley Borough Council. Tim has led national teams and taken a lead role for the Audit Commission in the development of methodology for improving the performance of local authorities. Tim has 10 years post qualification experience of working in major accountancy firms providing audit and consultancy services to the public sector including the NHS. He has also been employed as an accountant and a Chief Internal Auditor in the NHS. Tim is the Chair of the Trust's Audit Committee.

Tony Gatrell, non-executive director (I)
Appointment: 1 Feb 2014 to 31 Jan 2020
Tony is an academic who has worked at Lancaster University since 1984. From 2008 to 2014 he was Dean of the Faculty of Health and Medicine. He has a first class honours degree in Geography from Bristol University and a PhD from Pennsylvania State University. His research and teaching interests lie in epidemiology and the geography of health care provision, but with an underlying interest in health inequalities. He has published widely on these topics, with many health professionals. Tony is passionately committed to joint working across the University-NHS interface, with a particular focus on the innovation agenda. Tony is a member of the Trust's Education, Training and Research Committee.

Alastair Campbell, non-executive director (I)
Appointment: 1 November 2015 to 31 October 2018
Alastair was a Consultant Paediatrician at Lancashire Teaching Hospitals NHS Foundation Trust from 1985 until his retirement in 2011, during which time he oversaw many developments in both the Paediatric and Neonatal Departments. He was also our Medical Director for four years from 2005. Alastair has held roles within the Royal College of Paediatrics and Child Health, the General Medical Council (revalidation and certification appeals), the Parliamentary and Health Service Ombudsman (Expert Clinical Advisor) and more recently the Care Quality Commission where he was a Paediatric Clinical Advisor on inspection teams. He is particularly interested in clinical governance and chairs our Safety and Quality Committee.

Shamim Mahomed, non-executive director (I)
Appointment: 1 Aug 2009 to 31 Mar 2017
Shamim is a qualified accountant with over 20 years' experience and is responsible for the establishment of a successful accountancy firm. Her previous roles have included serving as the President of the North West Society of Chartered Accountants. At the end of 2016/17 Shamim retired from her role as non-executive director after reaching the maximum nine years as a non-executive director of the Trust.

Karen Partington, Chief Executive
Permanent post
Karen was appointed as Chief Operating Officer of Lancashire Teaching Hospitals NHS FT in 2008 and became Chief Executive on 1 October 2011. A nurse by background, she has over 30 years' experience in the NHS, working in acute hospitals in Wales and the North West of England. Karen is Chair of the Risk Management Committee. In 2017, Karen received some well-deserved recognition in the form of a mention in the Health Service Journal's 'Top 50 NHS Trust's Chief Executives'.

Suzanne Hargreaves, Operations Director
Permanent post
A nurse by background, Suzanne's career with us spans over 20 years during which time she has undertaken a variety of both clinical and managerial roles, including as an emergency department nurse. Prior to her appointment as Operations Director, Suzanne was our Divisional Director of Emergency and General Medicine. As Operations Director, Suzanne is responsible for the delivery of our operational services.

Paul Havey, Finance Director/Deputy Chief Executive
Permanent post
Having worked at Finance Director level within the NHS for more than 20 years, Paul is responsible for the strategic leadership and management of the Trust's finances. He is also the executive lead for Information Management and Technology and our senior information risk owner.

Mark Pugh, Medical Director
Permanent post
Mark is an active clinician and continues to work as a Consultant in Intensive Care and Anaesthesia and joined us in 2002. He has been actively involved in teaching and education and was Hospital Dean from 2011 until his appointment as Medical Director in 2015. Mark is also our Caldicott Guardian.

Gail Naylor, Nursing and Midwifery Director
Permanent post
Gail joined the Trust on 1 April 2016. Gail has worked in a variety of clinical roles during her career, as well as leading and managing teams in a number of senior leadership positions in the NHS. Gail was previously the Director of Nursing and Midwifery at North Cumbria University Hospitals NHS Trust, and had the same role at Liverpool Women's NHS Foundation Trust for five years before that.

Carole Spencer, Strategy and Development Director
Permanent post
Carole has more than 23 years' experience of working in the NHS and was involved in the development of the very first NHS trusts in the 1990s. She has held a number of directorships, including Director of Planning at Alder Hey, and prior to joining us Carole was at Stepping Hill Hospital in Stockport. As Strategy and Development Director, Carole is responsible for leading the development of business and clinical strategy, annual planning and the commissioning and contracting of clinical and non-clinical services.

Karen Swindley, Director of Workforce and Education
Permanent post
Karen was appointed to the role of Director of Workforce and Education in November 2011, having previously worked as Associate Director of Human Resources Development in the Trust since 2001. Having been employed in the NHS for over 23 years, she has held a number of senior posts in education, training and organisational development both in the NHS and the private sector. She is responsible for the strategic leadership and management of human resources, training and education, corporate communications and research.

Board members whose term of office ended during 2016/17

Stuart Heys, previous Chairman (I)
Appointment: 3 Jan 2008 to 2 Jan 2017
Stuart retired from his role as Chairman after reaching the maximum nine years as a non-executive director of the Trust.

Stephen Ashley, previous vice chairman/non-executive director (I)
Appointment: 1 Aug 2013 to 31 Dec 2016
Stephen served three and half years as a non-executive director of the Trust when his term of office came to an end on 31 December 2016.

Appointment and removal of non-executive directors

Appointment and, if appropriate, removal of non-executive directors is the responsibility of the council of governors. When appointments are required to be made, usually for a three-year term, a nominations committee of the council oversees the process and makes recommendations as to appointment to the full council. The procedure for removal of the chair and other non-executive directors is laid out in our constitution which is available on our website or on request from the Company Secretary.

Division of responsibilities

There is a clear division of responsibilities between the Chairman and the Chief Executive. The Chairman ensures the board has a strategy which delivers a service that meets the expectations of the communities we serve and that the organisation has an executive team with the ability to deliver the strategy. The Chairman facilitates the contribution of the non-executive directors and their constructive relationships with the executives. The Chief Executive is responsible for leadership of the executive team and for implementing our strategy and delivering our overall objectives, and for ensuring that we have appropriate risk management systems in place.

Declaration of interests

All directors have a responsibility to declare relevant interests, as defined within our constitution. These declarations are made to the Company Secretary, reported formally to the board and entered into a register which is available to the public. The register is also published on our website, and a copy is available on request from the Company Secretary.

Independence of directors

The role of non-executive directors is to bring strong, independent oversight to the board and all non-executive directors are currently considered to be independent. We are committed to ensuring that the board is made up of a majority of independent non-executive directors who have the skills to challenge management objectively. There is also a strong belief in the importance of ensuring continuity of corporate knowledge, whilst developing and supporting new skills and experience brought to the board by new non-executive directors.

Decisions on reappointments of non-executive directors are made by the council of governors. A reappointment of a non-executive director beyond six years is based on careful consideration of the continued independence of the individual director and recognising the need to introduce new skills to the board. Non-executive directors who are appointed beyond six years are always subject to annual reappointment, and the maximum term of office is nine years in aggregate, in line with the Trust's constitution.

In recognition of our role as a teaching hospital, one of our non-executive director posts is held by a university representative. This allows the post holder to use their detailed knowledge and their experiences within the field of academia to play a key role on the board. Professor Tony Gatrell, a

lecturer at Lancaster University, was appointed to this post in February 2014. An added strength in understanding the need to remain independent was the fact that Professor Gatrell had prior experience as a foundation trust governor, allowed him to appreciate the need to remain independent.

Attendance summary

Name of director	A	B	Percentage of meetings attended
Sue Musson, Chairman (from 3 Jan 2017)	3	3	100%
Stuart Heys, Chairman (up to 2 Jan 2017)	9	9	100%
Karen Partington, Chief Executive	12	11	91.66%
Paul Havey	12	11	91.66%
Suzanne Hargreaves	12	10	83.33%
Gail Naylor	12	10	83.33%
Carole Spencer	12	10	83.33%
Mark Pugh	12	10	83.33%
Tony Gatrell	12	11	91.66%
Michael Welsh	12	12	100%
Shamim Mahomed	12	9	75%
Alastair Campbell	12	11	91.66%
Tim Watkinson	12	10	83.33%
Stephen Ashley (up to 31 Dec 2016)	9	5	55.55%

A = maximum number of meetings the director could have attended
B- = meetings attended

Evaluating performance and effectiveness

In March 2014 the board commissioned Deloitte to undertake an external review of its governance, using Monitor's consultation document on board governance reviews as the framework for this work. The final report from this review was received during May 2014. The board was satisfied with the independence of this work, as Deloitte, which was selected after a competitive tendering exercise, do not have any other connections with the Trust and have not undertaken any similar work for us in the last five years. The recommendations from this review were implemented during 2014-15.

Our next external review of governance is due during 2017/18. In preparation for this, during 2016/17 the Trust Board carried out a fresh self-assessment of its governance arrangements and developed an action plan, of which progress is monitored and evaluated at Risk Management Committee meetings on a monthly basis. Furthermore, in December 2016 the Board held a development day following which a formal board development programme has been implemented for 2016/17 and 2017/18, which is tracked and monitored by the board on a quarterly basis. At board sub-committee level, we also carry out annual effectiveness reviews during Quarter 4.

With respect to individual performance, a robust appraisal process is in place for all board members and other senior executives. The chairman appraises the chief executive, and the chief executive carries out performance reviews of the other executives. Annual performance reports of senior

executives are provided to the appointments, remuneration and terms of employment committee (consisting of non-executive directors).
The Chairman undertakes an annual performance review of non-executive directors using our non-executive director competency framework and the outcomes of these appraisals are provided to the nominations committee (consisting of governor representatives) as well as the full Council of Governors.

Understanding the views of governors and members

Directors develop an understanding of the views of governors and members about the organisation through attendance at members' events, the annual members' meeting and council of governors meetings and linkages with the council sub-groups. During 2016/17 we have focused on developing the relationship between the board and governors through a number of ways, including the following:

(i) we encourage governor attendance at board meetings (in the capacity of observer) by maintaining a rota system and having governor attendance recorded within board minutes,

(ii) our 'Governor Brief' publication which provides details of recent governor activity and involvement is shared with board members so that board members are aware of governor involvement,

(iii) there is non-executive director representation at each of our core governor sub-group meetings,

(iv) board members are invited to every Council of Governors' meeting and non-executive directors in particular have a standing agenda item in which they are required to comment on the Trust's performance and governors have the opportunity to ask them questions and seek assurances that non-executive directors are holding the executive team to account; and

(v) as part of the Trust's forward planning process, the board and the council of governors have a joint interactive workshop where board members and governors review the Trust's priorities for the year ahead and governors provide feedback from members and the wider public on such priorities (this year's session taking place in September 2016).

The Modern Slavery Act 2015

The Trust has zero tolerance to slavery and human trafficking and is committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our service. The Trust is fully aware of the responsibilities it bears towards patients, employees and the local community and as such, we have a strict set of ethical values that we use as guidance with regard to our commercial activities. We therefore expect that all suppliers to the Trust adhere to the same ethical principles.

The summary below sets out the steps the Trust is taking to ensure that slavery and human trafficking is not taking place in our supply chains or in any part of our service:

- **Assessing risk related to human trafficking and forced labour associated with our supply base:** we do this by supply chain mapping and developing risk-ratings on labour practices of our suppliers to understand which markets are most vulnerable to slavery risk.
- **Developing a 'Supplier Code of Conduct':** we will issue our Supplier Code of Conduct to our existing key suppliers as well as those that are in a market perceived to be of a higher risk (for example, Catering, Cleaning, Clothing and Construction). The Supplier Code of Conduct will also be included within our tendering process.

- **Monitoring supplier compliance with the Code of Conduct:** we will request confirmation from all our existing and new suppliers that they are compliant with our Supplier Code of Conduct.
- **Monitoring supplier compliance with the Act:** we will request confirmation from our key suppliers that they are compliant with the Act.
- **Training and provision of advice and support for our staff:** we are further developing our advice and training about slavery and human trafficking for Trust staff through our Safeguarding Team to increase awareness of the issues and how staff should tackle them.
- **Monitoring contracts:** we continually review the employment or human rights contract clauses in supplier contracts.
- **Addressing non-compliance:** we will assess any instances of non-compliance with the Act on a case-by-case basis and will then tailor remedial action appropriately.

Directors' declaration

All directors have confirmed that, so far as they are aware, there is no relevant audit information of which the auditor is not aware and that they have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the NHS foundation trust's auditor is aware of that information.

All directors understand that it is their responsibility to prepare the annual report and accounts, and that they consider the annual report and accounts, taken as a whole, to be fair, balanced and understandable, and to provide the information necessary for patients, regulators and other stakeholders to assess the performance of Lancashire Teaching Hospitals NHS Foundation Trust, including our business model and strategy.

If you would like to make contact with a director, please contact the Company Secretary by email: company.secretary@lthtr.nhs.uk, Tel: 01772 522010.

Also available on our website:

Register of directors' interests
Director biographies
Statement on the division of responsibilities between chairman and Chief Executive

Quality Improvement

Below highlights some of the key developments made by the Trust to improve service quality and an overview of the Trust's arrangements in place to govern service quality. Additional information on quality is available in our quality report on page 101 and within our annual governance statement on page 73.

Major service developments

We have worked with partner agencies to produce a series of public and stakeholder engagement events over the past 12 months, to hear people's views about how health and care should be configured in the future. Our Health Our Care is the Local Delivery Plan for central Lancashire, and we are currently working towards producing a range of options for the future provision of services. The views shared by our local population have provided valuable insight to inform the development of options for the future.

In partnership with Lancaster University and Lancashire Care Foundation Trust, in spring 2016 we opened the Lancashire Clinical Research Facility, which provides a dedicated and comfortable environment for research participants to take part in high quality clinical research trials. This new facility will enable us to continue to lead national and international research, including dementia, childbirth and cancer studies. The facility has been officially designated as a National Institute of Health research centre, confirming the quality of research activity undertaken, and securing long term funding for Trust research.

We worked hard to reinstate the emergency department at Chorley and South Ribble Hospital in January 2017, a notable achievement given the continuing national shortage of emergency medicine doctors. Along with the new 24 hour a day, seven day-a-week urgent care centres which have opened at both hospitals, local people can now access a wider range of services for acute and serious illness and injury.

We were delighted to celebrate the 20th anniversary of providing radiotherapy this year, and are thankful for Rosemere Cancer Foundation's support to secure a state of the art surgical robot, which means our patients throughout the region can now receive the very latest cancer treatment.

In order to enhance both the patient experience and create a more dementia friendly environment, extensive work has been undertaken on both Rookwood A and Rookwood B wards at Chorley and South Ribble General Hospital to create dementia friendly wards. The concepts that were developed as part of this scheme have been deployed in other areas such as wards 14 and 16 at the Royal Preston Hospital and in Brindle Ward at Chorley and South Ribble General Hospital. Work continues on the use of dementia concept principles as part of the Trust's maintenance and capital schemes, which assist the Trust in both its PLACE and CQC evaluations.

During 2016/17 other major service developments included:

- Investment in a highly-specialised camera to take digital images of the retina in premature babies, who are at risk of developing a sight-threatening condition known as Retinopathy of Prematurity (ROP)
- Establishment of a dedicated social space for vascular patients to support them to mobilise after their operation, and aid recovery.
- Establishment of ambulatory care pathway at Chorley and South Ribble Hospital.
- Implementation of a clinical utilisation review tool, which is a new system to monitor the progress of every single patient, every day.

Research

In 2016/17 Research has continued to grow and develop in line with the ambitious strategy set out the previous year. Highlights include:

- This year Lancashire Teaching Hospitals have recruited a total of 2087 participants on to research studies with 1931 being on the National Institute of Health Research (NIHR) portfolio.
- We have opened 41 new studies.
- The Trust have recruited the first patient into a study within 70 days of receiving a valid application 80% of the time and have averaged 4.6 days from receipt of valid application to opening a trial.
- April 2017 saw the opening of the Lancashire Clinical Research Facility with 16 patients attending in the first month. The average occupancy has been 31% which is a solid baseline on which to build.
- In November the Trust learnt that they had been successful in their bid for designation as a National Institute of Health Research (NIHR) Experimental Medicine Centre for the CRF – this means 5 years of infrastructure funding and significant credibility internationally as a quality facility for delivering world class experimental medicine research.
- The CRF has already attracted cross-sectoral funding to secure its sustainability and growth.
- The Lancashire CRF was a finalist in the North West Coast Research and Innovation awards 2017.
- Dr Alison Birtle, Clinical Oncologist and Chief Investigator of the POUT Study, was shortlisted as a Clinical Research Role Model at the North West Coast Research and Innovation awards 2017.
- The Cancer Research Nurse team have been shortlisted for an RCNi award for Excellence in Cancer Nursing.
- The Academic Faculty – a partnership between the Trust and the University of Central Lancashire (UCLAN) supporting the development of clinical academic careers for nurses and AHPs – launched the RaCES initiative. The Rapid Conversion Evidence Summaries programme supports teams in rapidly converting new systematic reviews into evidence summaries to inform practice.
- The Academic Faculty devised innovative Clinical Academic Trainee (CAT) posts combining clinical posts with protected academic time supporting nurses and AHPs to access a structured academic programme equipping them with the skills to conduct research and implement changes into practice.
- The Trust has begun work to expand its tissue banking capability and has broadened its regulatory approvals to include consent for CSF samples further enhancing the potential for a world class neurosciences research collaborative within the region.

- The Trust took on research governance sponsorship of its first multi-centre research study growing capacity in the Lancashire and South Cumbria area to lead research and innovation.
- As a reward for demonstrating excellence in the set up and delivery of clinical research, the Trust was awarded Super-Site states by the Clinical Research Organisation (CRO) MedPace which has resulted in an increase in the volume of commercially sponsored trials made available to patients accessing care through Lancashire Teaching Hospitals.

Patient care

We have continued our efforts to improve patient experience despite the significant pressures on services and healthcare targets. Further information on these areas can be found in the Quality Report.

We listen to our patients in a number of ways, and to gather their feedback to help improve services. We do this in many ways, including:

- through our governors and members
- through our patient advice and liaison service (PALS)
- by reviewing the complaints and compliments we received
- by listening to patient experience feedback from public websites, patient feedback devices, consultation and dedicated focus group events
- through our “friends and family test” results

Our PALS team works with clinical and departmental staff to try to resolve concerns at the earliest opportunity, in order to avoid an escalation to the formal complaint process wherever possible. They do so by:

- providing information to patients, carers and relatives
- resolving problems and concerns before they escalate
- providing data about the experiences of patients, their relatives and carers, to inform improvements in the quality of services
- informing people about the complaints procedure and how to access it
- acting as an early warning system for the Trust
- working in partnership with the PALS teams of other healthcare providers

In 2016/17, 1704 concerns, raised by patients or their families/carers, were dealt with by the PALS team (to February 2017). This figure is consistent with 2015/16 performance which had increased by 12% on the previous year, suggesting that the improved performance has been sustained through the ongoing engagements with patients and staff within the wards and departments as well as through the office.

Complaints

Consistent with the NHS regulations for complaints management introduced in April 2009, we agree with all complainants how an investigation into their complaint will be conducted and when they can expect to receive a written response. During 2016/17 the Trust received 595 formal complaints, twenty more than in 2015/16. The increase in the number of complaints in the context of a reduction in activity means that the rate of complaints has increased slightly from 0.69/1000 patient contacts to 0.74/1000 patient contacts since 2015/16 for the first time in four years. It should be considered that this may be reflective of efforts during 2016/17 to raise awareness of how to make a complaint.

Year	Complaints received	Increase/reduction
2012-13	593	
2013-14	582	-11
2014-15	579	-3
2015-16	575	-4
2016-17	595	+20

In 2016/17 the Trust received one formal complaint for every 1329 patient episodes compared to 1 in 1406 during 2015/16. Prior to this year, the Trust has seen a year-on-year reduction in the rate of complaints as can be seen:

Year	No of complaints	Total episodes (IP/OP)	Ratio of complaints to episodes
2012-13	593	715670	1:1207
2013-14	582	718264	1:1234
2014-15	579	798490	1:1379
2015-16	575	808431	1:1406
2016-17	595	790696	1:1329

The NHS Complaints Regulations determine that all complaints should be acknowledged within three working days of receipt. In 2016-17, 100% of complainants received an acknowledgement within that timescale.

Of the 595 complaints received, 477 (80.2%) related to care or services provided at the Royal Preston Hospital (RPH), 112 (18.8%) to care or services provided at Chorley and South Ribble District General Hospital (CDH) and 6 at the Specialist Mobility Rehabilitation Centre. 2 further complaints related to care or services provided offsite.

608 formal complaints were closed during 2016/17. The investigations that were undertaken into those closed complaints concluded that 170 (28%) were upheld, 267 (44%) were partly upheld and 171 (28%) had not been upheld. The percentage of complaints upheld or partly upheld increased marginally this year (from 66.4% to 72%).

Second letters are often received as a result of dissatisfaction with the initial response or as a result of the complainant having unanswered questions. In 2015-16, 9% of the complaints received by the Trust resulted in second letters requiring further investigation and response. During 2016/17 only 6.4% of complaints have results in second letters being received.

Year	%age of second letters
2014-15	12%
2015-16	9%
2016-17	6.4%

Complainants have the right to request that the Parliamentary and Health Services Ombudsman (PHSO) undertakes an independent review into their complaint in those instances where local resolution has not been achieved. During 2015-16, 18 complaints were referred to the PHSO. In 2016 the PHSO announced that they would lower their threshold for investigation of complaints indicating that the number of investigations was likely to increase. In 2016-17, 17 complaints were referred to the PHSO. In that same period, the PHSO completed their investigations into 13 of the complaints that had been referred to them prior to April 2016 have also been closed. Of the complaints referred to the PHSO in 2016-17, 5 have been closed with 1 upheld, 3 not upheld and 1 withdrawn. Four complaints have been partly upheld, with 8 still under investigation.

The main issues described in complaints related to patient pathway issues such as delays and cancellations, clinical treatment or procedures undertaken, and issues relating to communication, specifically where we failed to communicate to patients or their care, and for the way in which information was communicated, particularly where complainants considered staff attitude to be poor.

In response to the feedback received and the findings of complaint investigations, a number of changes have been made during 2016-17 to further improve the quality of our services. These include:

- Improvements in the timeliness of falls risk assessments
- Strengthened arrangements for the referral, diagnosis and treatment of patients presenting with undiagnosed leg swelling
- Improved mechanisms for the delivery of enhanced care and support to vulnerable patients
- Improved compliance with duty of candour compliance in the Surgical Division
- Improved compliance with health record storage standards, reducing incidence of missing health records
- Enhanced monitoring and management arrangements for patients at risk of dehydration
- Development of a clinical pathway to relieve intractable nausea and vomiting
- Strengthened key worker arrangements for patients with gynaeoncology conditions
- Improvements in the management of patients with chronic obstructive pulmonary disease at point of admission and discharge
- Improved processes for the review of diagnostic results

During 2016-17 we recognised the need to strengthen our investigatory processes to improve the timeliness of our responses to complainants and to ensure consistent quality of the investigation. As a result and with consultation across the Trust, the complaints policy and processes have been revised and during 2017 a network of investigators trained to a consistent standard will undertake complaints investigations within a clear framework of accountability and assurance. The new policy will be available to view on the Trust website.

Patient experience feedback

Since 2008, the Trust has invested in systems for the collection of patient feedback over and above that provided by the national patient survey programme, complaints and compliments. Initially Patient Experience Trackers (PET) were utilised, providing feedback on four key experience questions. As our need for further detail increased, the Trust invested in a more flexible and sophisticated platform to provide more detailed feedback from patients. Between 2011 and 2016, over 32000 questionnaires were completed through this platform by patients accessing services.

However, during 2013 NHS England introduced the Friends and Family Test (FFT), asking people if they would recommend the services they have used and, as a result and to avoid duplication, the PET scheme was decommissioned in favour of FFT. When combined with supplementary follow-up questions, the FFT is designed to provide a mechanism to highlight both good and poor patient experience. The FFT scheme currently applies to inpatients, outpatients, those using maternity services, ED attenders, day case patients and outpatients. The Trust currently generates over 4000 responses per month through the FFT programme, a response rate of around 17.5% of patients surveyed.

Friends and Family test results and patient comments are available to wards and departments on a near real-time basis. Each ward area has a performance board displaying the feedback results and other quality indicators, and together they are used to identify areas for improvement within wards and across directorates. FFT informs assessment of ward performance that can result in the award of Beacon ward status for delivery of consistently high standards of care

As well as providing a good indicator of patient perception and experience, the results can also provide assurance around standards of care when analysed along with other data sources such as

complaints and PALS activity. Reports capturing all these indicators are regularly reviewed by the board of directors.

Unfortunately the 2016 national inpatient and the national emergency department survey results have not been published in time for this report, and publication is not expected before June. A survey of children and young people is in progress but will not be complete within the current financial year.

Compliments

The Trust receives many formal and informal compliments from patients and their families in relation to their experience of care. During 2016-17, a total of 7905 compliments and thank you cards were received by wards, departments and through the chief executive's office. It is recognised that the number may still be under reported and that the figure does not include the many compliments received through the NHS choices, the Patient Opinion websites and through the friends and family test. During 2016/17 over 35000 positive comments were received by the Trust through the Friend and Family Test facility alone.

Details of serious incidents

A serious incident is defined as a situation where one or more patients, staff members or contractors are involved in an incident which results in, or has the potential to result in, serious harm. It is important that organisations investigate and learn from such incidents, and that the board of directors is provided with an assurance that the circumstances are understood, corrective actions are taken and the likelihood of recurrence is reduced.

The board of directors monitors and reviews serious incident investigations and may commission high-level reviews of selected cases as necessary. This involves non-executive and executive directors working in conjunction with managers and clinicians to carry out a comprehensive review of events and formulating conclusions, recommendations and actions in response to the lessons learnt.

Patient and public involvement activities

The National Health Service Act 2006 places a duty on healthcare organisations to make arrangements to involve patients and the public in service planning and operation. We consider effective patient and public involvement (PPI) to be the key to delivery of high quality care and we will continue to ensure patients and the public are involved in major service changes and development. The Trust also recognises that PPI takes place at a number of levels, whilst feedback on service delivery and quality come from a variety of sources.

We have in place a patient and public involvement (PPI) strategy 2013/16 which clearly sets out our commitment to involving patients, carers and the public at various levels. This is carried out using a number of different approaches, including the use of our membership as well as engaging with local organisations, NHS agencies, statutory organisation, voluntary and community groups, local school and colleges. The strategy is currently under review.

During 2016/17, we engaged with patients, service users and external organisations associated with those who have hearing and sight problems to gather information as to how the organisation can better support access to services and information. This has allowed us to plan improvements to our outpatient areas. In the future this will provide audio and visual information to support patients and

service users. We have also consulted with the deaf community regarding access to British sign language interpreters and have successfully piloted a video sign language service which allows patients to be seen quicker in the emergency department. It is planned that this service will be rolled out to other areas across the hospitals in the coming year.

In the coming year we plan to work with our young people's services and consult on how we can make improvements within this area by gathering views on what is important for their care and treatment whilst in hospital. We will also be involving and consulting with carers to ensure support mechanisms are in place for them when their loved ones are in hospital.

Volunteers

The contribution made by our 700+ volunteers, who cover many areas on the two hospital sites, cannot be underestimated. They give their time so generously to support patients and their families. In recognition of the need for them to have a voice in the way the Trust is run. We recently appointed our new Volunteer Governor, Elizabeth Carberry, who has been a chaplaincy volunteer for a number of years.

We have a 3 year strategy in place to strengthen the contribution our volunteers make to the Trust and improve how we recruit, develop, manage and provide development opportunities. In the last year we have made significant improvements to the systems and process in place to support and manage our volunteers.

For 2017-18 we will be focusing on development of new volunteer roles such as Hospital to Home roles to support patient discharge. We will also be focusing on attracting younger volunteers to the Trust and reviewing our recruiting methods to include a greater profile on social media. We are now working more closely than ever with our nursing colleagues to ensure our volunteers support our clinical and nursing staff in the best way. We will be launching a new strategic working group on volunteers to involve clinical and allied health professional staff in developing new volunteer opportunities.

We will also continue to work in Partnership with external charities such as RVS, MacMillan, Families and Babies and will be strengthening our existing service level agreement in these areas.

Stakeholder relations

Efforts continue to promote good working relationships with stakeholders, including strengthening partners such as the local authorities and the clinical commissioning groups. The development of clinical services and improvements to patient experience are also helped by strong collaboration with other acute hospitals in Lancashire and beyond.

The Trust undertook engagement activity in 2016/17 to inform stakeholders (including the overview and scrutiny committee, local MPs and local authorities) of the reasons why the Trust had to temporarily downgrade the emergency department at the Chorley site to an urgent care centre in April 2016, and continued to update stakeholders as to the Trust's progress in recruiting the relevant staff to reinstate the department. e changes that required formal consultations with local groups and organisations including.

A system resilience group (SRG), with representatives from clinical commissioning groups, Lancashire Teaching Hospitals NHS Foundation Trust, Lancashire Care NHS Foundation Trust and Lancashire Social Services, acts as one of the vehicles to support collaborative working and allows strategic partners to look at issues collectively and identify joint solutions. This work includes examining ways in which unnecessary admissions and re-admissions can be prevented.

Healthy relationships with the GP community are essential and regular meetings are held with the chairs of the local clinical commissioning groups, as well as bi-monthly GP educational evenings. They have provided additional opportunities to enhance communications and work together to improve patient services and experience.

Clinical education and research play a key role in enhancing patient care and developing service innovation, and there are strong connections with a range of health education providers, as referenced elsewhere in this report, which allows us to maximise the benefits to patient services in relation to education, training, academia, research and innovation.

We have made some great strides during this year working with our partners to start to develop clinically and financially sustainable services for the future. This includes both longer term transformation work, and the ongoing system resilience and financial recovery work that has been undertaken.

In particular, the 'Our Health Our Care' programme of work has made significant progress during 2016/17. The Our Health Our Care programme has been established to look at how we could provide services in a different way across Chorley, South Ribble and Greater Preston to ensure that services continue to meet the needs of residents, both now and in the future. We know that demand and costs are rising, this is why partners across Central Lancashire have come together to ensure

that our services are constantly improving and sustainable for the future. The programme consists of representatives from NHS Greater Preston Clinical Commissioning Group, NHS Chorley and South Ribble Clinical Commissioning Group, Lancashire Care NHS Foundation Trust, Lancashire Teaching Hospitals NHS Foundation Trust, local councils, NHS England and specialist commissioners.

This programme fits within a wider planning context for the NHS. Within Central Lancashire, we have a Local Delivery Plan which contributes to the Sustainability and Transformation Plan (STP) for Lancashire and South Cumbria. The STP describes the required scale of change across the wider pan Lancashire footprint and the key priorities, and the Local Delivery Plan focuses on local priorities and local implementation. The Our Health Our Care programme provides the process through which we will together develop new models of care that are clinically and financially sustainable for the long term future within a more integrated health and care system for the population of Central Lancashire.

A programme mobilisation plan was agreed in March 2016, and the Programme Board then agreed the form, function and timescale for the Programme in August 2016. The Solution Design Process began in September 2016 and will harness expertise and ideas from clinicians and colleagues from all partner organisations, along with patients and public representation to help develop a number of alternative care models. These care models will be developed through clinically focused workshops and several engagement events with stakeholders and the public. The events will ensure that the public and staff are able to engage with and inform the co-design of their health and care system.

The purpose of the programme is as follows;

- Develop a new model of health and care for Central Lancashire that will ensure we are financially and clinically sustainable for the future

- Ensure the process is clinically led and we coproduce the model with the public and patients

- Use the process to design, validate and evaluate options for transformational change and a new model of care for the Central Lancashire Health and Care system

- Produce and gain approval from NHS England for a Central Lancashire pre-consultation business case.

Essentially, the programme is enabling a period of clinically led redesign of our health and care system, which has a parallel programme of work with our patients and public – and both feed into an overarching governance structure which includes both clinical and financial gateways for validation purposes. The Programme is supported by a central Programme Management Office (PMO), funded by the main partners, and located at Chorley House. This independent, dedicated team provide overall facilitation of the programme and its workstreams, supported by specialist external advisers where required.

With respect to public engagement, we have held four main periods of public engagement to date which have enabled us to co-design and test the emerging ideas with the public as they are developed. It is estimated that the total number of face to face engagements is at least 1,500. This includes the following;

- Engagement Events – 6 sessions at three phases in November, December and March 2016 (total 18 events)

- Targeted engagement - proactive engagement with community groups and specific representative groups. The bespoke engagement activity so far has ranged from 1:1 conversations with individuals at events, to small focus groups of 10 or 15 people, through to larger events and engagement with 150 to 200 people.

- There is also a proactive and prominent social media presence and website for the programme.

The public engagement process has been instrumental in enabling us to co-design and test the emerging models of care with our communities, and to understand what is important to them. In addition to the public engagement events, we have held a number of stakeholder briefings throughout the process including local MPs and local elected members.

The next steps for the programme in 2017/2018 include undertaking a further Solution Design Events and additional phases of public engagement to ensure a continuation of the dialogue with our communities. From this, we will agree new models of care and develop a long list of options for delivery of those models of care. We will then refine the long list of options for delivery using the evaluation criteria to develop a shortlist of options for delivery and undertake a sensitivity analysis on the shortlist of options. We will then complete a pre-consultation business case containing evidence of the work undertaken through the solution design process, following which a formal public consultation may be required.

We have also made some great strides this year with respect to working with our partners through the Lancashire Group of Hospitals; the five main provider trusts in Lancashire have agreed to form a collaborative group. The Chief Executives and Chairs of all five organisations have agreed to establish a programme of work with the following common aims:

1. To drive efficiencies in the way that we spend our money on purchases such as drugs, equipment and services.
2. To enable our clinical teams to work much more closely together in order to build resilient services in Lancashire.
3. To ensure we can provide as many specialised and acute services, at the correct standard within Lancashire to prevent to need for our patients to travel elsewhere for treatment.
4. To improve health outcomes for the 1.6 million or so people in the catchment area served by the five Partner Trusts.
5. To improve the experience of healthcare, not just for the people we serve but for our colleagues who deliver the healthcare.
6. To make better use of resources for health and care.

Collaborative projects began to develop during 2016/17 in respect of both clinical services as well as support services, including:

- Procurement
- Diagnostics
- Digital Health Board
- Medical staff bank

REMUNERATION REPORT

The NHS foundation trust annual reporting manual requires NHS foundation trusts to prepare a remuneration report in their annual report and accounts. The reporting manual and NHS Improvement requires that this remuneration report complies with:

- **Sections 420 to 422 of the Companies Act 2006 (section 420(2) and (3), section 421(3) and (4) and section 422 (2) and (3) do not apply to NHS foundation trusts**
- **Regulation 11 and Parts 3 and 5 of Schedule 8 of the Large and Medium- sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) ("the Regulations")**
- **Parts 2 and 4 of Schedule 8 of the Regulations as adopted by Monitor in the reporting manual**
- **Elements of the NHS Foundation Trust Code of Governance.**

REMUNERATION COMMITTEES

There are two committees which deal with the appointment, remuneration and other terms of employment of our directors. The nominations committee, as a committee of the council of governors, is concerned with the Chair and other non-executive directors. The appointment, remuneration and terms of employment (ARTE) committee, a committee of the board, deals with the pay and conditions of senior executives.

Nominations committee

The committee comprises the chair (except where there is a conflict of interests in relation to the chair's role, when the vice-chair, senior independent director or other nominated non-executive director will attend), three elected governors and one appointed governor. The elected governors have a nominated deputy who attends in their place if they are unable to attend themselves, as does the appointed governor representative. The company secretary and workforce and education director provide support to the committee as appropriate, and the chief executive is invited to attend all meetings.

Nominations committee attendance summary

Name of committee member	A	B	Percentage of meetings attended (%)
Stuart Heys, Chairman (up to 2 Jan 2017)	3	3	100%
Sue Musson, Chairman (from 3 Jan 2017)	1	1	100%
Michael Welsh, senior independent director	5	5	100%
Stephen Ashley, vice chair (up to 31 Dec 2016)	2	2	100%
Brian Atkinson, public governor (up to 25 Oct 2016)	6	6	100%
Ken Jones, public governor (up to 25 Oct 2016)	6	6	100%
Nicola Leahey, public governor (re-appointed on 25 Oct 2016)	8	8	100%
Peter Yates, appointed governor (up to 25 Oct 2016)	6	6	100%

John Daglish (appointed from 25 Oct 2016)	2	2	100%
Sheen Keskin (appointed from 25 Oct 2016)	2	2	100%
Alistair Bradley (appointed from 25 Oct 2016)	2	1	50%

A = maximum number of meetings the member could have attended
B = number of meetings the member actually attended

Work of the committee

During 2016/17, the committee met on eight occasions, with the main focus of the committee's work being the recruitment of a new Chairman in light of Stuart Heys' retirement from the Trust in January 2017.

In April and May 2016, the committee carried out a longlisting process for the Chair post, with the support of a recruitment agency. Stuart Heys was not present at these meetings as the business to be discussed (principally the longlisting for the Chair's post) would give rise to a conflict of interest for him. As such, the Senior Independent Director, Michael Welsh, took the Chair for these meetings.

In June 2016, the committee played a key role in the Chair's selection process, with the stakeholder event taking place on 20th June 2016 followed by the formal panel interview on 21st June 2016, with Michael Welsh chairing both the Selection Panel and the relevant nominations committee meetings. On 21st June 2016 the nominations committee resolved that a formal recommendation be made to the Council of Governors for Sue Musson to be chosen as the successful candidate for the Chair post. At an extraordinary Council of Governors meeting on 23rd June 2016, the Council of Governors approved such appointments in light of the committee's recommendations.

In December 2016 the committee met to discuss the recruitment process for the two vacant non-executive director posts and to receive a report from the Chairman on the outcome of the 2016/17 non-executive director appraisals.

In March 2016 the committee carried out a longlisting process for the vacant non-executive director posts and confirmed arrangements for the selection day.

Appointments, remuneration and terms of employment committee

All non-executive directors are members of the committee. The chief executive and company secretary are normally in attendance at meetings of the committee, except when their positions are being discussed. The workforce and education director also attends meetings as appropriate to provide advice and expertise, and the committee has the option to seek further professional advice as required.

Appointments, remuneration and terms of employment committee attendance summary

Name of committee member	A	B	Percentage of meetings attended (%)
Stuart Heys, Chairman (up to 2 Jan 2017)	2	2	100%
Stephen Ashley (up to 31 Dec 2016)	2	0	0%
Tim Watkinson	2	1	50%
Alastair Campbell	2	2	100%
Tony Gatrell	2	1	50%
Shamim Mahomed	2	2	100%
Michael Welsh	2	2	100%

A = maximum number of meetings the member could have attended
B = number of meetings the member actually attended

Work of the committee

During 2016/17, the committee met on two occasions which enabled it to:

- consider appraisal outcomes for the senior executives
- review the remuneration of senior executives
- review of the senior managers' remuneration policy
- review the committee's effectiveness

During 2016/17 the committee approved a pay increase for two senior executives (workforce and education director and the company secretary). When reviewing the remuneration of senior executives for 2016/17 there was a rigorous process of benchmarking against all other trusts (including those with comparable income, those with comparable headcount, Acute Trusts only (trust type) and those foundation trusts within the region). As part of its cycle of business the committee conducts an annual review of the baseline salaries of senior managers for which it is responsible, and a review of salaries also takes place when a post becomes vacant in order to ensure that when the post is being advertised, the salary level is competitive within the current market.

The committee undertook an effectiveness review on 5th April 2016 whereat the committee's terms of reference were reviewed and updated. As with the Trust's other board committees, this committee effectiveness review (including the review and refresh of its terms of reference) forms part of the ARTE committee's annual cycle of business.

There were no executive director appointments made during 2016-17. Our board appointments (executive and non-executive) involve a robust selection process, which involves stakeholder involvement. Typically, the selection process would involve the following steps:

With respect to stakeholder involvement in the selection process, our director candidates would typically undertake a “round robin” style session with a number of focus groups comprised of executives, senior clinicians, senior managers, governors and members of staff, and feedback would be provided on each candidate through a dedicated facilitator using a pro forma template. Additionally, candidates may be invited to deliver a presentation on a topic that is advised to them in advance. Feedback from the presentation and from the focus groups would then be used to inform short listing decisions. Short listed candidates are invited to attend an interview, following which the panel will reach its final decision. When reaching its decision, the panel has regard to the candidate’s interview as well as feedback received following the stakeholder session. Offers of employment are always made subject to receipt of satisfactory references and other necessary pre-employment checks.

ANNUAL STATEMENT ON REMUNERATION

At Lancashire Teaching Hospitals, we understand that our executive remuneration policy is key to attracting and retaining talented individuals to deliver our business plan, whilst at the same time recognising the constraints that public sector austerity measures bring.

In April 2016 the committee formally ratified the senior managers’ remuneration policy to include the introduction of a floor and ceiling limit for each senior executive and the award to senior executives of national pay awards in line with the national pay award for staff on Agenda for Change terms and conditions, taking into account the fact that no changes were made to the remuneration of senior executives in 2015/16. In October 2016 the committee approved a pay increase for two senior executives (workforce and education director and the company secretary) following a rigorous process of benchmarking against other trusts and taking into account their additional responsibilities.

Sue Musson
Chair, Appointments, remuneration and terms of employment committee

SENIOR MANAGERS’ REMUNERATION POLICY

As detailed in the chairman’s statement above, the remuneration policy is designed to attract and retain talented individuals to deliver the Trust’s objectives at the most senior level, with a recognition that the policy has to take account of the pressures on public sector finances.

This report outlines the approach adopted by the appointments, remuneration and terms of employment (ARTE) committee when setting the remuneration of the executive directors and the other executives who have authority or responsibility for directing or controlling the major activities of the organisation. The following posts have been designated as fitting this criterion by the committee, and are collectively referred to as the senior executives within this report:

Executive directors

- chief executive
- finance director/deputy chief executive
- nursing and midwifery director
- medical director

- operations director
- strategy and development director

Other executives

- workforce and education director
- company secretary

Details on membership of the appointments, remuneration and terms of employment committee and individual attendance can be found on pages 39 to 40 of this report.

Our policy on executive pay

Our policy on the remuneration of senior executives is set out in a policy document approved by the committee. When setting levels of remuneration, the committee takes into account the remuneration policies and practices applicable to our other employees, along with any guidance received from the sector regulator and the Department of Health. In addition the committee takes into account the need to ensure good use of public funds and delivering value for money. The maximum of any component of senior managers' remuneration is determined by the ARTE committee.

Each year, the Chief Executive undertake appraisals for each of the senior executives, and the Chairman undertakes the Chief Executive's appraisal. The results of these appraisals are presented to the committee and they are used to inform the committee's discussions. The committee considers matters holistically when considering executive remuneration, such as the individual executive's performance, the collective performance of the executive team and the performance of the organisation as a whole.

The remuneration package for senior executives comprises:

Salary:	As determined by the ARTE committee and reviewed annually

Senior executives do not receive any additional benefits that are not provided to staff as part of the standard agenda for change contract arrangements.
No senior executives have tailored arrangements outside of those described above.

The remuneration package for non-executive directors comprises:

Salary:	As determined by the council of governors and reviewed annually; current rates (2015-16) are: ▪ £12,500 p.a. for non-executive directors ▪ £15,500 p.a. for the audit committee chair and vice-chair ▪ £43,000 p.a. for the chair
Additional benefits:*	▪ Gym membership discounts with NHS identification ▪ Access to NHS staff benefits offered by retailers ▪ Onsite therapies at discounted rates ▪ Salary sacrifice schemes

The committee has approved a process, which provides for annual pay increases linked to performance as assessed during appraisal. The appraisal process rates each senior executive against the following leadership competencies:

- knowledge, skills and abilities
- quality of work
- quantity of work
- communication

The rating scale used is:

- ineffective
- developing
- capable
- strong
- outstanding

The ratings for each of these areas are used to calculate an overall rating that reflects the lowest rating given against any one of the criteria.

Pay increases will be based on the executive's overall rating, as shown in the table below:

Ineffective**	**Developing**	**Capable**	**Strong**	**Outstanding**
0% increase	0% increase	0.5% increase	1% increase	2% increase

** *Any staff member within this rating would be subject to formal performance review*

There is no provision for bonuses to be paid to any senior manager within the Trust.

All senior executives are employed on permanent contracts with a six-month notice period. In the event that the contract is terminated without the executive receiving full notice, compensation is limited to the payment of salary for the contractual notice period. No additional provision is made within the contracts for compensation for early termination and there is no provision for any additional benefit, over and above standard NHS pension arrangements, in the event of early retirement. In line with all other employees, senior executives may have access to mutually-agreed resignation schemes (MARS) where these have been authorised.

Our non-executive directors are requested to provide three months' notice in the event that they wish to resign before their term of office comes to an end. They are not entitled to any compensation for early termination.

ANNUAL REPORT ON REMUNERATION

Details of the total number of board members in post during 2016-17 are included on pages 20 to 23. Details of our Council of Governors are included on pages 84 to 89, together with information on expenses paid to them in 2016/17.

Business expenses

As with all staff, we reimburse the business expenses of non-executive directors and senior executives that are necessarily incurred during the course of their employment, including sundry expenses such as car parking and transport costs such as rail fares.

The expenses paid to directors during the year were:

	2015-16	2016-17
Total number of directors in office as at 31 March:	13*	11
Number of directors receiving expenses:	5	4
Aggregate sum of expenses paid to directors (£00s):	£26	£22

**This includes Mr Tim Watkinson who (as at 31 March 2016) was acting as an associate non-executive director during which time he was entitled to expenses only.*

Salary and pension contributions of all directors and senior executives

Information on the salary and pension contributions of all directors and senior executives is provided in the tables on the following pages. This information in these tables, and in the remainder of this remuneration report, has been subject to audit by KPMG LLP. Additional information is available in notes 6.1 to 6.3 of the accounts.

Each of the Chief Executive's, the Finance Director's and the Medical Director's salary is above £142,500 per annum but within the national average, when benchmarking against other trusts. In order to ensure the level of remuneration paid by the Trust is reasonable, on an annual basis we carry out a rigorous process of benchmarking against all other Trusts (including trusts with comparable income, with comparable headcount, by trust type and by region). We also take into account the individual executive's performance, the collective performance of the executive team and the performance of the organisation as a whole. Furthermore, we consider the remuneration policies and practices applicable to our other employees, along with any guidance received from the sector regulator and the Department of Health. Taking such factors into account, the ARTE committee considers the remuneration for the Chief Executive, the Finance Director and the Medical Director to be reasonable.

Income disclosures: non-executive directors

	2015-16				2016-17			
	Salary and fees (bands of £5,000) £000	Taxable benefits (to nearest £100) £00	Pension-related benefits £00	Total of all items £000	Salary and fees (bands of £5,000) £000	Taxable benefits (to nearest £100) £00	Pension-related benefits £00	Total of all items £000
Sue Musson Chairman (from 3 Jan 2017)	-	-	-	-	10-15	4	0	11
Michael Welsh Non-executive director	10-15	0	0	12	10-15	0	0	13
Tony Gatrell Non-executive director	10-15	0	0	12	10-15	0	0	13
Alastair Campbell Non-executive director	5 - 10	0	0	5	10-15	0	0	13
Shamim Mahomed Non-executive director	10-15	0	0	12	10-15	0	0	13
Tim Watkinson Non-executive director	-	-	-	-	10-15	0	0	15
NON-EXECUTIVE DIRECTORS NOT IN POST AS AT 31 MARCH 2017								
Stuart Heys Chairman (up to 2 Jan 2017)	40-45	5	0	43	30-35	4	0	33
Stephen Ashley Vice Chair (up to 31 Dec 2016)	10-15	0	0	12	10-15	0	0	12
Robert Clarke (up to 29 February 2016) Vice-Chairman	10-15	0	0	14	0	0	0	0

Income disclosures: senior executives

	2015-16				2016-17			
	Salary and fees (bands of £5,000) £000	Taxable benefits (to nearest £100) £00	Pension-related benefits (bands of £2,500) £000	Total of all items (bands of £5,000) £000	Salary and fees (bands of £5,000) £000	Taxable benefits (to nearest £100) £00	Pension-related benefits (bands of £2,500) £000	Total of all items (bands of £5,000) £000
Karen Partington Chief Executive	170 - 175	1	2.5 – 5.0	175 - 180	175-180	2	42.5-45.0	220-225
Suzanne Hargreaves Operations Director	120 - 125	0	172.5 – 175	295 – 300	125-130	0	27.5-30.0	150-155
Paul Havey Finance Director/Deputy Chief Executive	145 - 150	21	2.5 – 5.0	155 – 160	150-155	39	35.0-37.5	190-195
Phebe Hemmings Company Secretary	40 - 45	0	5.0 – 7.5	45 – 50	80-85	0	17.5-20.0	100-105
Mark Pugh* Medical Director	160 - 165	0	152.5 – 155	180 – 185	175-180	0	82.5-85.0	255-260
Gail Naylor Nursing and Midwifery Director	-	-	-	-	125-130	0	-17.5 – -15.0	105-110
Carole Spencer Strategy and Development Director	120 - 125	5	5.0 – 7.5	130-135	125-130	5	22.5-25.0	150-155
Karen Swindley Director of Workforce and Education	100 - 105	0	-22.5 – -20.0	80 - 85	125-130	0	132.5-135.0	255-260
SENIOR EXECUTIVES NOT IN POST AS AT 31 MARCH 2017								
Sue Reed Nursing Director/Deputy Chief Executive	60 - 65	38	0 – 2.5	60 – 65	-	-	-	-

**Professor Mark Pugh's remuneration includes £145k, (2015/16 £130k), which relates to his role as a consultant of the Trust.*

Pension benefits

Non-executive director remuneration is not pensionable and therefore it is only the senior executives in the table above who are in receipt of pensionable remuneration who are included in the table below.

	Value of lump sum at age 60 on 31 March 2017 (bands of £5,000) £000	Real increase in lump sum at age 60 (bands of £2,500) £000	Value of pension as at 31 March 2017 (bands of £5,000) £000	Real increase in pension (bands of £2,500) £000	Cash equivalent transfer value at 31 March 2017 (to the nearest £1,000) £000	Cash equivalent transfer value as at 31 March 2017 (to the nearest £1,000) £000	Real increase in cash equivalent transfer value (to the nearest £1,000) £000	Employer's contribution to stakeholder pension (To nearest £100)
Karen Partington Chief Executive	240-245	7.5-10	80-85	2.5-5	1,579	1,475	104	0
Suzanne Hargreaves Operations Director	140-145	5-7.5	45-50	0-2.5	844	785	59	0
Paul Havey Finance Director/Deputy CEO	195-200	7.5-10	65-70	2.5-5	1,444	1,349	95	0
Phebe Hemmings Company Secretary	0	0-2.5	0-5	0-2.5	14	5	9	0
Mark Pugh Medical Director	125-130	5-7.5	45-50	2.5-5	739	659	80	0
Gail Naylor Nursing and Midwifery Director	160-165	0-2.5	50-55	0-2.5	994	966	28	0
Carole Spencer Strategy and Development	95-100	5-7.5	30-35	0-2.5	667	612	55	0
Karen Swindley Director of Workforce and	85-90	7.5-10	30-35	5-7.5	563	454	109	0

The "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 pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which this disclosure applies. The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost.

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

Details of off payroll arrangements for any senior managers are included within the Staff Report. There are no current off payroll arrangements for Board level posts.

We are also required to disclose the relationship between the remuneration of the highest-paid director in our organisation and the median remuneration of our workforce. The banded remuneration of the highest-paid director in our organisation in the financial year 2016-17 was £175,000 - £180,000, this includes taxable benefits (2015-16 £175,000 - £180,000). This was 7.5 times (2015-16, 7.5) the median remuneration of the workforce, which was £23,679 (2015-16 £23,445).

In 2016-17, and also in 2015-16 and 2014-15, no employees received remuneration in excess of the highest-paid director. In 2016-17 remuneration ranged from £6,648 for modern apprentices to £176,750 (in 2015-16 the range was from £6,453 for modern apprentices to £175,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions or the cash equivalent transfer value of pensions.

This Remuneration Report is signed on behalf of the board of directors by:

Karen Partington
Chief Executive
25 May 2017

STAFF REPORT

Our people

As at 31 March 2017, we employed 7,741 substantive members of staff. This number is broken down as follows:

Staff Group	Headcount
Additional Professional, Scientific and Technical	244
Additional Clinical Services	1,516
Administrative and Clerical *(incl. NEDs)*	1,623
Allied Health Professionals	468
Estates and Ancillary	827
Healthcare Scientists	237
Medical and Dental *(excl. Pennine Doctors)*	569
Nursing and Midwifery Registered	2,220
Students	37
Total	**7,741**

A comparison of our workforce over the past three financial years is provided below:

	2014/15 HC	% of Total HC	2015/16 HC	% of Total HC	2016/17 HC	% of Total HC
Age *(yrs)*						
Under 17	1	0.01%	-	-	-	-
17 – 21	107	1.44%	105	1.42%	148	1.91%
Over 21	7,301	98.54%	7,285	98.58%	7,593	98.09%
Ethnicity						
White	6,254	84.41%	6,203	83.94%	6,474	83.63%
Mixed	85	1.15%	88	1.19%	95	1.23%
Asian or Asian British	781	10.54%	820	11.10%	881	11.38%
Black or Black British	83	1.12%	81	1.10%	85	1.10%
Other	101	1.36%	103	1.39%	112	1.45%
Not Stated	105	1.42%	95	1.29%	94	1.21%
Gender						
Male	1,597	21.55%	1,598	21.62%	1,692	21.86%
Female	5,812	78.45%	5,792	78.38%	6,049	78.14%
Recorded Disability	196	2.65%	199	2.69%	204	2.64%

As at 31 March 2017, the gender split of our board of directors was six male and six female. The gender split of our senior executives, as defined by the Appointment, Remuneration and Terms of Employment Committee, was two male and four female. The gender split of our senior managers was nine male and sixteen female.

Attendance management

Sickness absence data (reported on a calendar year basis (January 2016 to December 2016)):

Figures Converted by Department of Health to Best Estimates of Required Data Items:	
Average FTE 2016	6,571
Adjusted FTE days lost to Cabinet Office definitions	75,642
Average sick days per FTE	11.5
Statistics published by NHS Digital from ESR Data Warehouse:	
FTE days available	2,398,318
FTE days recorded sickness absence	122,708

Source: NHS Digital - Sickness Absence and Publication - based on data from the ESR Data Warehouse
Period covered: January to December 2016

Further reductions in sickness absence have been achieved over the year, with the rolling 12 month average falling from 5.19% to 5.00%. In particular, long term absence has decreased and this is as a result of a sustained focus on early intervention and rehabilitation.

Although short term sickness absence reduced during the period April 2016 to June 2016, it steadily rose from September 2016 to January 2017. This can be associated with seasonal ailments, although it may also be reflective of the capacity challenges that the organisation has faced and the pressure on staffing.

Based on the number of full time equivalent days lost, mental health and musculo-skeletal conditions continue to be the highest known reasons for absence, although we are starting to see a slight downwards trend. Mindfulness, Mental Health First Aid and Managing Stress programmes were introduced in 2016 and these will continue, along with further support for mental health, including the appointment of a staff psychologist. A fast track referral pathway for staff requiring complex upper limb physiotherapy was introduced in July 2016 and further proactive interventions are being developed, including a campaign around preventing and managing back pain.

Throughout the year we have been working towards achievement of the national Staff Health and Wellbeing Commissioning For Quality and Innovation (CQUIN) scheme and achievements include:

- Delivery of a number of health promotion events related to alcohol awareness, smoking cessation, weight management and blood pressure
- Promotion of a number of physical activity challenges, including Active Travel Month and Pedometer Challenge
- Launch of free NHS Health Checks for staff aged 40 to 74
- Introduction of healthier food options into all of our retail outlets, including those that are externally managed; and the ban of price promotion and advertising on food and drink high in fat, sugar or salt
- Reaching a flu vaccination rate amongst our front-line health care workers of 75.7%

The health and wellbeing strategy will continue to be progressed and this will include undertaking targeted work in areas with high sickness absence.

Equality and diversity

Work has been ongoing throughout the year to progress implementation of the Equality Strategy action plan.

From a workforce perspective, achievements include:

- A Dyslexia Awareness Week, which aimed to raise awareness of the characteristics of dyslexia and prompt people to consider if they or people close to them could be dyslexic

- The identification of a number of equality champions representing the protected characteristics covered by the Equality Act. They will help us support staff and promote a positive working environment where people feel treated fairly and with respect

- The establishment of a Black, Minority, Ethnic support network led by staff side representatives

- An alumni event for our senior leaders which focused on developing dynamic organisations and bringing about cultural change through using diversity and creativity

- Further development of our apprenticeship programme including the introduction of a pre-nursing apprenticeship. There were 156 confirmed apprenticeships in 2016/17 and this was almost four times the number in the previous year

- Introduction of internship roles which offer entry opportunities for graduates into the NHS

- We have received a grant from the North West Leadership Academy to undertake a research project around enhancing equality and inclusion in talent management which will be completed by summer 2017

- Development of promotional materials for use in recruitment which reflect a diverse workforce and demonstrate commitment to inclusion

- Continuation of the Skills For Health programme, aimed at supporting people with disabilities back into the workplace and Workforce Familiarisation programme aimed at supporting young people with learning disabilities to understand the world of work

- A Freedom To Speak Up team has been established to support staff with raising work-related concerns

Equality impact assessments of employee relations processes, recruitment and access to training, development and talent management have been undertaken and a Workforce group has been established to ensure that equality, diversity and inclusion are central to all workforce and organisational development strategies.

Plans for the next 12 months include becoming a leading training provider of apprenticeships in health, leadership and management; and becoming registered as an independent end-point assessor for apprenticeships. The equality champion role will also be further developed and there will be a series of videos and materials launched to further embed Trust values and develop a culture where staff feel able to report concerns about bullying and/or harassment.

Ensuring equality and diversity of services is a key undertaking of our organisation. Throughout the last year we have:

- Continued to work with Lancashire Deaf Rights Group and the wider deaf community to improve access to and delivery of services

- Implemented video sign language in the emergency department

- Held 'Our Health Day' where members of the disabled community, their carers and external organisations were consulted in relation to services. The day also enabled the community to have a health check, some of who were signposted to receive further treatment

- Met the requirements of the NHS Learning Disability Self-Assessment Framework

- Continued to develop Learning Disability Champions across the Trust

- Implemented telephone interpreting within the outpatients department to improve patient experience

- Continued to develop and implement the NHS England's Accessible Information Standard

- Continued to develop Easy Read Information for specific services

- Provided 'Browsealoud' on the Trust website to ensure information is accessible for people who are partially sighted and those who require information in other languages

- Re-established a facilities action group to ensure access to services are equitable

- Started to build a film resource for deaf maternity parents in British sign language to enable them to gather information in relation to their care and treatment during pregnancy

- Consulted with patients who have hearing and sight problems in relation to how we can improve access and information

Future developments planned for 2017/18 include:

- Continue with the implementation of NHS England's Accessible Information Standard
- Continue development of Easy Read Information for specific services
- Expand the use of video sign language for the deaf community across other services
- Continue to develop British sign language films
- Develop the use of social media to ensure that patients recognise the Trust supports all of the protected characteristics of equality and diversity
- Develop a calendar of events to support equality and diversity key dates within the year
- Explore the use of audio materials for patients
- Develop support mechanism for carers in collaboration with N-Compass
- Continue to host 'Our Health' Day in collaboration with other organisations

Staff engagement and consultation

The Staff Engagement Plan supports the overall delivery of the Workforce and Organisational Development Strategy and is a continually developing framework. Staff Engagement is essential to help us meet the current challenges the Trust faces including the need to achieve financial plans, organisational change and transformational service change. This plan places particular emphasis on maintaining the engagement agenda and focuses on improving staff engagement throughout the Trust at all levels.

In the last 12 months there have been a number of achievements completed with respect of the strategic plan for corporate level engagement initiatives, including:

- The roll out of the Team Engagement and Development tool to clinical and operational teams across the organisation
- A strengthened approach to the staff survey which has led to an increased response rate
- Developing a sense of 'Team LTH' through corporate level engagement events including coffee catch networking events, team development interventions and staff involvement forums
- Using multimedia as a way to reach out to staff and educate and engage with them through the 24 hours in LTH initiative which started within the Maternity department

- Carried out a review and provided recommendations of ways in which we can celebrate staff achievements and demonstrate how we reward and value all contributions

- Set up a partnership working group with staff side colleagues to enhance collaboration around joint issues and concerns

In addition to this a range of channels and mechanisms that promote staff engagement and communication, and staff awareness of wider issues including financial and economic matters, continue to be used including:

- annual planning events
- governors' listening events for members
- staff surveys
- staff engagement events
- Chief Executive road shows
- staff suggestion scheme
- staff intranet
- use of multimedia methodology such as video, animation and blogs
- email accounts
- team brief
- staff magazine 'Connect'
- staff bulletins
- joint negotiating and consultative committee
- local negotiating committee (for doctors and dentists)

Formal negotiating and consultative arrangements with staff organisations are in place and regular meetings are held.

The staff survey results for 2016 show that staff engagement levels have increased from 3.75 in 2015 to 3.80 in 2016 which is positive to note and mirrors the national average for acute Trusts.

Within the measures of 'engagement' there is a positive increase in terms of 'enthusiasm' with 76% of staff reporting they are enthusiastic about their job, compared with 72% last year, this is above the national average. Areas of staff engagement which have improved in the last year include staff reporting feeling more able to make suggestions to improve the work of their team, they feel able to show initiative in their role and make improvements happen, all scores for these areas are above the national average. Improvements were also recorded in the number of staff who look forward to coming to work and staff indicated that time passes quickly whilst at work. These results are encouraging as the focus of the staff engagement plan and staff satisfaction survey action plans have been towards bringing about tangible improvements in engagement levels and cultural change to enhance staff experience of the workplace.

The results found that 58% of staff would recommend the organisation as a place to work, this is an increase from last year which was 54%, however this remains below the national average of 62%. This is an area which will be focussed on in subsequent focus groups to understand staff's perceptions and to develop comprehensive actions to bring about further improvements in staff engagement levels.

Staff Survey

Following the publication in February 2017 of the 2016 staff attitude survey, each division and directorate has received their local findings, held focus groups with staff to understand what is influencing the results and identify local solutions to bring about improvements. Support has been provided by the Workforce and Organisational Development Team to facilitate the focus groups and formulate local action plans. The Staff Engagement Advisor in partnership with the Strategic Workforce Leads will support directorates with the implementation and monitoring of progress against their individual plans.

The 2016 survey was completed with a response rate of 44.1%, this is an increase from last year of 35.5%, it is above the acute Trust national average. The results show our staff engagement levels are at 3.80 out of 5 which is an increase from 3.75 the previous year, and is our highest level of staff engagement in the last 5 years. The results of the survey illustrate the outstanding commitment our staff have to deliver excellent care with compassion. We have improved in 18 out of the 32 key findings. The areas which have seen the biggest improvements from 2015 to 2016 include levels of effective team working, support from immediate managers, the organisation and managers being interested in and take action on health and wellbeing, satisfaction with flexible working opportunities and feeling able to contribute towards achievements at work.

When compared against the national average for acute Trusts we are in the top 20% of Trusts in relation to 7 out of 32 key findings, the areas are: staff experiencing discrimination at work in the last 12 months, experiencing physical violence, harassment, bullying or abuse from patients, relatives or public in the last 12 months, staff attending work in the last 3 months despite feeling unwell because they felt pressure, feeling satisfied with the opportunities for flexible working, working additional hours, and feeling able to contribute to improvements.

Areas which are below the national average include reporting of recent experience of violence, reporting errors and near misses, number of staff who have had an appraisal, staff satisfaction with the quality of work and care they are able to deliver and staff recommending the organisation as a place to work or receive treatment.

The tables below show the response rates and the top and bottom ranking scores in the annual NHS Staff Survey 2016 in comparison to 2015.

Top 5: *(L) = Lower score better, (H) = Higher score better*	**2016**		**2015**	
Top 5 Ranking Scores	**Trust**	**National Average**	**Trust**	**National Average**
(L) % of staff experiencing physical violence from patients, relatives or the public in the last 12 months	**13%**	15%	**11%**	14%
(L) % of staff experiencing harassment, bullying or abuse from patients, relatives or the public in the last 12 months	**23%**	27%	**25%**	25%
(H) % of staff satisfied with the opportunities for flexible working patterns	**55%**	51%	**51%**	58%
(H) % of staff able to contribute towards improvements at work	**74%**	70%	**69%**	69%
(L) % of staff working extra hours	**68%**	72%	**70%**	72%

Bottom 5: *(L) = Lower score better, (H) = Higher score better*	**2016**		**2015**	
Bottom 5 Ranking Scores	**Trust**	**National Average**	**Trust**	**National Average**
(H) Staff satisfaction with the quality of work and patient care they are able to deliver	**3.69 out of 5**	3.76 out of 5	**3.81 out of 5**	3.93 out of 5
(H) % of staff / colleagues reporting most recent experience of violence	**64%**	67%	**50%**	53%
(H) % of staff reporting errors, near misses, incidents witnessed in the last month	**89%**	90%	**91%**	90%
(H) % of staff appraised in last 12 months	**83%**	87%	**84%**	86%
(H) Staff satisfaction with the quality of work and care they are able to delivery	**3.91**	3.97	**3.82**	3.93

Further analysis has been undertaken to identify the themes from the free-text comments. These themes combined with the highest and lowest scoring areas are going to be used to inform the focus of the Big Conversation discussions in which staff were invited to talk about what it is like to work here and what could improve their experience. The themes are:

Positive Themes	**Negative Themes**
1. Being involved and contributing to improvements 2. Health and wellbeing at work 3. Being able to raise concerns around clinical practice 4. Working as part of a cohesive team	1. Managers involvement and communication 2. Reporting errors and near misses 3. Feeling valued and recognised 4. Having regular appraisal discussions

High level actions will be developed and incorporated within the staff engagement action plan in order to build on the positive areas as well as address the gaps at a corporate level.

Learning and Development

The organisational development team has continued to deliver a masters-level, two-tiered consultant leadership programme, the first of which is offered to all new consultants who join the organisation and the second which is available for those consultants who are aspiring to be senior leaders of the future.

The full range of leadership development programmes have been evaluated and redesigned to meet the changing needs of the organisation. Clear leadership and management development pathways and associated interventions have been developed in order to provide managers with the opportunity to undertake a range of accredited learning opportunities to increase their competence and confidence to lead. Emphasis remains towards talent management in the Trust, with over 100 staff completing the 'Rising Stars' career development programme to date and approximately 30% being promoted in 12 month time frame. There has been significant development of 'just in time' resources for line managers with the introduction of bite sized video casts and POD casts designed to help managers at time of need and reduce time away from the workplace.

Compliance with our mandatory training target has increased by 10% (82% total) compared with March 2016. Mandatory training via e-learning is now established and 3431 members of staff have used this medium over the past twelve months. This equates to 54% of the total number of staff who have competed their mandatory training, an increase of 26% on last year.

The facility has now been developed to send personalised emails to nominated managers which list all their staff members training requirements and compliance against each required event. The Mandatory Education team have also developed a facility to send personalised emails to members of staff who are outstanding their mandatory training. Saturday and evening mandatory training sessions continued to be scheduled throughout the year to afford staff maximum access.

Two of the Mandatory Education team trainers have now been accredited to deliver a range of in house First Aid courses.

The Clinical Education Team has supported clinical staff at every level from new health care assistants to senior staff nurses, medical students and postgraduate doctors, to have the necessary knowledge and skills to provide high quality, compassionate care to defined competency standards.

The key achievements:

- All new band 2 health care assistants are recruited via centralised recruitment assessment centres and have a specialised 2 ½ weeks induction training programme to prepare them for their role before commencing on the clinical areas. This programme includes achievement of the National Care Certificate with 96% of our new staff achieving within 6 weeks.
- A structured HCA career development programme is in place to ensure health care assistants have opportunities to band 3 HCA or progression to Assistant Practitioner posts via the 9 months internal Assistant Practitioner training Programme.
- We commenced a training programme for Care Assistant staff from local Nursing homes to help raise standards of pre-hospital care by the sharing of knowledge and skills and currently have 25 staff on programme.
- We introduced a new 2 years NHS Career Plus course in partnership with Newman College for 18 young students who want to go into nursing. They combine their academic course at Newman College to get their BTEC in health and Social care (equivalent to 3 A levels) with working 2 days a week on placement at the Trust. The team deliver 20 caring skills sessions

to support the students per year and they undertake the care certificate to be achieved by the end of the first year.

- The Staff Nurse Development pathway includes the revised Preceptorship Programme for all newly qualified staff nurses and the new Advancing Acute Care Delivery programme.
- The Acute Illness Management (AIM) course delivery has increased to 41 courses over the past twelve months from 18 last year. This course is for multi-professional staff including Assistant practitioners and the Support Worker AIM course for Health Care Assistants.
- The structured cascade system for Aseptic Non Touch Technique (ANTT) training has been introduced this year and a focus on training around Sepsis.
- Fortnightly doctors' assessments and twice yearly clinical skill assessments for new foundation doctors continue to ensure all new medical staff have the range of essential skills.
- This year as part of a wide range of courses run in the simulation suite the team developed a Safe Critically Ill Transfer Training (SCITT) course which was adopted by the Trauma network regionally and introduced a Return to Work course for Anaesthetists.
- The Trust trains around 250 medical students per year and the team provide all the teaching for the mandatory clinical skills the students need to achieve each year. The team also ran 22 mock and 36 full OSCE's (exams) which required the organisation of 774 examiners and 66 Patients.
- The team also recruit a wide variety of patients as Educators who support teaching, exams and some of the interviews for consultants and students. This year we ran 92 sessions using 375 Patients as Educators.
- To promote Lancashire teaching Hospitals as a base to future potential medical students the team attended 23 Medicine Careers events at local colleges and universities and ran 6 new hands on 'Doctor for a day' taster events for Schools at the Trust.
- Communications teaching as part of the Year 3 Curriculum for medical students increased over the past year from 8 to 24 sessions and the team introduced a FY2 mentoring scheme for Y3 medical students, to provide buddying support and introduced debating sessions for Year 3 medical students.

The placement and student support team are the link between learners, placement areas and education providers, learners from all clinical professions are supported by the team as well as aspirant learners to support them to access undergraduate training for their chosen profession. Some examples of the support offered by the team are:-

- The Placement and Student Support team work in partnership with several education providers to deliver the best training to our staff.
- Pre-registration nurse training is delivered in partnership with the University of Bolton, there are 2 intakes per year and the training is a three year programme.
- Pre Nursing Apprenticeship training is delivered in partnership with Preston's College. This is a 12 month programme to support healthcare assistants gain the qualifications needed to enter nurse training.
- Students from our 3 local colleges attend a Preparation for Nursing Programme to help them ensure they have chosen the correct profession for them and to help them develop their skills to enhance their performance at university interviews.
- A Registered Adaptation Nurse Programme is being delivered, 19 nurses have been recruited and will be supported to convert their international PIN numbers to a UK NMC PIN number.
- 2 cohorts of Physicians Associate students are currently being supported by the team and the Trust has just successfully lead on an apprenticeship trailblazer to develop the Physicians Associate as an Apprenticeship Standard.

- A new initiative called Share the Care has been launched and is being rolled out across the Trust to support non clinical staff to volunteer within a clinical area.
- Over 40 inter-professional teaching sessions are offered to our learners annually to compliment the academic knowledge delivered by our university colleagues.
- There is a dedicated team to support all of our learners, in all aspects of welfare, pastoral, financial and professionalism whilst they are studying with us.
- Manchester Medical School have recently updated their undergraduate medical curriculum, the team have supported the re-writing of the 3 years of programme delivered within the Trust.
- Our Medical Education Manager has contributed to a paper published in MedEdPublish entitled Twelve Tips to implement Curriculum Changes in times of Economic Austerity.
- 5 cohorts of non-credit bearing Multi-professional Support for Learning and Assessment in Practice at level 5 are delivered annually ensuring there are sufficient qualified mentors to support our student nurses.
- A new link nurse role has been launched; the Learning Environment Manager is a crucial link between placement areas and the Placement and Student Support team.
- Collaborative Learning in Practice (CLiP) has been expanded across 5 placement areas within the Trust with more to follow shortly, a conference was held in the Trust to promote this to placement providers across the North West.
- A new role of Clinical Placement Facilitator has been developed to support medical students whilst on placement to develop and enhance their skills.

Working time directive – junior medical staff

All bar one of our planned junior doctor rotas remain compliant with the European Working Time Directive and rotas are monitored biannually in line with the junior doctors in training national contract conditions (2002). The rota not EWTD complaint is under review and will be amended by August 2017.

All rotas are currently under review to ensure compliance with the new junior doctor contract (2016) and introduction of new safe working rules.

A trust guardian of safe working has been appointed in 2016 to oversee all exception reports raised by doctors engaged on the new junior doctor contract (2016) and will be reporting to board quarterly regarding any concerns raised related to hours worked and concerns related to safe working.

Directorates continue to review the efficiency of rotas, whilst at the same time ensuring that training needs are appropriately delivered alongside service developments. Significant challenges remain in ensuring compliance with planned rotas for a number of reasons including vacant posts in a number of areas.

The on-going medical workforce strategy will continue to address recruitment pressures.

Occupational health

The joint venture has continued to achieve positive financial returns during 2016/17. The year has been a period of consolidation with significant work undertaken to review existing contracts, recruit to vacancies and standardise systems and processes. A quality group has been established with clinical and workforce leads from the three Trusts and an on-line referral system has been implemented.

It has been challenging to drive forwards strategic objectives due to turnover in leadership roles; however an independent review of the service has recently been undertaken and this has helped to re-focus the strategic direction of the partnership. There are potential opportunities for new commercial contracts and winning new business will be a priority in 2017/18, along with reviewing clinical models and undertaking a full SEQOHS (Safe Effective Quality Occupational Health Services) re-accreditation process.

Staff costs

			2016/17	2015/16
	Permanent	Other	Total	Total
	£000	£000	£000	£000
Salaries and wages	233,153	-	233,153	229,560
Social security costs	22,606	-	22,606	17,517
Employer's contributions to NHS pensions	26,984	-	26,984	26,403
Termination benefits	429	-	429	557
Temporary staff	-	18,653	18,653	18,563
Total gross staff costs	**283,172**	**18,653**	**301,825**	**292,600**
Recoveries in respect of seconded staff	-	-	-	-
Total staff costs	**283,172**	**18,653**	**301,825**	**292,600**
Of which				
Costs capitalised as part of assets	-	-	-	-

Average number of employees (WTE basis)

			2016/17	2015/16
	Permanent	Other	Total	Total
	Number	Number	Number	Number
Medical and dental	746	-	746	745
Administration and estates	1,155	-	1,155	1,135
Healthcare assistants and other support staff	2,103	-	2,103	1,982
Nursing, midwifery and health visiting staff	1,915	-	1,915	1,960
Nursing, midwifery and health visiting learners	40	-	40	27

Scientific, therapeutic and technical staff	620	-	620	642
Healthcare science staff	216	-	216	217
Agency and contract staff	-	165	165	273
Bank staff	-	282	282	256
Other	11	-	11	8
Total average numbers	**6,806**	**447**	**7,253**	**7,245**
Of which:				
Number of employees (WTE) engaged on capital projects	-	-	-	-

Pensions/retirement benefits and senior employees' remuneration

Accounting policies for pensions and other retirement policies and details of senior employees' remuneration are set out in note 6.7 to the accounts and on page 48 of this report.

Off-payroll arrangements

We have a policy to ensure when the Trust enter into off-payroll arrangements we have a robust process in place to ensure HMRC regulations are met. As part of the staff report, we are required to provide the information in the following tables for our highly paid and/or senior off-payroll engagements:

Table 1: For all off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for longer than six months:

Number of existing engagements as of 31 March 2017	9
Of which:	
Number that have existed for less than one year at time of reporting	4
Number that have existed for between one and two years at time of reporting	4
Number that have existed for between two and three years at time of reporting	1

We review our off-payroll engagements and where considered necessary we seek assurance as to whether the individual is paying the right amount of tax.

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months:

Number. of new engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017	24
Number of the above which include contractual clauses giving the Trust the right to request assurance in relation to income tax and National Insurance obligations	24
Number for whom assurance has been requested	24
Of which:	
Number for whom assurance has been received	0
Number for whom assurance has not been received	24
Number that have been terminated as a result of assurance not being received	0

Of the 24 workers for whom assurance has not been received, 24 workers are within the deadlines set. 0 workers have been sent reminders to provide the assurance requested. Should assurance not be received within the deadline, in accordance with HMRC guidance, the Trust will pass the relevant personal details to HMRC's tax evasion hotline.

Table 3: For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017:

Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	0
Number of individuals that have been deemed "board members and/or senior officials with significant financial responsibility" during the financial year. This figure should include both off-payroll and on-payroll engagements.	14

Staff exit packages

Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
<£10,000	0	3	3
£10,000 - £25,000	2	5	7
£25,001 - £50,000	0	9	9
£50,001 - £100,000	0	0	0
£100,001 - £150,000	0	0	0
£150,001 - £200,000	0	0	0
Total number of exit packages by type	2	17	19
Total resource cost	£35,228	£429,213	£464,441

Exit packages: non-compulsory departure payments

	Agreements **Number**	**Total Value of Agreements** **£000**
Voluntary redundancies including early retirement contractual costs	0	0
Mutually agreed resignations (MARS) contractual costs	17	£429,213
Early retirements in the efficiency of the service contractual costs	0	
Contractual payments in lieu of notice	0	0
Exit payments following Employment Tribunals or court orders	0	0
Non-contractual payments requiring HMT approval	0	0
TOTAL	17	£429,213

Values of special severance payments approved by NHS Improvement

Minimum value	£5,513
Maximum value	£48,033
Median value	£26,090

Also available on our website:

Further information on our research activities
Further information on our education activities
Details on how to make a complaint or to provide a compliment
Our publication scheme
Copies of our board papers

DISCLOSURES SET OUT IN THE NHS FOUNDATION TRUST CODE OF GOVERNANCE

The purpose of the code of governance is to assist NHS foundation trust boards in improving their governance practices by bringing together the best practice of public and private sector corporate governance. The code is issued as best practice advice, but requires a number of disclosures to be made within the annual report.

The NHS foundation trust code of governance contains guidance on good corporate governance. Monitor, as the healthcare sector regulator and the code's author, is keen to ensure that NHS foundation trusts have the autonomy and flexibility to ensure their structures and processes work well for their individual organisations, whilst making sure they meet overall requirements. For this reason, the code is designed around a "comply or explain" approach.

Lancashire Teaching Hospitals NHS Foundation Trust has applied the principles of the NHS Foundation Trust Code of Governance on a comply or explain basis. The NHS Foundation Trust Code of Governance, most recently revised in July 2014, is based on the principles of the UK Corporate Governance Code issued in 2012. The Trust is committed to the principles of the Code, which is supported by its robust internal governance arrangements, meets the statutory disclosure requirements in this annual report and also adheres to all other 'comply or explain' requirements.

Comply or explain

Monitor recognises that departure from the specific provisions of the code may be justified in particular circumstances, and reasons for non-compliance with the code should be explained. This "comply or explain" approach has been in successful operation for many years in the private sector and within the NHS foundation trust sector. In providing an explanation for non-compliance, NHS foundation trusts are encouraged to demonstrate how its actual practices are consistent with the principle to which the particular provision relates.

Whilst the majority of disclosures are made on a "comply or explain" basis, there are other disclosures and statements (which we have termed "mandatory disclosures" in this report) that we are required to make, even where we are fully compliant with the provision.

Mandatory disclosures

Code ref.	Summary of requirement	See page(s):
A.1.1	The schedule of matters reserved for the board of directors should include a clear statement detailing the roles and responsibilities of the council of governors. This statement should also describe how any disagreements between the council of governors and the board of directors will be resolved. The annual report should include this schedule of matters or a summary statement of how the board of directors and the council of governors operate, including a summary of the types of decisions to be taken by each of the boards and which are delegated to the executive management of the board of directors.	6, 23 – 25, 84, 85
A.1.2	The annual report should identify the chairperson, the deputy chairperson (where there is one), the chief executive, the senior independent director (see A.4.1) and the chairperson and members of the nominations, audit and remuneration committees. It should also set out the number of meetings of the board and those committees and individual attendance by directors.	20 – 23, 37 – 40, 95, 99

Code ref.	Summary of requirement	See page(s):
A.5.3	The annual report should identify the members of the council of governors, including a description of the constituency or organisation that they represent, whether they were elected or appointed, and the duration of their appointments. The annual report should also identify the nominated lead governor.	84 - 87
FT ARM	The annual report should include a statement about the number of meetings of the council of governors and individual attendance by governors and directors.	86 - 87
B.1.1	The board of directors should identify in the annual report each non-executive director it considers to be independent, with reasons where necessary.	20 - 23
B.1.4	The board of directors should include in its annual report a description of each director's skills, expertise and experience. Alongside this, in the annual report, the board should make a clear statement about its own balance, completeness and appropriateness to the requirements of the NHS foundation trust.	20 – 23
FT ARM	The annual report should include a brief description of the length of appointments of the non-executive directors, and how they may be terminated	20 - 23
B.2.10	A separate section of the annual report should describe the work of the nominations committee(s), including the process it has used in relation to board appointments.	37 – 40
FT ARM	The disclosure in the annual report on the work of the nominations committee should include an explanation if neither an external search consultancy nor open advertising has been used in the appointment of a chair or non-executive director.	38
B.3.1	A chairperson's other significant commitments should be disclosed to the council of governors before appointment and included in the annual report. Changes to such commitments should be reported to the council of governors as they arise, and included in the next annual report.	20
B.5.6	Governors should canvass the opinion of the Trust's members and the public, and for appointed governors the body they represent, on the NHS foundation trust's forward plan, including its objectives, priorities and strategy, and their views should be communicated to the board of directors. The annual report should contain a statement as to how this requirement has been undertaken and satisfied.	25, 87
FT ARM	If, during the financial year, the Governors have exercised their power under paragraph 10C of schedule 7 of the NHS Act 2006, then information on this must be included in the annual report.	NOT EXERCISED
B.6.1	The board of directors should state in the annual report how performance evaluation of the board, its committees, and its directors, including the chairperson, has been conducted.	24, 25, 38 39, 41, 42, 74, 81, 82, 99

Code ref.	Summary of requirement	See page(s):
B.6.2	Where there has been external evaluation of the board, the external facilitator should be identified in the annual report and a statement made as to whether they have any other connection to the Trust.	24
C.1.1	The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for patients, regulators and other stakeholders to assess the NHS foundation trust's performance, business model and strategy. Directors should also explain their approach to quality governance in the Annual Governance Statement (within the annual report).	26, 73 – 78
C.2.1	The annual report should contain a statement that the board has conducted a review of the effectiveness of its system of internal controls.	24, 74, 82
C.2.2	A trust should disclose in the annual report: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	98 - 99
C3.5	If the council of governors does not accept the audit committee's recommendation on the appointment, reappointment or removal of an external auditor, the board of directors should include in the annual report a statement from the audit committee explaining the recommendation and should set out reasons why the council of governors has taken a different position.	NOT APPLICABLE
C.3.9	A separate section of the annual report should describe the work of the audit committee in discharging its responsibilities. The report should include: ▪ the significant issues that the committee considered in relation to financial statements, operations and compliance, and how these issues were addressed; ▪ an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or re-appointment of the external auditor, the value of external audit services and information on the length of tenure of the current audit firm and when a tender was last conducted; and ▪ if the external auditor provides non-audit services, the value of the non-audit services provided and an explanation of how auditor objectivity and independence are safeguarded.	95 – 98
D.1.3	Where an NHS foundation trust releases an executive director, for example to serve as a non-executive director elsewhere, the remuneration disclosures of the annual report should include a statement of whether or not the director will retain such earnings.	NOT APPLICABLE

Code ref.	Summary of requirement	See page(s):
E.1.5	The board of directors should state in the annual report the steps they have taken to ensure that the members of the board, and in particular the non-executive directors, develop an understanding of the views of governors and members about the NHS foundation trust, for example through attendance at meetings of the council of governors, direct face-to-face contact, surveys of members' opinions and consultations.	25, 85, 87, 88, 92, 93
E.1.6	The board of directors should monitor how representative the NHS foundation trust's membership is and the level and effectiveness of member engagement and report on this in the annual report.	92 - 94
E.1.4	Contact procedures for members who wish to communicate with governors and/or directors should be made clearly available to members on the NHS foundation trust's website and in the annual report.	26, 94
FT ARM	The annual report should include: ▪ a brief description of the eligibility requirements for joining different membership constituencies, including the boundaries for public membership; ▪ information on the number of members and the number of members in each constituency; and ▪ a summary of the membership strategy, an assessment of the membership and a description of any steps taken during the year to ensure a representative membership, including progress towards any recruitment targets for members.	90 - 94
FT ARM	The annual report should disclose details of company directorships or other material interests in companies held by governors and/or directors where those companies or related parties are likely to do business, or are possibly seeking to do business, with the NHS foundation trust.	23, 85

"FT ARM" indicates that the disclosure is required by the NHS Foundation Trust Annual Reporting Manual rather than the code of governance.

"Comply or explain" disclosures

The following table outlines those provisions where we did not fully comply with the provisions of the NHS foundation trust code of governance:

Code ref.	Provision	Explanation
D.2.3	The council of governors should consult external professional advisers to market-test the remuneration levels of the chairperson and other non-executives at least once every three years and when they intend to make a material change to the remuneration of a non-executive.	When considering the remuneration levels of the chairman and other non-executive directors on behalf of the council of governors, the nominations committee considered contemporary regional and national NHS benchmarking data. It considered that this was sufficient to meet its needs and that consulting external professional advisers would incur significant and unnecessary cost. The council of governors unanimously supported this approach when it considered the matter and considers that this approach is in line with the principles of the code of governance.

Other disclosures in the public interest

NHS foundation trusts are public benefit corporations and it is considered to be best practice for the annual report to include "public interest disclosures" on the foundation trust's activities and policies in the areas set out below.

Summary of disclosure	See page(s):
Actions taken to maintain or develop the provision of information to, and consultation with, employees;	52 - 54
The foundation trust's policies in relation to disabled employees and equal opportunities;	50 - 52, 77
Information on health and safety performance and occupational health;	16 – 18, 58 – 59
Information on policies and procedures with respect to countering fraud and corruption;	99
Statement describing the better payment practice code, or any other policy adopted on payment of suppliers, performance achieved and any interest paid under the Late Payment of Commercial Debts (Interest) Act 1998	13
Details of any consultations completed in the previous year, consultations in progress at the date of the report, or consultations planned for the coming year;	8, 34 – 36, 76, 77
Consultation with local groups and organisations, including the overview and scrutiny committees of local authorities covering the membership areas	34 - 36
Any other public and patient involvement activities.	32 - 33
The number of, and average additional pension liabilities for, individuals who retired early on ill-health grounds during the year.	Note 6.2 to the accounts
Detailed disclosures in relation to "other income" where "other income" in the notes to the accounts is significant.	Note 3 to the accounts
A statement that the NHS foundation trust has complied with the cost allocation and charging guidance issued by HM Treasury	13
Sickness absence data	49
Details of serious incidents involving data loss or confidentiality breach	79

Voluntary disclosures

We have also included a number of "voluntary disclosures" (as defined by the foundation trust annual reporting manual) in this annual report. These can be found as follows:

Summary of disclosure	See page(s):
Sustainability reporting	13 - 14
Equality reporting	50 - 52, 77
Slavery and human trafficking statement (Modern Slavery Act 2015)	25 - 26

NHS IMPROVEMENT'S SINGLE OVERSIGHT FRAMEWORK

Single Oversight Framework

NHS Improvement's Single Oversight Framework provides the framework for overseeing providers and identifying potential support needs. The framework looks at five themes:

- Quality of care
- Finance and use of resources
- Operational performance
- Strategic change
- Leadership and improvement capability (well-led)

Based on information from these themes, providers are segmented from 1 to 4, where '4' reflects providers receiving the most support, and '1' reflects providers with maximum autonomy. A foundation trust will only be in segments 3 or 4 where it has been found to be in breach or suspected breach of its licence.

The Single Oversight Framework applied from Quarter 3 of 2016/17. Prior to this, Monitor's Risk Assessment Framework (RAF) was in place. Information for the prior year and first two quarters relating to the RAF has not been presented as the basis of accountability was different. This is in line with NHS Improvement's guidance for annual reports.

Segmentation

NHS Improvement has placed the Trust in segment 3. This segmentation information is the Trust's position as at 25 May 2017. Current segmentation information for NHS trusts and foundation trusts is published on the NHS Improvement website.

During 2015/16 the Trust became in breach of its licence conditions and on 18 June 2015 Monitor formally accepted enforcement undertakings given by the Trust pursuant to Monitor's powers under section 106 of the Health and Social Care Act 2012. Monitor imposed an additional licence condition (relating to additional governance requirements) on the Trust pursuant to its powers under section 111 of the Health and Social Care Act 2012. For details of the enforcement undertakings and the Trust's significant progress made against them, please see the Annual Governance Statement.

Finance and use of resources

The finance and use of resources theme is based on the scoring of five measures from '1' to '4', where '1' reflects the strongest performance. These scores are then weighted to give an overall score. Finance and use of resources is only one of the five themes feeding into the Single Oversight Framework.

Metric	**2016/17 Q3 score**	**2016/17 Q4 score**
Capital service cover	4	4
Liquidity	4	4
I&E margin	4	4
I&E variance from plan	4	2
Agency spend	1	2
Overall scoring	**3**	**3**

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Statement of the chief executive's responsibilities as the accounting officer of Lancashire Teaching Hospitals NHS Foundation Trust

The National Health Service Act 2006 states that the Chief Executive is the accounting officer of the NHS foundation trust. The relevant responsibilities of the accounting officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the NHS Foundation Trust Accounting Officer Memorandum issued by Monitor.

Under the National Health Service Act 2006, Monitor has directed Lancashire Teaching Hospitals NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Lancashire Teaching Hospitals NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the accounting officer is required to comply with the requirements of the NHS Foundation Trust Annual Reporting Manual and in particular to:

- observe the Accounts Direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the NHS Foundation Trust Annual Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- ensure that the use of public funds complies with the relevant legislation, delegated authorities and guidance; and
- prepare the financial statements on a going concern basis.

The accounting officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS foundation trust and to enable her to ensure that the accounts comply with requirements outlined in the above mentioned Act. The accounting officer is also responsible for safeguarding the assets of the NHS foundation trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in Monitor's NHS Foundation Trust Accounting Officer Memorandum.

Karen Partington
Chief Executive
25 May 2017

ANNUAL GOVERNANCE STATEMENT 2016-17

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS foundation 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 foundation 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 Foundation Trust Accounting Officer Memorandum.

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 Lancashire Teaching Hospitals NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Lancashire Teaching Hospitals NHS Foundation Trust for the year ended 31 March 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

As Accounting Officer, I have overall accountability for risk management within the Trust however our risk management strategy describes the responsibility of every member of staff to recognise, respond to, report, record and reduce risks while they are undertaking work for the Trust. The risk management strategy is critically important to the Trust and is reviewed by the board annually. It details the Trust's approach to:

- The provision of high-quality services to the public in ways aimed at securing the best outcome for all involved. To this end, the Trust ensures that appropriate measures are in place to reduce or minimise risks to everyone for whom we have a responsibility.
- The implementation of policies and training to ensure that all appropriate staff are competent to identify risks, are aware of the steps needed to address them and have authority to act.
- Management action to assess all identified risks and the steps needed to minimise them. This comprises continuous evaluation, monitoring and reassessment of these risks and the resultant actions required.
- The designation of executive officers with responsibility for the implementation of the strategy and the execution of risk management through operational and monitoring committees, as described in the risk management strategy and policy.
- Action plans to maintain compliance with the requirements for Care Quality Commission (CQC) registration, which contribute to delivery of the risk control framework and registration standards assurance.
- The process by which risks are evaluated and controlled throughout the organisation. In support of the risk management strategy and policy, a range of policies exist that provide clear guidance for staff on how to deal with concerns, complaints, claims, accidents and incidents on behalf of patients, visitors or themselves.

Risk management is embedded within the Trust by various means, including:

- the risk management strategy, which is available to all staff through our internet and intranet sites;
- effective use of divisional risk registers, the operational risk register and the board assurance framework;
- board and board sub-committee oversight of principal risks to the organisation's strategic aims and oversight by the risk management committee of divisional risks;
- compliance with the mechanisms for the reporting of all accidents and incidents using our sophisticated online incident reporting system;
- all serious incidents are actively managed and monitored to ensure compliance with action plans and being open, and progress is monitored by the board of directors at each meeting;
- outcomes from complaints, incidents and claims are used to mitigate future risks and these outcomes are also aggregated to identify Trust-wide risks;
- risk management training and education for staff, including induction training, statutory and mandatory training. The requirement for risk management training is identified in our risk management training needs analysis, which details the type and level of training required by staff group and work area. A central record of all such training activity is maintained;
- an open and accountable reporting culture whereby staff are encouraged to identify and report risk issues; and
- 'freedom to speak up' team in place and 'valuing your voice' designated inbox for staff to raise concerns, both of which are promoted within the Trust.

The organisational management structure illustrates the Trust's commitment to effective governance including risk management processes. During 2016/17 a new Divisional Director of Governance was appointed and a new Division of Governance was formed in order to:

- continue to raise the profile of governance by ensuring governance and assurance remain on an equal footing with other organisational priorities;
- ensure that governance, quality and safety are seen as the responsibility of all staff who, in discharging those responsibilities, have access to, and support from, an appropriately skilled and responsive governance support team;
- ensure that the Trust's governance resource is targeted in the right place at the right time with an emphasis on outcomes rather than process and improved quality and safety; and
- ensure that during a period of inevitable increased emphasis on cost effectiveness in healthcare, that this is not at the expense of reduced quality or poor governance in our organisation.

With effect from 1 April 2017 we have revamped our risk management committee which is now an operational committee reporting into the Safety and Quality board subcommittee. Risk management committee meetings now take place on a monthly rather than bi-monthly basis and the revised membership of the committee ensures that there is strong divisional representation at every meeting so that lessons learned and assurances can be shared between the Trust's Divisions. Furthermore, a Clinical Governance Committee has been established which reports into the Safety and Quality board subcommittee, the purpose of which is to enhance the support provided to Divisions from a clinical governance perspective.

The risk and control framework

The Board approves and reviews the risk management strategy on an annual basis. The strategy sets out our approach to the management of risk and the implementation of a system which assists in the identification, assessment, treatment and monitoring of risk. The strategy provides the

framework and plan by which the Trust can further develop its ability to meet the demands of effective risk management. The strategy defines risk in the context of clinical, health and safety, organisational, business, information, financial or environmental risk and also provides a definition of risk management.

Each Division has its own local risk management strategy, which reflects that of the organisation. A systematic process for assessing and identifying risk is conducted at Divisional level. The risk assessments are rated and this information is utilised to populate the relevant Divisional risk register via our sophisticated online Datix system. Responsibility for the management and control of a particular risk rests with the Division concerned. However, where action to control a particular risk falls outside the control or responsibility of that Division, or where local control measures are considered to be potentially inadequate or require significant financial investment or the risk is 'high' or 'significant' and simply cannot be dealt with at that level, such issues are escalated by the relevant Division by way of reporting to the Risk Management Committee for consideration. These reports provide detailed analysis of risk and the actions to mitigate them, providing a rich source of detailed information and evidence of risk reduction. The Risk Management Committee scrutinises these reports, seeks clarification from divisional representatives and, where appropriate, requests more in depth reports and additional evidence. As part of this reporting process Divisions also highlight minor risks that have a maximum score of 5 in probability and consequence. In turn, the Risk Management Committee may escalate a particular risk to the Safety and Quality board sub-committee for further consideration.

Individual patient risks are discussed with patients and carers as part of the Trust's harm free care and safety and quality improvement programme. Where appropriate, risk alerts are made to partner organisations in line with statutory responsibilities, such as for safeguarding purposes. Safety and quality performance boards are in all ward areas and provide an overview of the performance as well as an outline of priorities for improvement. The safety and quality strategy identifies safety improvement goals which were developed in consultation with patients, staff, governors and members. The board provides transparency in the reporting of safety and quality at the board of directors and this information is also discussed in detail at the safety and quality board sub-committee. Key risk issues are also discussed with governors at formal council meetings. The clinical commissioning group (CCG) systematically reviews Trust delivery of the contract and key risk issues are discussed through the contract process. In addition to this the CCG have established a local A&E Delivery Board and we would elevate relevant risks relating to emergency care, urgent care, long term conditions for discussion at this forum.

Performance data is underpinned by the Trust's data quality assurance framework. Within this, the quality of reported data is assured through the information quality assurance framework, which sets out the expected content and format of the corporate performance report and the principles that underpin the collection, collation and reporting of all key performance indicators within each domain.

Risks to data security are managed through dedicated information risk and information governance policies. Lancashire Teaching Hospitals NHS Foundation Trust's information governance (IG) assessment report overall score for 2016/17 was 81% and was graded as satisfactory (green) with Level 2 being achieved in 25 initiatives and level 3 in 19 initiatives. This demonstrates an achievement for the IG Team as the Trust remains consistent with the scores in accordance with last year's position of 81% being also being achieved.

Principal risks that impact on the Trust's ability to meet its strategic objectives are recorded on the Trust's board assurance framework. This framework identifies how the Trust obtains internal and external assurances in respect of such risks. It identifies and examines the system of internal control

in place to manage the risks and the effectiveness of the assurance mechanisms. Actions taken by the board to address any gaps in controls or assurances are recorded and tracked via the Datix system.

Each risk on the board assurance framework is 'owned' by an executive director. Executive directors individually and collectively have responsibility for providing assurance to the Board on the controls in place to mitigate such risks and the board reviews the entire board assurance framework at each meeting. Additionally, each risk on the board assurance framework is aligned to a board sub-committee, which reviews the risks assigned to it at each meeting. The sub-committees of the Board in turn have responsibility for providing assurance to the Board in respect of the effectiveness of those controls.

The most significant risks for the Trust, as identified within the board assurance framework for 2016-17, related to:

1. severely reduced availability of consultants and doctors, particularly in Emergency Medicine;
2. challenges associated with the delivery of our financial plan;
3. non-delivery of the targets and indicators set within regulatory and compliance frameworks;
4. high levels of bed escalation, occupancy and patient cancellation;
5. adherence to the agency caps introduced by the regulator;
6. the inability to recruit and retain the required number of nurses; and
7. the current configuration of our EPR system.

The board assurance framework includes further detail as to how these risks are being managed and mitigated, including how outcomes are assessed.

Care Quality Commission compliance

The effectiveness of the Trust's governance structures was externally tested during 2016/17 via the Care Quality Commission (CQC) undertaking an inspection of the organisation in September 2016. The purpose of the inspection is to establish answers to five key questions:

- Is it safe?
- Is it effective?
- Is it caring?
- Is it responsible to people's needs?
- Is it well-led?

The CQC published their report in April 2017, with an overall view that the Trust 'Requires Improvement'. Whilst this is disappointing the Trust noted that the CQC saw that in terms of 'caring' the organisation was graded as 'good'. The Trust has undertaken a series of steps to address a number of key issues in the period October 2016 – March 2017 subsequent to the visit. Additionally a robust action plan to address issues identified in the report alongside wider contextual challenges is being developed, which will prepare the organisation for its journey towards Outstanding. Further details of the recommendations provided by the CQC can be found in the Quality Report.

Provider licence compliance

As a licensee, the Trust is required to apply those principles, systems and standards of good corporate governance which reasonably would be regarded as appropriate for a supplier of healthcare services to the NHS. To do this, we have regard to guidance from NHS Improvement (previously Monitor), including the NHS Foundation Trust Code of Governance. All directors and governors have signed a declaration confirming their compliance with the fit and proper person

requirement introduced by condition G4 of the provider licence and the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014.

The board subcommittee structure has a clear reporting structure to the board. Minutes of all subcommittee meetings are presented to the board and the chair of each board subcommittee provides a written report to escalate any significant issues to the board's attention and, during board subcommittee meetings, the chair of the relevant committee has the opportunity to refer any issue to another board subcommittee.

An annual review and strengthening of the Board sub-committees was undertaken during 2016/17 to ensure that the Board sub-committee structure is able to meet the challenges to be faced by the organisation for the following year. During the reviews the committee evaluates its function and specific duties to determine whether (i) such duty or function is high or low impact, and (ii) whether the committee is effective in carrying out its function or discharging its duties. As part of this review, the terms of reference for each committee are refreshed.

The Board also continues to review its own performance and is making arrangements for an external review of its governance arrangements during 2017/18 in line with NHS Improvement's national guidance. The Trust is preparing for the external review by way of self-assessment at every Risk Management Committee meeting. The Board has in place a formal board development programme and, in line with the programme, we held a risk management development session in February 2017 to evaluate the Trust's risk management arrangements and capacity to handle risk, and to review and evaluate the Board's risk appetite.

The effectiveness of the Trust's governance structures continued to be internally tested during 2016/17 via the Annual Internal Audit Programme. Mersey Internal Audit Agency, the Trust's internal auditors, provided an overall opinion of significant assurance, based on their work during 2016/17.

The Trust is required under licence condition FT4(8)(b) to submit a corporate governance statement to NHS Improvement (previously Monitor) each year. This statement confirms the Trust's compliance with condition FT4 at the date of signature and its anticipated compliance with the condition for the coming year. The statement also outlines any risks to compliance and the actions that we are intending to take to manage those risks. The corporate governance statement takes the form of a template issued by NHS Improvement and the proposed responses are subject to scrutiny by the audit committee, individual executive and non-executive directors, senior managers and internal and external auditors before being signed by the board.

With respect to the Trust's compliance against the condition FT4 ("the FT governance condition"), there continues to be risks in relation to:

- performance against the 18-week referral-to-treatment incomplete standard (RTT) due to an increase in the elective and non-elective activity in 2016/17; and
- performance against the 4-hour emergency department waiting time due to increased ED attendances for non-elective activity and a reduction in patient flow across the health economy.

The Trust has taken a number of steps to mitigate any risks around these issues, through focused and dedicated work to bring performance back into compliance. This has involved internal work as well as collaborative work with other partners in the local health economy. Despite these actions being taken, the Trust continues to experience high levels of escalation, medical outliers and compromised patient flow. The longevity of system resilience is dependent on all stakeholders

across the local health economy, and we anticipate that there will be continued operational and subsequent compliance issues against key access targets during 2017-18.

With respect to the 18-week referral-to-treatment incomplete standard (RTT), as detailed in our 2015/16 Annual Report, the Trust identified a risk to delivery of this standard which triggered an internal review. The Trust has continued to progress actions in relation to RTT assurance during 2016/17. These include external assurance reviews and audit as follows:

- Intensive Support Team invited back to the Trust to offer advice and guidance.
- External RTT analysts (JSF) completed an RTT script review covering the data collation and reporting processes. The review included exclusion codes, SQL construction in line with national reporting, PTL reporting and volume checks for end to end reporting.
- External company Cymbio invited into the Trust to carry out a further validation assurance exercise incorporating validation of an initial 20,000 patient pathways.
- External review of Trust actions undertaken by KPMG with recommendations identified.
- Our PAS supplier is enhancing our PAS system for better 18 week referral to treatment functionality and is undertaking third party assurance testing of this.

With respect to the 4-hour emergency department (ED) waiting time, staffing issues within the ED specialty at a middle grade level has impacted on the Trust's ability to deliver a safe ED service across two hospital sites. This resulted in a temporary service change to the emergency department at Chorley and South Ribble Hospital as of 18th April 2016. Throughout 2016/17 we worked hard to reinstate the emergency department at Chorley and South Ribble Hospital and the department reopened on a limited hours' basis in January 2017, a notable achievement given the continuing national shortage of emergency medicine doctors. Along with the new 24 hours a day, seven days-a-week urgent care centres which have opened at both hospitals, local people can now access a wider range of services for acute and serious illness and injury.

During 2015/16 and 2016/17 there has been particular focus on strengthening our financial governance arrangements, following the imposition of an additional licence condition on the Trust by Monitor on 18th June 2015 as a result of our worsening operational environment in 2014/15 and an accelerated requirement for financial support into 2015/16. At that time, Monitor informed the Trust that it had reasonable grounds to suspect that the Trust has provided and is providing healthcare services for the purpose of the NHS in breach of the following conditions of our provider licence:

- CoS3(1),(a) and (b), CoS3(2)(c) - Continuity of service licence conditions in relation to standards of Corporate Governance and Financial Management; and
- FT4(5)(a), (d) and (f) – NHS Foundation Trust licence conditions in relation to Governance Arrangements.

In response, the Trust provided a number of enforcement undertakings to Monitor, which sought to address their concerns. During 2015/16 and 2016/17 the Trust has made considerable progress in fulfilling our enforcement undertakings and we monitor our progress on a quarterly basis at Board level. As at the date of this report the enforcement undertakings and the additional licence condition remain in place and we have sought guidance from NHS Improvement as to when they can be lifted. The Trust has arranged for an audit to be carried out within the 2017/18 internal audit programme in order to provide independent assurance to NHS Improvement as to the Trust's progress in this regard.

At the end of 2015/16 there were two outstanding areas in relation to our enforcement undertakings where further progress still needed to be made, as was acknowledged by our external auditors and noted within their 2015/16 VFM conclusion:

i. Liquidity: The Trust's financial standing is based upon additional draw down of emergency funding and utilisation of a working capital facility and, as at the end of 2015/16, we had not formally agreed an additional term loan for 2016-17; and
ii. Long term sustainability: the development of a realistic and robust sustainability plan to deliver our services on a sustainable basis.

With respect to our liquidity position, the requirement for external financial support has continued throughout 2016/17 and into 2017/18 however we are seeking to minimise our external funding requirement in 2017/18. 2016/17 continued to be a challenging year for our finances due to the continued significant efficiency requirements as a result of the wider economic climate and the diminishing opportunities available. Despite this, we delivered a challenging CIP target for 2016/17 of £24.5m. We are committed to achieving our challenging £25m CIP programme for 2017/18 and, in order to enhance the Trust's ability to deliver yet another challenging programme and meet our 2017/18 control total, we are working with NHS Improvement on a financial improvement programme, which is expected to materially reduce the Trust's deficit position and help us to develop a robust savings plan for 2018/19.

Due to deficits in the current and previous years the Trust has working capital loans which fall due for repayment within a year. The current financial plan does not allow the Trust to make repayment in this timescale and so we are working with the Department of Health and NHS Improvement to find a resolution.

During 2016/17 we strengthened our financial governance arrangements further in order to help us secure value for money by establishing a new productivity and efficiency steering board and five new productivity and efficiency delivery groups which formally report into the steering board. To mitigate risk to patient safety, we have in place a 'Quality Impact Assessment' and robust governance systems that require clinical approval of all CIP schemes. We were pleased to win the HFMA Governance award 2016 for our strengthened financial governance arrangements in this regard.

With respect to the Trust's long term sustainability, we recognise that sustainable financial balance needs to come through engagement with the wider health economy; this requires not only the Trust to achieve service efficiencies but to maximise the use of its sites and support the wider transformational change in service delivery. During 2016/17 we worked with partners to develop the five-year Sustainability and Transformation Plan (STP) for Lancashire and South Cumbria, which was submitted to NHS Improvement in October 2016. The STP describes the required scale of change across the wider pan Lancashire footprint and the key priorities.

We have made progress with respect to our local delivery plan for Central Lancashire, the 'Our Health Our Care' programme. This is the transformational change programme that will enable us to develop new models of care for the central Lancashire health and care economy, which will make us clinically and financially sustainable for the long term future within a more integrated health and care system for the population of Central Lancashire.

The Our Health Our Care programme consists of representatives from NHS Greater Preston Clinical Commissioning Group, NHS Chorley and South Ribble Clinical Commissioning Group, Lancashire Care NHS Foundation Trust, the Trust, local councils, NHS England and specialist commissioners. The Solution Design Process began in September 2016 and will harness expertise and ideas from clinicians and colleagues from all partner organisations, along with patients and public representation to help develop a number of alternative care models. These care models will be developed through clinically focused workshops and several engagement events with stakeholders and the public. The events will ensure that the public and staff are able to engage with and inform the co-design of their health and care system.

The next steps for the programme in 2017/2018 include undertaking further Solution Design Events and additional phases of public engagement to ensure a continuation of the dialogue with our communities. From this, we will agree new models of care and develop a long list of options for

delivery of those models of care. We will then refine the long list of options for delivery using the evaluation criteria to develop a shortlist of options for delivery and undertake a sensitivity analysis on the shortlist of options. We will then complete a pre-consultation business case containing evidence of the work undertaken through the solution design process, following which a formal public consultation may be required.

Equalities legislation

In accordance with equalities legislation, the Trust has in place an equality strategy which includes the organisation's objectives and intentions in relation to all protected characteristics. Equality impact assessments continue to be undertaken for all policies, service developments and estates and facilities developments. The Trust also continues to promote and develop its consultation with staff, patients and the public. Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

Environmental legislation

The Trust has undertaken risk assessments and carbon reduction delivery plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the adaptation reporting requirements are complied with.

Pension scheme regulations

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

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

The Trust has robust arrangements in place for setting objectives and targets on a strategic and annual basis. These arrangements include ensuring that the financial strategy is affordable, providing scrutiny of savings plans to ensure achievement and compliance with our provider licence and coordinating individual objectives with corporate objectives as identified in the annual plan.

Performance against objectives is monitored and actions identified through a number of channels, including:

- approval of annual budgets by the Board of Directors;
- monthly reporting to the Board on key performance indicators covering finance, activity, quality and workforce targets;
- weekly reporting to the Executive Team on key influences on the Trust's financial position, including activity and other key performance indicators;
- monthly and weekly reporting to divisions through the budgetary control system and weekly benchmarking system;
- monthly performance management of divisions by the Executive Team covering performance on key areas;
- periodic reporting to NHS Improvement and compliance with the provider licence

The Trust also participates in initiatives to ensure value for money, including:

- subscription to a national benchmarking organisation that provides comparative information analysis on patient activity and clinical indicators. This is used for the risk management process and to identify where improvements can be made;
- ensuring that value for money remains an important component of the internal audit plans that provide assurance to the Trust that processes are in place to ensure effective use of resources;
- subscription to Dr Foster Intelligence, in addition to utilising the 'Better Care, Better Value' indicator data set. Together they provide benchmark indicators to enable us to monitor productivity improvements and opportunities with a high potential for cost release, in line with the aims of the NHS quality, innovation, productivity and prevention initiative.

The Trust has a standard assessment process for future business plans to ensure value for money and full appraisal processes are employed when considering the effect on the organisation. Procedures are in place to ensure all strategic decisions are considered at executive and board level.

Information governance

The Trust believes that reliable information is fundamental to support quality patient care. It is therefore of paramount importance to ensure that an Information Governance Framework supports the organisation's commitment to the security, information risk management, confidentiality and quality of information. The Trust Board ultimately owns and is accountable for all Information Governance matters. The Finance Director is also Senior Information Risk Owner (SIRO) and is the Board level role to lead and foster a culture that values, protects and uses information for the success of the organisation and the benefits of its patients. The Caldicott Guardian (Medical Director) is the appointed senior clinician, who carries the ultimate responsibility to oversee the use and sharing of patient identifiable clinical information. Supporting these roles are the Information Governance Records Committee and SIRO/Information Asset Owner Working Group. The purpose is to support and drive the broader information governance agenda and provide the Board with the assurance that effective information governance best practice mechanisms are in place within the organisation.

The Trust has completed the Information Governance Toolkit assessment and Board of Directors has received a report regarding its system for control of Information Governance. The Trust is green rated on the Information Governance Toolkit.

Through its membership on the Lancashire Person Record Exchange Service (LPRES), the Trust is working collaboratively with statutory agencies across Lancashire and Cumbria
involved in the programme to help support the safe and legal exchange of information through utilisation of Information Sharing Agreements on the Information Sharing Gateway. This not only help us protect our information but also help us understand any associated risks and allows us to keep our information sharing agreements centrally.

Information risk management is an essential component of Trust processes and is an integral part of good management practice so that we embed information risk management in a practical way into business processes and functions. This is achieved through regular training and awareness for all staff. Incident management is a part of that process mechanism for the immediate reporting and investigation of actual or suspected information security breaches and potential vulnerabilities or weaknesses within the organisation.

Protecting key information assets is of critical importance to the sustainability and competitiveness of organisations today. We need to be on the front foot in terms of cyber preparedness. To help support this, the Trust is working collaboratively with statutory agencies across Lancashire and Cumbria for interdisciplinary, cross-departmental cyber security protection and innovation to address national security and resilience challenges.

During 2016/17 the Trust had 5 Level 2 confirmed Information Governance Serious Incidents which we reported to the Information Commissioner's Office. The Trust undertook investigations and strengthened controls. The Information Commissioner was satisfied with the actions taken on 3 of those incidents by the Trust and made no further recommendations. The two outstanding incidents are still under investigation.

The incidents were as follows:

1. Individual found a folded sheet of paper in a toilet on a ward. This document contained handwritten handover notes relating to patients on the ward. The visitor reported the incident to the nurse in charge. An in-depth investigation was undertaken and rigorous steps in place to ensure that the incident was highlighted and this incident did not recur. Status – closed
2. Clinic dictation tape lost in transit within the hospital. Processes in handling these tapes have now been changed to prevent any further tapes going missing. This has been extremely successful to date with no further incidents. Status – closed
3. Person identifiable data sent to incorrect recipient using encrypted NHS.net email. This should have been received by a secretary with the Trust but was instead sent to a nurse in with the same name at a GP surgery in another location in the UK. The member of staff has undertaken training and now ensures that she checks all emails thoroughly prior to sending. A review of current processes for transferring patient data has been conducted. Additional IG training is also being undertaken by department staff. Status – closed
4. A sample box being carried on a blood bike travelling from Chorley Hospital to Royal Preston Hospital was involved in an accident. Some information relating to the samples had been thrown out of the box and it cannot be confirmed if all the information was retrieved. An investigation has been conducted within the department along with a review of processes. Department are looking at implementing a tracking system to support information processes across sites. Relevant information governance clauses in contractual documentation are under review. Status – open
5. Following attendance at Emergency Department by a patient it was found that patient details had been entered into the incorrect patient record. This incident is still under investigation. Status - open

Events after Year End: Worldwide Cyberattack

The WannaCry ransomware attack was a worldwide cyberattack. The attack started on 12 May 2017 and within a 24 hour period was reported to have infected approximately 250,000 million windows based devices in over 150 countries. The WannaCry virus targets computers running the Microsoft Windows operating system by encrypting data held on the device and demanding ransom payments to unencrypt information. Microsoft Windows Operating Systems are commonly seen in Desktop PCs, Servers and Medical Devices such as Blood Fridges, MRI & CT Scanners. WannaCry spreads across local networks and the Internet to systems that have not been updated with recent security updates. A critical patch was released by Microsoft in March 2017 to remove the vulnerability for Windows 7 and later operating systems. In an unprecedented move, Microsoft also

released patches to older operating systems such as Windows XP and Windows Server 2003 the day after the outbreak.

The first instance of the WannaCry virus infecting Trust devices was at approximately 11:00am on 12 May 2017. Initially, the virus was evident in a small number of servers within the Data Centres, this infection was identified via the infrastructure monitoring tool that is in place; additionally, the Service Desk received a report indicating a small number of PCs were infected across the PC estate. These two incidents occurred within moments of each other. The server estate was already patched, the firewall and anti-virus software was in place prior to the virus hitting the Trust, the routine for patching the server estate is by batching which means that there can be a gap on all servers being updated at any point in time.

The immediate action taken was to isolate and secure the Data Centres and remove the Trust from the national N3 network. This was done immediately and work then began to understand the impact on the server estate. The PC and end user device estate that is in use across the Trust is comprised of the following: Desktop PCs, Trollies that are used in all clinical areas and laptop devices. Patches and updates are pushed out to the PC estate centrally; all devices had the patch sent to them however their deployment is dependent on individual devices being rebooted. There are approximately 5000 windows based devices that utilise the Trust Network of which 4000 are in use in clinical areas and the remainder in non-clinical areas. Initially rates of infection indicated that within clinical areas where devices are in constant use, the infection rate was high; in non-clinical areas, infection rates were very low.

The Trust deployed its business continuity plans from 12 -14 May 2017 and there was minimal disruption to clinical services. By 15 May 2017 all clinical areas had access to a PC or Trolley to allow clinical services to function. Throughout this period the Trust complied with guidance issued by CareCERT and we have also received additional resources in the form of manpower to support the service restoration programme from NHS Digital and NHS England. A regional CIO and Technical task force was established within hours of the incident and this collaboration supported a common approach and coordinated response. The Trust has also cooperated with the National Crime Agency Specialist Cyber Crime Unit who are on a national level co-ordinating an investigative response to gather evidence to support any future prosecution in this matter.

Annual Quality Report

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare quality accounts for each financial year. Monitor has issued guidance to NHS foundation trust boards on the form and content of annual quality reports which incorporate the above legal requirements in the NHS foundation trust annual reporting manual.

The content of the quality report reflects both internal and external sources of information to ensure consistency and accuracy of data. These sources of information include:

- Board and Safety and Quality Committee minutes and papers for the period April 2016 to March 2017
- Clinical Governance Committee minutes and papers (from October 2016 to March 2017)
- papers relating to quality reported to the board over the period April 2016 to March 2017
- the Trust's complaints report published under Regulation 18 of the Local Authority Social Services and NHS Complaints Regulations 2009
- the 2016 national inpatient survey (subject to publication)
- the 2016 staff survey

- friends and family test responses
- safety incidents, clinical audit and complaints data

The quality report presents a balanced picture of the performance of Lancashire Teaching Hospitals NHS Foundation Trust over the period covered. As stipulated in the NHS foundation trust annual reporting manual 2016-17, feedback has been sought from commissioners, governors and other key stakeholders.

There are appropriate internal controls over the collection and reporting of the measures of performance included in the quality report and these controls are subject to review to confirm that they are working effectively in practice. The Trust has in place robust policies and procedures governing the collection, collation and reporting of compliance in relation to performance standards including elective waiting times. Our elective access policy agreed with commissioner colleagues governs the management of all patients awaiting elective treatment. The policy defines key roles and responsibilities and establishes good practice guidelines to assist staff with the effective management of the 18 week pathway experience, incorporating the outpatient, inpatient and diagnostic waiting lists. In addition both the data quality assurance and operational performance teams quality assure the waiting time information utilised on a daily basis to manage patients on an elective pathway through the established comprehensive validation and rolling audit programme. The programme ensures that risks in terms of incorrect documentation or collation of data are identified with appropriate controls implemented.

The board reviews key safety and quality performance indicators each month as part of the corporate performance report. This information provides trend data as well as cumulative performance. In addition, more detailed qualitative and quantitative information is provided in specific reports to the board on a regular basis.

The Trust's internal auditors review the processes and mechanisms through which data is extracted and reported in the quality account report to provide further assurance. The external auditors have been engaged by the council of governors to perform an independent assurance engagement in respect of the content of the quality report.

Roles and responsibilities for Care Quality Commission compliance are defined at corporate and divisional level. Systematic internal inspection of all ward areas utilising the Care Quality Commission's fundamental standards is conducted. Ward and departmental inspections are conducted weekly by a team which may include a clinical commissioning group representative, a governor and a specialist advisor from within the Trust. Where concerns are identified, a well-established process of rapid response is initiated, which includes a requirement to identify and implement corrective action and to monitor the effectiveness of this. Senior divisional and corporate teams oversee this process.

A range of processes are used in order to monitor and assess safety and quality. We synthesise patient feedback and performance information from a range of sources including local and national audit, clinical benchmarking and feedback from patients via surveys, friends and family tests, complaints, compliments and online feedback.

During 2016/17 the Trust commissioned internal audits in respect of a range of services and received significant assurances for a number of these. We utilise nationally benchmarked data where possible from such sources as the NHS information centre and Dr Foster intelligence clinical benchmarking tools. We have also participated in peer review exercises, for example in respect of infection prevention and control and cancer services. For the period 2016/17, the Trust declared compliance against the CQC fundamental standards.

Review of effectiveness

As Accounting 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 NHS foundation trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the content of the quality report attached to 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 and the audit committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

In describing the process that has been applied in maintaining and reviewing the effectiveness of the system of internal control, I have set out below some of the work undertaken and the roles of the board and committees in this process:

- The internal audit plan, which is risk-based, is reported to the audit committee at the beginning of every year. Progress reports are then presented to the audit committee on a regular basis, with the facility to highlight any major issues. The chair of the audit committee can, in turn, raise any areas of concern at the board, plus the minutes of the audit committee are considered at board meetings;
- the executive directors and senior managers meet on a weekly basis and have a process whereby key issues such as performance management, action plans arising from external reviews and risk management are considered both on a planned timetable and an ad-hoc basis if there is a need;
- all relevant committees have a clear timetable of meetings, cycles of business and a clear reporting structure to allow issues to be raised;
- the board undertakes monthly reviews of the board assurance framework and the board subcommittees undertake detailed scrutiny of assurance received or gaps identified in relation to risks assigned to that particular committee;
- the audit committee reviews the establishment and maintenance of an effective system of integrated governance, risk management and internal control across the whole of the organisation's activities (both clinical and non-clinical) that supports the achievement of the organisation's objectives;
- internal audit reviews the board assurance framework and the effectiveness of the system of internal control as part of the annual internal audit plan to assist in the review of effectiveness. The 2016/17 review concluded the Trust's Board Assurance Framework is structured to meet the NHS requirements, is visibly used by the board and clearly reflects the risks discussed by the board;
- reviews of the Trust's governance arrangements carried out by independent organisations in 2012 and 2014 demonstrated their effectiveness and any recommendations from these reviews have been fully implemented. The Trust is preparing for the next external review due in 2017/18 and the Trust's self-assessment is reviewed at every Risk Management Committee meeting; and
- the Head of Internal Audit Opinion for 2016/17 is that significant assurance can be given that there is a generally sound system of internal control designed to meet the organisation's objectives and that controls are generally being applied consistently.

Conclusion

Overall my review confirms that Lancashire Teaching Hospitals NHS Foundation Trust has sound systems of internal control with no significant internal control issues having been identified in this report, and our systems of internal control will assist the organisation in meeting the challenges that we and the NHS at large will face in the coming year.

This Annual Governance Statement is signed on behalf of the board of directors by:

Karen Partington
Chief Executive
25 May 2017

COUNCIL OF GOVERNORS' REPORT

Our council of governors comprises elected and appointed governors who represent the interests of the members and the wider public. They also have an important role in holding the board to account through the non-executive directors.

The council of governors has an essential function in influencing how we develop our services to meet the needs of patients, members and the wider community in the best way possible.

At the end of 2016/17, the council consisted of 30 governors, of which: 18 were elected governors who represent the public constituency; four were elected governors who represent the staff constituencies; four were appointed by our partnership organisations (our four partner organisations being Age UK Lancashire, Preston & Western Lancashire Racial Equality and Diversity Council, the Trust's Volunteers and the Universities of Central Lancashire, Lancaster and Manchester); and four were appointed by local authorities (being Lancashire County Council, Preston City Council, Chorley Borough Council and South Ribble Borough Council.

The Chairman also chairs the council of governors and the Chief Executive usually attends formal meetings. Other directors and senior managers attend some meetings, depending on the issues under discussion. Many governors also commit a significant amount of time outside of formal meetings to be involved in sub-groups and in other ways to fulfil their role of representing the views of their constituents.

Elections

The governor election process takes place between January and March each year, and governors generally serve a three-year term of office, beginning in April.

At the end of March 2016, the terms of office six public governors and one staff governor (representing non-clinical staff) came to an end. 1,841 votes were cast in the public election and 306 votes were cast in the staff election. This represents a turnout of 13.9% and 13.6% respectively.

At the end of March 2017, the terms of office of nine public governors and two staff governors (representing (i) Allied Health Professionals and Healthcare Scientists, and (ii) Nurses and Midwives) came to an end. 1,720 votes were cast in the public election and 105 votes were cast in the election for staff governor representing nurses and midwives (as the election for staff governor representing Allied Health Professionals and Healthcare Scientists was uncontested). This represents a turnout of 13.6% and 4.7% respectively.

Ahead of this year's election process, we carried out various governor recruitment activities to promote the role of the governor, such as: the issuing of a dedicated pre-election mailing to all members; advertising governor vacancies within our latest edition of Trust Matters; holding a number of governor awareness events and pre-election workshops to encourage members to stand for election; and using social media to highlight the election opportunities.

Committees and working groups

The council of governors has one formal committee, the nominations committee, and more detail on the work of the committee is provided within the remuneration report on page 38. In addition, there are three core governor working groups which have been established to consider specific areas in more detail than is possible at formal council meetings. The groups focus on: our buildings and environment, our membership and our patients' experiences. All groups have clear terms of reference and report their activities to the formal council meetings. During Q4 2016/17 and Q1 2017/18 we have been undertaking effectiveness reviews of each of our core governor working groups to identify areas of improvement and to update the terms of reference.

Board and council communications

As the chairman chairs both the board of directors and the council of governors, she is an important link between the two bodies. To strengthen communication and engagement further there is non-executive director representation on each of the core governor sub-groups. This is particularly helpful in understanding relevant issues and promoting ways in which services and facilities can be developed to meet the needs of patients, staff and the wider community, which is integral to the forward planning process. There are a range of other ways in which the two bodies work together, including governor/non-executive director meetings, joint board/council workshops and written communications.

To help governors fulfil their important role of holding the board to account, governors routinely receive the corporate performance report, which provides information on key targets as presented to the board. We have also encouraged governor attendance at board meetings by maintaining a rota system, as attendance at board meetings is a way in which governors can view non-executive directors providing challenge and scrutiny to the executive team. We have also introduced a rota system for non-executive director attendance at council meetings; regular attendance by non-executive directors at council meetings provides governors with opportunity to report their activities to non-executive directors and to raise questions. Regular briefings are also provided to governors on topical issues. In line with good practice, we also have a policy on engagement between the board and council. We have established a lead governor role, and during 2016/17 this was held by public governor, Nicola Leahey.

The importance of joint working between the board and the council is acknowledged by the members of both bodies, who are committed to building on the progress that they have made in this area. The benefits of sharing good practice across NHS organisations is recognised and governors benefit from networks with colleagues in other foundation trusts in the North West as well as involvement in events organised by organisations such as NHS Providers and MIAA.

Declaration of interests

All governors have a responsibility to declare relevant interests as defined in our constitution. These declarations are made to the Company Secretary and are subsequently reported to the council and entered into a register. The register is published on our website, or is available on request from the Company Secretary.

Attendance summary

There were five formal council meetings during 2016/17, four of which were quarterly meetings (April 2016, July 2016, October 2016 and January 2017) and a further extraordinary council meeting was held in June 2016. The table below shows governors' attendance at such council meetings:

Name of governor	Term of office	Type of governor	A	B	Percentage of meetings attended (%)
Gill Ackroyd	01/04/11 – 31/03/17	Public	5	3	60%
Cathy Ainsworth	01/04/14 – 31/03/17	Public	5	5	100%
Rebecca Allcock	26/06/14 – 31/03/20	Staff: other health professionals	5	5	100%
Brian Atkinson	01/04/12 – 31/03/18	Public	5	4	80%
Maureen Bamber	01/04/13 – 31/03/19	Public	5	2	40%
Frank Batin	01/04/17 – 31/03/20	Public	-	-	-
Alistair Bradley	18/05/16 – 17/05/17	Appointed	5	3	60%
Helen Bradley	01/04/11 – 31/03/20	Staff: nurses and midwives	5	3	60%
Vanita Brookes	13/06/12 – 12/06/18	Staff: doctors and dentists	5	4	80%
Tricia Calderbank	01/04/13 – 31/03/19	Staff: administrative and clerical	5	5	100%
Liz Carberry	01/04/17 – 31/03/18	Appointed	-	-	-
Vivianne Culshaw	01/04/14 – 31/03/17	Public	5	4	80%
John Daglish	15/07/11 – 31/03/20	Public	5	5	100%
Stephen Edwards	01/04/11 – 31/03/17	Public	5	5	100%
Margaret Forrester	01/04/14 – 31/03/17	Public	5	3	60%
Margaret France	01/04/17 – 31/03/20	Public	-	-	-
Michelle Hall	01/04/16 – 31/03/19	Public	5	5	100%
Hazel Hammond	01/04/16 – 31/03/19	Public	5	3	60%
Dylis Hayton	01/04/14 – 31/03/20	Public	5	4	80%
Steve Heywood	01/04/16 – 31/03/19	Public	5	5	100%
Richard Hoyle	01/04/16 – 31/03/19	Public	5	3	60%
Cliff Hughes	20/07/16 – 19/07/17	Appointed	4	2	50%
Javed Iqbal	10/12/15 – 09/12/17	Appointed	5	4	80%

Name of governor	Term of office	Type of governor	A	B	Percentage of meetings attended (%)
Catherine Jackson	04/08/15 – 31/05/18	Appointed	5	2	40%
Ken Jones	01/04/11 – 31/03/20	Public	5	4	80%
Sheena Keskin	01/04/15 – 31/03/18	Public	5	5	100%
Mark Jarnell	01/04/17 – 31/03/20	Public	-	-	-
Nicola Leahey	01/04/11 – 31/03/20	Public	5	5	100%
Lynne Lynch	01/04/15 – 31/03/18	Public	5	5	100%
Margaret Newsham	01/04/17 – 31/03/20	Public	-	-	-
Jennifer Mein	07/08/13 – 31/07/17	Appointed	5	3	60%
Janet Miller	01/04/17 – 31/03/20	Public	-	-	-
Alan Morrow	01/04/10 – 31/03/19	Public	5	5	100%
Gurvinder Sahota	10/11/15 – 09/11/18	Appointed	5	1	20%
Stephanie Tufft	12/08/15 – 11/08/18	Appointed	5	5	100%
Peter Yates	06/10/09 – 31/03/17	Appointed	5	5	100%

A = maximum number of meetings the governor could have attended B = number of meetings the governor actually attended

Director attendance at council of governors meetings

The following directors attended council meetings during 2016-17:

Stuart Heys, Chairman (up to 2 January 2017) (attended two meetings)
Sue Musson, Chairman (from 3 January 2017) (attended one meeting)
Karen Partington, Chief Executive (attended three meetings)
Paul Havey, Finance Director / Deputy Chief Executive (attended one meeting)
Suzanne Hargreaves, Operations Director (attended two meetings)
Carole Spencer, Strategy and Development Director (attended one meeting)
Gail Naylor, Nursing and Midwifery Director (attended two meetings)
Karen Swindley, Workforce Director (attended two meetings)
Shamim Mahomed, non-executive director (attended one meeting)
Stephen Ashley, non-executive director (attended two meetings)
Tony Gatrell, non-executive director (attended one meeting)
Michael Welsh, non-executive director (attended three meetings)
Alastair Campbell, non-executive director (attended two meetings)
Tim Watkinson, non-executive director (attended one meeting)

Governor training and development

The importance of providing effective training and development opportunities for our governors is understood and is achieved in a number of ways.

On appointment, governors receive formal induction training to enable them to understand the context in which they are carrying out their role, including information on their statutory duties, as well as practical information such as the various sub-groups available to them. The induction covers areas such as the local and national context, the role of regulatory bodies, the foundation trust provider licence, as well as practical details such as the calendar of meetings and the ways in which they will be expected to contribute in formal and sub-group meetings. Emphasis is placed on the respective roles of the board and the council of governors. We recognise that induction should not be a 'one off' session but should be a continuous process, with skills and knowledge being identified and developed at an early stage.

During 2016/17 we implemented a structured training programme for governors to enable them to fulfil their statutory role as effectively as possible. In addition, eight governor workshop sessions are held each year that form a key part of the governor development process, the topics of which are largely governor-led. The opportunity is also taken at workshops for updates on operational performance, communications with the regulator and topical issues affecting the Trust. During 2016/17, our governors have participated in a number of workshops, including the following topics:

- The Trust's forward planning process: we held an interactive forward planning workshop with Board members and Governors to review, comment and provide feedback on the Trust's four key ambitions.
- Statutory duties: this session was led by our internal auditors on governors' statutory duties, such as holding non-executive directors to account and how to gain assurance in this regard. This training forms part of the governor development programme.
- Finance Skills: this session was led by the Trust's Finance team and provided an introduction to NHS finances and how the Trust generates income. This training forms part of the governor development programme.
- Audit Skills: this session was led by our external auditors and provided insight into the role of external audit. This training forms part of the governor development programme.
- Management Meetings Skills: this session is taking place in May 2017 and will provide governors with training on effective chairing of meetings, effective participation of meetings and appropriate challenge and resolution of dispute/deadlock in meetings. This training forms part of the governor development programme.
- Safeguarding: the session included a presentation by our Safeguarding team on who they are, how they operate (including an overview of governance arrangements), what 'Safeguarding' is and a description of the service for adults and service for children, what their key challenges are and how we can improve what we do, and how we can raise awareness amongst staff generally and how to educate and encourage our staff to report safeguarding concerns.
- Our Health Our Care programme: governors receive regular updates on the Trust's local delivery plan, which are provided by the programme team.
- Research: the session included a presentation from our Head of Research on the Trust's Research team, who they are and how do they operate, their achievements and activities, what their key challenges are, how we can encourage patient and public involvement in Trust Research, and consideration of governor representation on Research groups within the Trust.

- Moving to a smoke free site: the project manager for the Trust's move to a smoke free site provided an update to governors on this project, a project which governors have had direct involvement in.
- Volunteers update: the Head of Volunteers provided a presentation on the role of volunteers, their management and support to the Trust. This update was requested by governors.
- Review of Trust Appointment Letters: the Clinical Business Manager for Patient Access and Patient Flow provided an update to governors on the ongoing project to review and improve the Trust's appointment letters and governors were invited to form part of the working group to make such improvements, and a follow up session has been scheduled for May 2017.

Governors are encouraged to attend external education and training events. NHS Providers runs education and training events for governors throughout the year and our governors send delegates to these events, feeding back the topics discussed and sharing any learning with governor colleagues.

Mersey Internal Audit Agency ran learning events for governors during 2016/17 and a significant number of Trust governors attended the 'Significant Transactions' learning event in November 2016. Furthermore, a governor (on behalf of the Council) attended the NHS Providers' Governor Focus Conference 2016 on 20 April 2016.

In addition, there is a well-established network run by Company Secretaries, which hosts conferences known as North West Governors' Forums. These are well attended and popular with governors as they give an opportunity to share experiences with and learn from governor colleagues. There have been a number of events in 2016/17, covering a wide range of issues related to the challenges faced by governors. The aim is to convey information on topical issues, which can help governors on an individual basis to develop and also enable them to work better collectively.

Expenses claimed by governors

Whilst governors do not receive payment for their work with us, we have a policy of reimbursing any necessary expenditure. During 2015/16 and 2016/17, the following expenses were claimed by our governors:

	2015-16	2016-17
Total number of governors in office (as at 31 March)	27	30
Total number claiming expenses:	16	17
Aggregate sum of expenses (£00):	£42	£53

Contacting your governors

Governors are in attendance at regular members' events and the annual members' meeting, and we provide facilities for governor surgeries where you can discuss your views with governors. **If you wish to contact a governor outside of these events, please email: governor@lthtr.nhs.uk or alternatively contact the Company Secretary email: company.secretary@lthtr.nhs.uk.**

MEMBERSHIP REPORT

Membership is free and aims to give local people and staff a greater influence on the provision and development of our services.

Public membership of our Trust is open to members of the public aged 16 or over who live in our membership area which comprises all of the component electoral wards in the following Local Authority areas:

— Blackburn with Darwen
— Blackpool
— Bolton
— Bury
— Cheshire East
— Cheshire West
— Cumbria
— Halton
— Knowsley
— Liverpool
— Lancashire
— Manchester
— Oldham
— Rochdale
— Salford
— Sefton
— St. Helens
— Stockport
— Tameside
— Trafford
— Warrington
— Wigan
— Wirral

Eligible staff members automatically become foundation trust members unless they choose to opt out. Staff eligible for foundation trust membership are those who either:

- hold a permanent contract of employment with us,
- are contracted to work for a period of 12 months of longer or have held a series of temporary contracts adding up to more than 12 months, or
- are employed by the private sector or other partners (for example local government, other NHS trusts) and work at the Trust on a permanent basis or fixed-term contract of 12 months or more.

Our Membership

We currently have one of the largest memberships in the North West region and the country. The table below shows member numbers by constituency including the year on year percentage change:

Constituency	31 March 2016	31 March 2015	Difference	% Difference
Public	12,540	13,026	- 486	- 3.73%
Staff	7,142	6,899	+ 243	+ 3.52%
Total Membership	**19,682**	**19,925**	**- 243**	**- 1.21%**

During 2016/17 regular data cleansing was carried out to ensure that records continue to be as accurate as possible. This has resulted in a number of members being removed from the database for reasons such as people moving house and also ensuring that deceased members have been removed, minimising potential distress to relatives caused by sending out communications addressed to them. This has caused a 3.73% reduction in the number of public members during 2016/17 compared with membership figures for 2015/16. Recruitment activity has also been focused on targeting under-represented groups only.

There has been a pro-active campaign on the importance of members updating communication preferences and levels of desired involvement, with many members updating their details and requesting information via email. This helps us to engage with members more effectively and efficiently, as well as reducing expenditure on printing and postage costs.

Our strategy

Our membership Management and Engagement Strategy 2014/17, approved by the council of governors sets out how our membership community will remain involved and also develop, which is reinforced in our annual membership plan. The strategy outlines four aims that are incorporated into the membership engagement plan for 2015/16. The aims of the strategy are to:

- enable members to be actively involved in the planning and delivery of services so that they reflect the needs of patents and the local community
- communicate with members and provide information on developments, ensuring that information received is tailored to their selected level of involvement
- carry out targeted recruitment in order to ensure that our membership remains representatives of the community we serve
- encourage members to stand for election to the council of governors and to elect governor representatives

Review of 2016/17

Members who have expressed a preference for a high and medium level of involvement (level three and level two) are contacted regularly to provide information about opportunities for engagement. We also issue Trust Matters, the membership magazine twice a year, with up to date information on service developments and delivery against strategic priorities. It also includes a dedicated governors' section featuring ways in which governors are representing members, engagement activities and how members have influenced decision-making and service development.

Our annual members' meeting was held during October 2016 and provided members with a summary of the highlights of our performance, and set out our plan for the year ahead. Furthermore the meeting was used as an opportunity to promote the respiratory services of the Trust and provide a platform for governors to discharge their statutory duties in representing the interests of trust members and the public. Delegates were able to meet and chat with governors and senior managers before visiting five display stands themed around Respiratory Services. Attendees were able to observe two short clinical presentations about Chronic Obstructive Pulmonary Disease and our Trusts cutting edge treatment of emphysema. Following the presentations there was further time for members to visit the interactive display stands and learn about the services provided by the respiratory team.

In partnership with the communications department, social media has continued to prove a useful tool throughout the year to promote events, the opportunity to stand for election to the Council of Governors and to provide information to the public and members.

We have offered numerous and wide ranging opportunities for members to become involved in our work and directly affect the planning and development of our services during 2016/17:

- The primary focus of our engagement work during the year has been to work with our colleagues in the Our Health, Our Care transformation programme to ensure the schedule of events are promoted to members and to ensure a Governor presence at the events in order to hear the views of members and the public. Numerous events in relation to the programme have been promoted to foundation trust members between November 2016 and March 2017 via Trust Matters members' magazine and information sent directly to members with an email address.

- The 15th consecutive Health Mela was held in Preston at the University of Central Lancashire's Foster Building in April 2016. Many of our staff, along with governors supported the event in order to promote and share information about our services.

- In August 2016 members were invited to help become involved with our Trusts children and young people's bereavement support group. Full training was provided and a small group of members now work alongside the specialist bereavement nursing team to provide ongoing bereavement support to people of all ages.

- The 5th Annual Leyland Health Mela was held in September 2016. Governors had a promotional display at the event which provided them with the opportunity to engage with the public and network with third sector organisations staffing other promotional stands, listening to their views and informing them of the work of our Trust.

- In July 2016 governors had an interactive display stand at the University of Central Lancashire's Science Festival which had an overall footfall of over 7,000. The event provided Governors with an opportunity to get out and speak with the festivals primary audience which primarily comprised young people and young families.

- In partnership with Age Concern Central Lancashire, our Trust ran a public engagement event in November 2016 themed around improving the hospital discharge process. The event was held at Chorley Town Hall and considered the issues facing patients, their carers/family and also our Trust. It aimed to help work towards an improved patient experience and speedier discharge process. The event was promoted to and attended by level three (higher level) members. Governors were also present to listen to the views of members and the public.

- Staff governors have been helping to promote and facilitate a series of three events run by the learning and development team entitled 'The Big Conversation'. The events were held specifically for Trust staff during March 2017 and provided attendees with the opportunity to discuss the results of the 2016 staff survey and explore ideas about how our Trust could be made an even better place to work.

As evidenced in the engagement work outlined above, our governors gain the opinion of foundation trust members and the wider public at member events hosted by our Trust and other external community organisations. Governors play a key role in seeking the views of members and the public on our services, and this information is in turn, used to inform governors' views in relation to our objectives, priorities and strategy. Governors can then ensure that these views are shared with the board of directors as part of joint planning work each year. The annual interactive forward planning workshop with board members and governors took place on 16 March 2016 and we also held a further forward planning governor workshop on 31 March 2016; the purpose of each of the joint governor/board workshop and the governor workshop was to provide governors with an opportunity to put forward their views and opinions and the views of their constituents with respect to the Trust's forward plan and key priorities for 2016/17; and the Board took such views into account in developing and finalising the Trust's forward plan.

Assessment of the membership and ensuring representativeness

In accordance with our membership management and engagement strategy, the age, gender, ethnic origin and socio-economic grouping of members is monitored. Membership figures are also analysed against the profile of our patients and the census data for our membership area. Our externally sourced comprehensive membership database shows that membership is representative of the composition of the local community we serve and generally representative of our wider membership footprint. Steps are continuing to recruit members from those areas that are underrepresented. Following the decision in November 2015 to expand the area of our Trust membership catchment area to include all of the component electoral wards in the North West (as listed at the beginning of the Membership Report) further recruitment activity will take place during 2017/18 to ensure there is representation from across the North West area of Lancashire.

Given the size and general representation of our membership, our primary aim is to focus resources on engaging with existing members as opposed to seeking to recruit vast amounts of members. One section of the membership where there continues to be under-representation is young people and during 2017/18 we will provide presentations to A-level students, attend student enrichment fairs and work closely with our work experience students help to promote the benefits of membership to this group.

We produce an annual Membership Engagement Plan (MEP) that is approved by both the council of governors and the board of directors. The MEP sets out our approach to engaging with our membership and includes a detailed plan of activity for the coming year. The MEP focuses on increasing engagement opportunities with our membership, and involves targeted recruitment to ensure our membership is representative of the local community. In 2016/17 our MEP focused on 'Our Health Our Care' (previously named 'Your Hospitals, Your Health'), a transformation programme that is one of our most critical priorities. In addition, during 2016/17 we offered numerous opportunities for members to directly affect the planning and development of our services, as detailed above.

Also available on our website:

Further information on our membership scheme
Information on our annual members' meetings

AUDIT COMMITTEE REPORT

I am pleased to present the Audit Committee report for 2016-17. The Committee's role is to review the establishment and maintenance of an effective system of integrated governance, risk management and internal control across the whole of the organisation's activities.

Introduction

In essence the Audit Committee's remit is to ensure the systems and processes that the Trust relies upon that inform its financial statements, its operational decision making and its compliance with health care and governance standards are accurate, robust and can be relied upon. I am very clear as chair that the committee's work is focused on providing the Trust board with these assurances, which allow the board to discharge its own responsibilities with regard to the outputs of our systems and processes with confidence.

Our committee is made up of three independent non-executive directors. During 2016/17 the three members were: Stephen Ashley (with Alastair Campbell standing in as substitute member for the committee meeting in March 2017), Shamim Mahomed and myself, each of whom have been selected on the basis of our individual skills and attributes. Stephen has had significant experience in public sector assurance and investigation. Shamim is a qualified and practising accountant, with a range of relevant financial knowledge and experience. Alastair has expert knowledge of clinical systems and processes and chairs the Trust's Safety and Quality Committee. My background is as a qualified accountant with over 25 years' experience in senior audit positions in the public sector, including the roles as Group Chief Internal Auditor for the Ministry of Justice and District Auditor for the Audit Commission. I was previously a Chief Internal Auditor in the NHS.

Shamim Mahomed was the Chair of the committee for an interim period from 1 March 2016 to 30 June 2016, and I was appointed to act as the Chair of the committee with effect from 1 July 2016.

The audit committee has met five times between 1 April 2016 and 31 March 2017 and is assisted in its work through the routine attendance at meetings of our internal and external auditors and our counter-fraud specialist. If required, the committee can also access independent legal or other professional advice to help in its work.

It is the responsibility of the chief executive, as the accountable officer of the Trust, to establish and maintain processes for governance and she is supported in this by a number of executive directors. The regular attendance of the finance director and nursing director, as a result of their lead roles in matters to be addressed by the committee, is of further assistance to us.

During the year the Trust's top issues have included:

i. achieving financial plans;
ii. delivering against targets and indicators set within regulatory and compliance frameworks;
iii. managing levels of demand for clinical services and escalated capacity; and
iv. recruitment and retention of nursing staff and medical rotas.

While the responsibility for the management of these issues is not within the terms of reference of the Audit Committee, we have targeted our work plan around the systems and processes which support the management of these key issues.

Financial Reporting

The Audit Committee has reviewed the Trust's performance as outlined in the 2016/17 annual financial statements and has discussed with management the reasons for the main changes compared to the financial statements for 2015/16.

In doing this the committee has had particular focus on:

- compliance with financial reporting standards;
- areas requiring significant judgements in applying accounting policies;
- the accounting policies; and
- whether the accounts and annual report are a fair reflection of the Trust's performance.

The committee considered the financial statements audit risks including the areas where the Trust has applied judgement in the treatment of revenues and costs to ensure that annual accounts represented a true position of the Trust's finances.

The external audit plan for 2016/17 highlighted as significant audit opinion risks (i) the valuation of land and buildings and (ii) the valuation and existence of Income and Receivables. The risk in relation to the valuation of land and buildings has been carried through from 2014/15 and 2015/16 however a desktop valuation has been carried out for the purposes of the 2016/17 annual financial statements. The risk in relation to the valuation and existence of Income and Receivables is a new risk for 2016/17. The external auditor considers there to be an increased risk in 2016/17 of estimations of under or over activity against contracts and estimates of income due for delivering quality measures (CQUIN), in order to deliver control totals (from the perspectives of both the commissioner and the provider); as such there may be mismatches between NHS income/receivables in providers and NHS expenditure/creditors in commissioners.

During the year the audit committee has received reports from internal audit on the Trust's financial systems and capital expenditure processes, the discussion of which has given the committee further assurances, such as in relation to:

i. financial systems (the overall objective was to provide an opinion on the key controls operating within the financial systems, such as General Ledger, Income and Debtors, and Non-Pay expenditure); and
ii. productivity and efficiency targets (to provide assurance on the adequacy and effectiveness of current systems and processes in place within the Trust to ensure that corporate efficiency and savings targets were achieved).

The committee routinely reviews management reports on losses and special payments, single tender waivers and off payroll arrangements to consider their appropriateness and correct implementation of management controls.

The Committee has considered the appropriateness of the accounts being prepared on a going concern basis and drawn on the views of management and the external auditors to support the conclusion that it is appropriate for the accounts to be prepared on this basis.

Operations and Compliance

Operating risks considered by the committee during the year have been around the Trust's systems and processes for activity and quality management and data collection.

The committee has reviewed and discussed the work carried out by the internal auditors including (without limitation) work in relation to:

(i) capital procurement (to provide assurance on the effectiveness of the systems and processes in place regarding procurement of capital work, in particular a review of the approved contractors list);
(ii) duty of candour (to assess whether the Trust has established an effective system with regard to the statutory requirements);
(iii) safeguarding (to assess the systems and processes in place across the organisation with regard to safeguarding adults at increased risk due to vulnerability, and reviewing compliance with national policy and guidance);
(iv) medical revalidation (to provide assurance that the Trust has a robust process in place for the management of medical appraisal and revalidation);
(v) servicing of medical devices contracts (to provide assurance that the organisation can demonstrate compliance with CQC Regulation 15, in particular that devices were maintain in accordance with manufacturer's instructions and were available for safe use when required);
(vi) overseas visitors (to provide assurance and to evaluate the robustness of the Trust's systems and process with regard to monies recovered from overseas visitors);
(vii) Divisional sickness absence (to evaluate the systems and processes in place to proactively manage sickness within divisions and adherence to the sickness absence policy); and
(viii) 62 day cancer targets (to provide assurance as to the adequacy of systems and controls in place for reporting the Trust's cancer pathway targets).

The organisation's systems for monitoring and managing the achievement of activity targets have been discussed by the committee at several meetings. Internal audit has conducted reviews into several areas and reviewed the resulting findings and where necessary the management action plans with the committee.

During 2016/17 the committee introduced an audit recommendations action tracker so as to provide to the committee on a regular basis a summary position on progress with outstanding actions arising from internal audit. The Committee has also reviewed other relevant reports providing assurance to the Trust, including NHS Improvement's Costing Assurance Programme and the CQC inspection report.

Compliance

With respect to regulatory compliance, towards the end of quarter 4 of the 2014/15 financial year Monitor opened an investigation into the Trust's financial resilience. On 18 June 2015 Monitor formally accepted enforcement undertakings given by the Trust pursuant to Monitor's powers under section 106 of the Health and Social Care Act 2012 and Monitor imposed an additional licence condition (relating to additional governance requirements) on the Trust pursuant to Monitor's powers under section 111 of the Health and Social Care Act 2012. The audit committee has been kept informed by management on the progress made against the enforcement undertakings and an internal audit in respect of such progress is included within the 2017/18 internal audit plan. The Trust's forward plan and its going concern status forms part of the external audit plan and opinion, from which the committee can take assurance.

The internal audit assurances sought by the committee on the achievements of activity targets detailed in the previous operations section are clearly linked to the Trust's ability to comply with its statutory requirements. The committee's activity plan for 2016/17 included internal audit work on the organisation's systems for achieving activity targets and regulatory compliance. During 2016/17 the board assurance framework was reviewed and a significant assurance given by the internal

auditors, and a review of the Information Governance Toolkit was undertaken during 2016/17 of which there were no significant issues reported.

The committee receives all internal audit reports and pays particular attention to any 'Limited Assurance' internal audit reports. Any significant issues arising out of such reports are escalated by the committee to the Board. Of the 16 reports issued this year, 4 have provided High Assurance, 7 have provided Significant Assurance and 3 have provided Limited Assurance, with the remaining 2 reports (on the Assurance Framework and Off Payroll Arrangements) not receiving an assurance level. There have not been any reports providing No Assurance this year. **The Director of internal audit has provided an overall opinion of significant assurance, based on their work during 2016-17.**

Our external auditors

For the 2016/17 financial year KPMG LLP was paid £72,000 for statutory audit, as shown in note 4 to the accounts, which was consistent with the 2015/16 sum. KPMG also completed non audit work for the Trust during 2016/17. Non audit fees comprised £9,000 (excluding VAT) for the statutory quality report audit, consistent with the 2015/16 sum, and £123,441 (excluding VAT) for other non-audit services. Associated safeguards were put in place by KPMG to preserve their objectivity and independence, including: the non-audit services being carried out by a separate team to the core audit team; ensuring that the terms of reference for non-audit work prevent KPMG from assuming management responsibility, and the audit team not relying on the work performed.

We judge KPMG through the quality of their audit findings, management's response and stakeholder feedback. This qualitative assessment, in conjunction with the use of key performance indicators within the contract for services, allows the committee to be confident that the Trust is receiving high quality services. No decisions are taken by KPMG over the design of internal controls and they do not perform the role of management as part of any work they undertake. In addition after each formal meeting, the committee holds a private discussion with the internal and external auditors on an alternating basis. This is recognised best practice and allows for a frank exchange of views, without any management presence.

KPMG LLP was re-appointed as the Trust's external auditors, with effect from 1 April 2015 for a three-year term, with the option to extend for a further two-year term. The terms of engagement and the remuneration of the auditor are subject to approval by the committee in accordance with the NHS foundation trust code of governance.

In addition to attending the audit committee, KPMG attend and report to the council of governors their findings for the year and have made themselves available for governor workshops and briefings. Indeed, KPMG provided a bespoke development session for governors on the role of external audit at the governor workshop in November 2016.

Our internal auditors

Our internal audit function is provided by Mersey Internal Audit Agency (MIAA). Our team at MIAA consists of a director and an assistant director of internal audit, along with a dedicated audit manager. The internal audit programme is risk-based and is aligned to our strategic risk assessment. MIAA attend our risk management committee meetings in order to inform their planning processes. The internal audit plans are developed in compliance with national standards and guidance. In addition MIAA have made themselves available to the council of governors for workshops and briefings. Indeed, MIAA provided a bespoke development session for governors on the role of the governor (including how to hold to account and gain assurances) at the governor workshop in May 2016.

The appointment of internal auditors is the responsibility of the committee. Our internal audit services were subject to a comprehensive market testing exercise in January 2016. Following a process agreed by the Audit Committee, bids were invited and interviews held with interested companies; the Audit Committee awarded the contract to MIAA who would be reappointed for a three-year term with effect from 1 April 2016, with the option to extend for a further two-year term.

Counter fraud

We have a policy in respect of countering fraud and corruption which includes contact details of the national helpline and a local independent counter fraud officer. The Trust has an accredited anti-fraud specialist provided by Mersey Internal Audit Agency and they deliver the service in line with NHS Protect standards. In 2016/17 the anti-fraud specialist has carried out numerous anti-fraud awareness events across both hospital sites (including a MIAA cyber security event), an online anti-fraud staff survey, anti-fraud training for staff and an anti-fraud benchmarking exercise which illustrated that the Trust's fraud referrals were at a comparable level. The committee is also sighted on The Sentinel anti-fraud newsletter.

Audit Committee attendance summary from 1 April 2016 to 31 March 2017

Name of Committee member	A	B	Percentage of meetings attended (%)
Tim Watkinson (Chair from 1 July 2016)	5	5	100%
Shamim Mahomed (Chair from 1 March 2016 to 30 June 2016)	5	4	80%
Alastair Campbell (substitute member for March 2017 meeting)	1	1	100%
Stephen Ashley (member up to 31 December 2016)	3	2	66%

A =maximum number of meetings the member could have attended B = actual meetings attended

Audit Committee effectiveness

The committee undertakes a self-assessment on an annual basis, with the last self-assessment taking place on 16 March 2017, facilitated by MIAA. We utilised the stock take approach of our operations and challenges and considered the additions and revisions to the updated NHS Audit Committee Handbook, including any changed expectations of the committee. The request to carry out this review reflects the committee's attentiveness to its responsibilities and its desire to operate effectively in light of its important role as part of the overall governance framework for the Trust. A number of areas for action were highlighted during the course of the session and these build upon previous developments which have been implemented and are now well established as part of the operations of the committee. The overall conclusion of the review was that the committee considers it is delivering its core duties effectively and continues to address the challenges associated with its wider remit.

Tim Watkinson
Audit Committee Chair
25 May 2017

This Accountability Report is signed on behalf of the board of directors by:

Karen Partington
Chief Executive
25 May 2017

Lancashire Teaching Hospitals NHS Foundation Trust

QUALITY REPORT
2016/17

PART 1
Chief Executive's Statement

This report provides an overview of the quality of services provided at Lancashire Teaching Hospitals NHS Foundation Trust for the period April 2016 to March 2017. The report is presented as part of the Trust's annual report as part of our efforts to be accountable to the public for the quality of care we provide.

The Trust's Safety and Quality Strategy - *Safe, Reliable and Compassionate* – was revised during 2013/14 setting out the Trust ambitions and intention to deliver quality improvements in a transparent and measurable way. This strategy seeks to build on the important work undertaken in previous years and describes the means through which we will achieve our goals. This report includes progress during 2016-2017 against the key ambitions, as we seek to develop a new strategy in 2017/18.

As in 2015-2016, last year has proved to be another particularly challenging year for the NHS as a whole and no less for Lancashire Teaching Hospitals NHS Foundation Trust. We have once again seen significant demands on our services alongside the challenge of maintaining safe staffing levels through effective recruitment and retention strategies throughout the year that have created a need for innovative solutions, but also a need to make difficult decisions in order to ensure that our patients remain safe and receive the best possible care and treatment.

In April 2016 the local System Resilience Group agreed to temporarily replace the emergency department service at Chorley Hospital with an Urgent Care Centre, because we did not have enough middle grade doctors to ensure we could provide safe and effective care. Continuing to provide an emergency department service, without sufficient staff, would have been an unacceptable risk to patient safety. Extensive recruitment activities were undertaken both before and after this decision was made.

This staffing issue arose primarily because there is a national shortage of emergency department doctors. The Royal College of Emergency Medicine estimated in August 2016 that 8000 emergency medicine doctors were needed to safely staff hospitals across the country, but just 5300 are currently available for work.

Our staffing problem became more acute during the winter, because we were not allocated enough doctors in training, a key resource in staffing the middle grade doctor rota. At the same time securing locum doctors became more challenging because the new agency cap created some instability in the temporary workforce market.

The System Resilience Group met weekly to review the situation and ensure safe and effective care was maintained for local residents throughout this period. No patient safety issues arose as a result of the temporary change to the emergency department service.

In August 2016 NHS England and NHS Improvement jointly published an independent review of the situation. The review recommended that the department should be reinstated on a part time basis when the new 24 hour urgent care centres opened in both Chorley and Preston in January 2017, because these developments would bring additional workforce capacity to the local system and reduce demand for emergency services. The emergency department at Chorley was reinstated for

12 hours a day, seven days a week, when the new Urgent Care Centre opened on 18 January 2017.

The Care Quality Commission (CQC) carried out an inspection of our hospitals in September 2016, and we were given an overall rating of 'requires improvement.' The CQC rated all of our services as 'good' for being caring, and found that our staff are hardworking, and treat patients with kindness and compassion. That truly demonstrates the calibre of our staff, consistently demonstrating unwavering dedication to providing care with compassion – and is something I am very proud of.

The report highlighted that our hospitals are under immense pressure and this is affecting our ability to provide planned operations on time, and admit patients from the emergency department quickly enough. The CQC also noted a number of other aspects of service delivery and care that should be improved. We fully accept the CQC's findings, and are determined to improve the quality of services we provide, and deliver the outstanding care our patients deserve.

Some improvements depend upon the health and care system working differently so that patients are supported to stay well, and can be discharged from hospital promptly - and we are working closely with local health and care organisations to transform how we work as part of the Our Health Our Care programme. But there are many changes we can make ourselves, to improve the way we work, and deliver higher standards of care and treatment for our patients.

The CQC found that we have an open and transparent culture, and willingness to learn lessons, which together with the dedication and compassion of our staff means we have the elements we need to really drive improvements and make positive, sustainable change.

Since the inspection and continuing into 2017/18, the board and our senior clinical leaders are bringing together a trust-wide improvement plan that will include all the key changes we need to make to improve service delivery and care quality. This plan will incorporate actions that we'll be taking in response to the CQC inspection, along with other improvements we need to make to ensure services are safe, well-led, effective caring, responsive and sustainable.

Part of our improvement plan is to make sure we are delivering the best quality of care for our patients, whilst also working as efficiently as possible and ensuring our services are sustainable for the future.

I continue to marvel at the ongoing passion and resilience of all those who continue to strive to deliver excellent care with compassion. I remain, as always, grateful for the continuing commitment and contribution of staff, patients, governors and members in supporting quality improvement activities at the Trust.

As in previous years, I remain grateful to our colleagues from the local area team, the Clinical Commissioning Groups and our community partners for the help and support they have given over the last year and will undoubtedly continue to give during 2017/18.

Our staff continue to receive national recognition for their efforts to provide high quality innovative care and treatment to our patients. I make no apologies for the length of this list as it clearly demonstrates the breadth and depth of quality and commitment within our workforce. This year's awards include:

- The communication team and the spinal surgery team were shortlisted for the HSJ value in healthcare awards
- Student nurse Deborah Huyton was named by the Student Nursing times as the "most inspirational student of the year"

- Vinutha Shetty – consultant surgeon – was named by the LEP as hospital doctor of the year
- Dr Shabbir Susnerwala was named as Doctor of the Year by the Blackpool Gazette
- The procurement team were shortlisted in the national patient safety awards
- The catering team won the regional hospital caterers association “team of the year”
- Another of our student nurses – Damien Dagg - was awarded Her Majesty’s Lord-Lieutenant’s Certificate of Merit, for his exceptional service with Chorley-based Army Reserve unit 64 Medical Squadron 3 Medical Regiment
- Tracey Ellis was named North West radiographer of the year at the Society of Radiographers annual awards
- Our cancer team – led by Helen Smith –was highly commended by the BMA at their Patient Information Awards
- The Trust gained Information Standard accreditation for patient information products
- Ward 20 achieved the Royal College of Psychiatry’s quality mark for elderly friendly wards
- Ellenor Stavert was named as a winner at the North West - Liverpool City Region, Cumbria and Lancashire Apprenticeship Awards in recognition of the contribution she has made to the Trust since joining as an apprentice in 2013.
- The clinical activity management team were named as national team of the year in the Allocate awards
- The supply chain team in operating theatres, in partnership with Ingenica solutions won the excellence in supply awards for successfully implementing an innovative inventory management solution. They also won an award for best innovation solution at the National GO awards
- The midwifery service was shortlisted in the RCM awards for midwifery service of the year
- Tracie Traynor was shortlisted in the Emerging Leader category at the NHS North West Leadership Recognition Awards
- The finance team were winners of the Governance Awards category at the Healthcare Financial Management Association Awards
- The clinical research facility was shortlisted for the North West Coast Research and Innovation Awards 2017 - Delivering Research in Collaboration
- Trish Leyland – health care assistant – won the British Journal of Midwifery award for her contribution as a non-midwife to midwifery practice

In summary, I am pleased to present the 2016-17 Quality Account. The information provided represents an accurate account of progress and highlights achievements as well as areas for improvement. More importantly it is an opportunity to reaffirm the Trust commitment to improving the patient experience and outcomes of care as a priority for all staff.

I can confidently declare that, to the best of my knowledge, the information in this document is accurate. The Trust’s internal auditors will review the processes and mechanisms through which data is extracted and reported in the Quality Account Report 2016-2017 to provide further assurance.

Karen Partington

Chief Executive

PART 2

Priorities for Improvement

The Trust's Safety and Quality Strategy; *Safe, Reliable and Compassionate* was developed in conjunction with staff, patients, the public and governors. This strategy set out a number of ambitious, measurable, patient-centred safety and quality improvement goals.

2016/17 marks the final year of the current strategy. This account provides details of performance in relation to these goals, as described in *Safe, Reliable and Compassionate* over the life of the strategy and specifically during 2016-2017.

The Trusts three key priorities are to:

Achievement of 98% harm-free hospital care and sustained performance as it relates to:

- Inpatient falls
- Pressure ulcers
- Venous thromboembolism, and
- Catheter associated urinary tract infection

A reduction in the trust inpatient hospital standardised mortality ratio of 15% over the life of the strategy

Achieving and sustaining 90% positive patient feedback relating to the overall experience of care and treatment within the Trust

- As demonstrated by inpatients recommending the ward or department to family and friends requiring similar treatment.

In respect of achievement of 98% harm-free care, performance has remained positive throughout 2016-2017 and the life of the strategy with overall performance for 2016/17 standing at 98.45%. The focus for the coming year will be on maintaining and, where possible improving this level of performance

At the beginning of 2016 the Hospital standardised mortality ratio (HSMR) for the previous 12 months was 97.6. The latest 12-month performance (January 2015 – December 2015) is 88.2 before rebasing of the current years data, an improvement of 9.5%, following an improvement of 9.6% in 2015-16 compared to 2014-15 performance. Even after rebasing, the most recent HSMR is 90.54 representing significantly better than expected performance, and the second lowest rate for non-specialist Trusts in the North West.

In previous years the positivity of patient feedback was measured through the Trusts Empowering Quality Improvement for Patients (EQIP) programme. This programme was discontinued in 2015 and replaced by a new patient experience framework that utilised the friends and family test (FFT) as its primary indicator. The strategic target was amended in 2015-16 to use the FFT recommended score as the patient experience objective retaining the figure of 90% as the ambition for inpatients.

In March 2016:

- the inpatient FFT score was 90%, improving to 91.4% in March 2017
- the FFT score for the emergency departments was 75.9% in 2016, improving to 83.5% in March 2017

- Maternity FFT performance was 95.8, but only 92.8% in March 2017 (whilst still very positive, the drop in performance related to feedback about antenatal care. An improvement programme has been developed by the Head of Midwifery and will be implemented during 2017)
- Outpatient FFT performance was 89.4%, improving in March 2017 to 91%

The Trust, led by the Nursing and Midwifery, and Medical Directors, will build on progress made against the priorities identified within the 2014 strategy. A new strategy will be developed with the intention of Lancashire Teaching Hospitals NHS Foundation Trust progressing towards recognition as an outstanding organisation. The development of the strategy will be informed by national quality standards and expectations, evolving national and local systems for monitoring and evaluation of performance, performance data and feedback from the Care Quality Commission, healthcare commissioners and partners, and staff and patients. Key objectives will continue to be centred around:

- **Sustained achievement of at least 98% harm free care as defined in the previous strategy**
- **Maintaining and further improving performance against current mortality rates and weekend mortality rates**
- **Improvements in the patient experience as defined by FFT and national survey performance, within wards, emergency departments and outpatient services**

One of the characteristics of an outstanding organisation is its ability to connect its strategies and plans in a way that links the organisation's key priorities and ensures their successful delivery, underpinned by a Board Assurance Framework that is intuitive, pro-active and drives the achievement of the organisation's key strategic objectives.

The Trust is developing and will implement a new Quality Improvement Strategy, supported by a delivery plan that will incorporate all the improvement work streams associated with ensuring that the Trust delivers its goal of becoming an outstanding organisation, consistent with the Trusts ambitions to:

- Consistently deliver outstanding care
- Safely reduce costs
- Be a great place to work, and
- Be fit for the future

Progress against the plan will be provided on a regular basis to the Board of Directors via the Safety and Quality Committee

The quality delivery plan will be finalised by May 2017 and the overarching strategy will follow. Key priorities for implementation and to support achievement of the key priorities over the year ahead will include:

- Strengthen of processes for the promotion and sharing of best practice
- Improve the access and flow of patients through the Trust, where possible minimising the risks associated with high levels of escalation and bed occupancy. We will continue to work closely with local commissioners, primary and social care providers, and third sector organisations to improve patient flow through strengthening of arrangements for preferred place of care for patients, admission avoidance and early supported discharge.

- Improve governance processes for the Trust, ensuring that robust policies and processes are in place to support safe care delivery, risk management, and the management of learning from incidents and complaints
- Maintain consistently high standards in the care of the deteriorating patient
- Review and improve the staffing levels to ensure safe care and treatment, particularly within maternity, children's and neonatal services and where patients require intensive nursing at either level 2 or Level 3.
- Maintain focus on priorities identified through the Sign up to Safety campaign, specifically as they relate to:

    - Reduction of falls with harm
    - Reduction of grade 3/4 pressure ulcers
    - Reduction of patients with sepsis requiring critical care admission
    - Reduction in avoidable *C.difficile* infection

- Improve processes for the review and reporting of avoidable deaths within the Trust
- Continue to review and improve governance arrangements across the Trust, strengthening roles and accountability, building on the extensive work undertaken in 2016/17
- Implement the revised complaints policy, ensuring that investigations are consistently conducted to a high standard through a network of trained and competent investigators, with demonstrable application of learning and improvement
- Expand the network of safety, learning disability and dementia champions, ensuring local knowledge and leadership in these important areas of care.
- Strengthen arrangements around delivery of Duty of Candour
- Continue to utilise feedback from all sources to identify key influences on the experiences of our patients and engage with frontline staff to identify and lead improvements.
- The provision of effective safeguarding for vulnerable adults and children, delivered by knowledgeable and capable staff
- Ongoing compliance with NICE dementia care standards

Statements of Assurance from the Board

During 2016-2017 the Lancashire Teaching Hospitals NHS Foundation Trust provided and/or sub-contracted forty relevant health services.

The Lancashire Teaching Hospitals NHS Foundation Trust has reviewed all the data available to them on the quality of care in all of these relevant health services.

The income generated by the relevant health services reviewed in 2016-2017 represents 100 per cent of the total income generated from the provision of relevant health services by the Lancashire Teaching Hospitals NHS Foundation Trust for 2016-2017.

PART 3

Participation in Clinical Audits

During 2016 - 2017 thirty three national clinical audits[1] and four national confidential enquiries covered relevant health services that Lancashire Teaching Hospitals NHS Foundation Trust provides.

During that period Lancashire Teaching Hospitals NHS Foundation Trust participated in 94%[2] national clinical audits and 100% national confidential enquiries of the national clinical audits and national confidential enquiries which it was eligible to participate in.

The national clinical audits and national confidential enquiries that Lancashire Teaching Hospitals NHS Foundation Trust was eligible to participate in during 2016 - 2017 are as follows:

Clinical Audit
National Clinical Audit
Acute Coronary Syndrome or Acute Myocardial Infarction (MINAP)
Adult Asthma
Asthma (Paediatric and Adult) Care in Emergency Departments
Bowel Cancer (NBOCAP)
Case Mix Programme (CMP)
Child Health Clinical Outcome Review Programme (NCEPOD)
Diabetes (Paediatric) (NPDA)
Elective Surgery (National PROMs Programme)
Falls and Fragility Fractures Audit Programme (FFFAP)
Head and Neck Cancer Audit
Inflammatory Bowel Disease (IBD) Programme
Learning Disability Mortality Review Programme (LeDeR Programme)
Major Trauma Audit
Maternal, Newborn and Infant Clinical Outcome Review Programme (MBRRACE-UK)
Medical and Surgical Clinical Outcome Review Programme, National Confidential Enquiry into Patient Outcome and Death (NCEPOD)
National Cardiac Arrest Audit (NCAA)
National Chronic Obstructive Pulmonary Disease (COPD) Audit Programme
National Comparative Audit of Blood Transfusion Programme – Audit of Patient Blood Management in Scheduled Surgery
National Clinical Audit (contd.)
National Diabetes Audit
National Emergency Laparotomy Audit (NELA)
National Heart Failure Audit
National Joint Registry (NJR)
National Lung Cancer Audit (NLCA)

National Ophthalmology Audit
National Prostate Cancer Audit
National Vascular Registry
Neonatal Intensive and Special Care (NNAP)
Oesophago-gastric cancer (NAOGC)
Paediatric Pneumonia
Renal Replacement Therapy (Renal Registry)
Sentinel Stroke National Audit Programme (SSNAP)
Severe Sepsis and Septic Shock – Care in the Emergency Department
UK Cystic Fibrosis Registry

National Confidential Enquiries
Clinical outcome review programmes / National Confidential Enquiries
Maternal, Infant and New-born Clinical Outcome Review Programme MBRRACE-UK
Child Health Clinical Outcome Review Programme Studies collecting data during 2016 – 2017 • Chronic Neurodisability • Young Persons Mental Health
Medical and Surgical programme: National Confidential Enquiry into Patient Outcome and Death NCEPOD: Studies collecting data during 2016 – 2017 • Mental Health in General Hospitals • Cancer in Children and Young People

The national clinical audits and national confidential enquiries that Lancashire Teaching Hospitals NHS Foundation Trust participated in during 2016 - 2017 are as follows:

Clinical Audit	Trust Participated
National Clinical Audit	
Acute Coronary Syndrome or Acute Myocardial Infarction (MINAP)	Yes
Adult Asthma	Yes
Asthma (Paediatric and Adult) Care in Emergency Departments	Yes
Bowel Cancer (NBOCAP)	Yes
Case Mix Programme (CMP)	Yes
Child Health Clinical Outcome Review Programme (NCEPOD)	Yes
Diabetes (Paediatric) (NPDA)	Yes
Elective Surgery (National PROMs Programme)	Yes
Falls and Fragility Fractures Audit Programme (FFFAP)	Yes
Head and Neck Cancer Audit	Yes
Inflammatory Bowel Disease (IBD) Programme	Yes
Learning Disability Mortality Review Programme (LeDeR Programme)	Yes
Major Trauma Audit	Yes
Maternal, Newborn and Infant Clinical Outcome Review Programme (MBRRACE-UK)	Yes
Medical and Surgical Clinical Outcome Review Programme, National Confidential Enquiry into Patient Outcome and Death (NCEPOD)	Yes
National Cardiac Arrest Audit (NCAA)	Yes
National Chronic Obstructive Pulmonary Disease (COPD) Audit Programme	Yes
National Comparative Audit of Blood Transfusion Programme – Audit of Patient Blood Management in Scheduled Surgery	Yes
National Diabetes Audit	No
National Emergency Laparotomy Audit (NELA)	Yes
National Heart Failure Audit	Yes
National Joint Registry (NJR)	Yes
National Lung Cancer Audit (NLCA)	Yes
National Ophthalmology Audit	No
National Prostate Cancer Audit	Yes
National Vascular Registry	Yes
Neonatal Intensive and Special Care (NNAP)	Yes
Paediatric Pneumonia	Yes
Renal Replacement Therapy (Renal Registry)	Yes
Sentinel Stroke National Audit Programme (SSNAP)	Yes
Severe Sepsis and Septic Shock – Care in the Emergency Department	Yes
UK Cystic Fibrosis Registry	Yes

National Confidential Enquiries	Trust Participated
Clinical outcome review programmes / National Confidential Enquiries	
Maternal, Infant and New-born Clinical Outcome Review Programme MBRRACE-UK	Yes
Child Health Clinical Outcome Review Programme	Yes
Medical and Surgical programme: National Confidential Enquiry into Patient Outcome and Death NCEPOD:	
Studies collecting data during 2015/1	
Gastrointestinal Haemorrhage	Yes
Sepsis	Yes
Acute Pancreatitis	Yes
Mental Health	Yes

The national clinical audits and national confidential enquires that Lancashire Teaching Hospitals NHS Foundation Trust participated in, and for which data collection was completed during 2016 – 2017, are listed below alongside the number of cases submitted to each audit or enquiry as a percentage of the number of registered cases required by the terms of that audit or enquiry.

Clinical Audit	Clinical cases required	Actual number submitted
National Clinical Audit		
Acute Coronary Syndrome or Acute Myocardial Infarction (MINAP)	Rolling - no set number, as met criteria	RPH 148 CDH 65
Adult Asthma	No set number, as met criteria	17
Asthma (Paediatric and Adult) Care in Emergency Departments	No set number, as met criteria	81
Bowel cancer (NBOCAP)	The current data input is for patients diagnosed between April 2015 and March 2016. The final submission deadline is 15th May 2017. The Trust has complied to date with any relevant submissions	
Case Mix Programme (CMP)	Rolling - no set number, as met criteria	1423 both hospital sites
Diabetes (Paediatric) (NPDA)	No set number of questionnaires for completion, as patients met criteria	181
Elective Surgery (National PROMs Programme)	No set number of questionnaires for completion, as patients met criteria	Data from the April 2016 – September 2016 (provisional data) Total 'all procedures' - eligible hospital procedures 1280. Pre-op questionnaires returned 730. Pre op

		questionnaires linked 490. Of the 182 post op questionnaires sent out 60 have been returned, response rate 33%
Falls and Fragility Fractures Audit Programme (FFFAP)	Audit did not collect data during 2016. Next audit due May 2017	Expected 30 per site in May 2017
Head and Neck Cancer	The figures have not yet been published. They were expected but have been delayed due to the surgeon outcome data being mapped with HES data. The Trust complied with all the deadlines for submission to all the cancer clinical audits	
Inflammatory Bowel Disease (IBD) programme	Patients newly started on biologics within the time frame	Data input for the April 2015 Mar 2016 audit 21
Major Trauma Audit	Rolling - no set number, as met criteria	937 (100%)
Maternal, Newborn and Infant Clinical Outcome Review Programme (MBRRACE-UK)	Rolling - no set number, as met criteria	Late foetal loss 4 Still birth 17 Early neonatal death 10 Late neonatal death 2
National Cardiac Arrest Audit (NCAA)	Rolling - no set number, as met criteria	CDH 16 RPH 60
National Chronic Obstructive Pulmonary Disease (COPD) Audit Programme	Audit now moved to a continuous audit to form part of best practice tariff	Feb 2017 - 30 March 2017 - 40
National Comparative Audit of Blood Transfusion programme – Audit of Patient Blood Management in Scheduled Surgery	Minimum 45	16 to date
National Emergency Laparotomy Audit (NELA)	Estimated 15 cases per month from HES figures	RPH 159
National Heart Failure Audit	Rolling - at least 20 cases per month	RPH 229 CDH 176
National Joint Registry (NJR)	Rolling - no set number, as met criteria	CDH 752 RPH 74
National Lung Cancer Audit (NLCA)	The figures have not yet been published. They were expected but have been delayed due to the surgeon outcome data being mapped with HES data. The Trust complied with all the deadlines for submission to all the cancer clinical audits	
National Prostate Cancer Audit	As above	
National Vascular Registry	Elective infra-renal AAA repairs (based on AAA repairs carried out in 2014), estimated cases from HES 38	NVR cases 36 EVAR cases 25 Ruptured AAA 16 based on AAA repairs

	Carotid endarterectomy (based on carotid endarterectomies carried out in 2014), estimated cases from HES 37	carried out in 2014 NVR cases 30 based carotid endarterectomies carried out in 2014 Taken from the 2015 (latest) NVR report
Neonatal Intensive and Special Care (NNAP)	Rolling - no set number, as met criteria	No of episodes 497 No of babies 490
Oesophago-gastric cancer (NAOGC)	The figures have not yet been published. They were expected but have been delayed due to the surgeon outcome data being mapped with HES data. The Trust complied with all the deadlines for submission to all the cancer clinical audits	
Paediatric Pneumonia	Rolling - no set number, as met criteria	45
Renal replacement therapy (Renal Registry)	Rolling - no set number, as met criteria	Figures unobtainable at present
Sentinel Stroke National Audit Programme (SSNAP)	Rolling - no set number, as met criteria	653
Severe Sepsis and Septic Shock – Care in the Emergency Department	No set number, as met criteria	50
UK Cystic Fibrosis Registry	It is not an audit as such. It is a requirement to get Cystic Fibrosis tariff and the Trust is doing this	

The reports of national clinical audits were reviewed by the provider in 2016 – 2017 and Lancashire Teaching Hospitals NHS Foundation Trust intends to take the following actions to improve the quality of healthcare provided.

Title of Audit	Intended Actions
College of Emergency Medicine Vital Signs in Children	As a result of participation in this audit since August 2016 the review of ill children has been reviewed as follows: • Change in policy: children under 5 presenting with medical illness need review by ST4 or above prior to discharge
College of Emergency Medicine Thromboprophylaxis Audit	• A pathway is to be created (with the involvement of Orthopaedics) for patients receiving lower limb plaster immobilization in view of assessing their need for thromboprophylaxis and subsequent management
National Cardiac Arrest Audit (NCAA)	The completion rate of the audit form is poor. The actions detailed below are those adopted and introduced by the Resuscitation service over the past year in an effort to improve return rate: • Audit form is discussed and shown on all Resuscitation courses; Cascade training/ ABLS/PBLS/ILS/ILSr/ PILS/PILSr/ALS/EALS/APLS/EPALS/ABLS AED/ Cardiac Arrest Team updates/Live drills • Audit form is discussed on HCA training through the

	Clinical Education Team • Audit form is going to be included in the student Nurse training – • The audit form is given to all new Drs on commencement at the Trust when the Resuscitation Service deliver the presentation • Telephone switchboard each morning at CDH & RPH to find out where the previous 2222 calls have been made. A member of the Resus service then rings that area to ensure
Title of Audit	**Intended Actions**
National Cardiac Arrest Audit – contd. (NCAA)	• a form has been completed and is on the way to us. • Remains an agenda item in the Resuscitation Committee meetings and is discussed regularly • The audit form has been streamlined to meet NCAA requirements predominantly
National End of Life Care Audit 2016	• A new care plan documentation was implemented in August 2016 • (An audit of the care plan was carried out to assess its effectiveness and any areas that are not utilising the care plan) • Local audit on data since November 2016 in progress
National Lung cancer (NLCA)	Actions agreed to enhance data completeness: • The national audit team is trying to get us to improve our raw data submissions • National Cancer Registration and Analysis Service (NCRAS) are working/completing patient records 6 months after diagnosis – actually 8 months because we submit two months later • They recommend we should prioritise improving the data from October 2016 as this will be reflected in the quarterly reports • Any amendments will be included in our monthly Cancer Outcomes and Services Dataset (COSD) submissions • Once the audit team has agreed the logic around where the patients are first seen/diagnosed a “final” report will be issued to Trusts • At the time of the ‘final’ report – Trusts will be sent the raw data, including Q1 and Q2, to look at and validate/amend etc. • If there are any patients identified who maybe should be excluded or included, the audit team will look at these and agree/disagree • We will be given a final deadline to re-submit for the year – this is not yet finalised as awaiting agreement about the logic around where first seen • Once the final deadline date has passed all the amendments will be included in the actual audit 2017 Report. • We will investigate the patients listed as diagnosed but not discussed at an MDT • Pathway improvements have been agreed
UK Parkinson’s audit (2015)	• Access to Parkinson’s Disease(PD) UK/PD info – a letter now goes out to all new patients informing them of contact/support details • Monitoring BP lying and Standing is now to be carried out in clinics by medical/nursing staff

	• End of life/power of attorney discussions – Parkinson's Disease nurse specialist (PDNS) to discuss these with any
Title of Audit	**Intended Actions**
UK Parkinson's audit (2015) – contd.	• patients seen to be showing markers of advance disease/others if appropriate • Bone Health-falls/fracture risk - highlight patients at risk and ask GP to review/treat bone health • Somnolence/implications on driving - Consultants/PDNS to enquire at clinic and document Written information now available at clinics in all areas
National Diabetes audit	• Review and rationalise diabetic specialist nurse provision across the two hospital sites • Recruit additional consultant • Review podiatry service provision within the Trust • Review foot clinic services with a view to develop a multidisciplinary approach including vascular surgery support • Introduce foot assessment tool in emergency admission areas • Identify staff training needs

Study Title	Study Period	Report Publication Date	Feedback Action To Date
Gastrointestinal Haemorrhage study	All patients aged 16 and over who were admitted between 1st January 2013 and 30th April 2013 inclusive and diagnosed as having a gastrointestinal haemorrhage (GIH) at any time during their inpatient stay. The diagnosis of GIH does not need to be the patient's primary diagnosis	Jul 2015	As a result of participating in the national audit a Trust clinical guideline for the management of pancreatitis was created A local audit was also undertaken to assess our performance against the national recommendations. At present data is still being collected
Mental Health in General Hospitals	To explore the overall quality of mental health and physical health care provided to patients with a significant mental disorder (listed in study population criteria) who are admitted to a general hospital during the study timeframe	Feb 2017	Report disseminated awaiting feedback

The reports of over four hundred local clinical audits were reviewed by the provider in 2016-2017 and Lancashire Teaching Hospitals NHS Foundation Trust intends to take the following actions to improve the quality of healthcare provided.

Title of Audit	Resulting Actions
Late Effects of Pelvic Radiotherapy	• This has now led onto a new service being developed through charitable funds from Rosemere initially, with the hope of the Trust adopting it in 3 years' time
Use of Octaplex for Serious Bleeding in the Emergency Department	• A protocol of the administration for Octaplex has been developed • Arranged for Octaplex to be stored in the Emergency Department to enable faster administration
Chest X-ray Interpretation of NGT Tip Position	• A sticker has been introduced that can used by doctors when documenting their assessment of naso-gastric tube position to ensure that they had taken account of the appropriate anatomical landmarks
Casenote Documentation in Plastics (January 2017)	• The standards that achieved 100% were: documentation of Patient's name, NHS number, patients location, date, use of photocopiable ink and the documentation of the patient's past medical history • There was a positive improvement shown in: doctor's name, doctor's designation, chronological order of the case notes, inclusion of patient's family, differential diagnosis as well as documentation of a consultant's plan within 24 hours of admission
An Audit of Operation Notes for Major Urology Procedures	• Introduction of a more detailed proforma with prompts for complications, blood loss etc. • Typed operation notes, electronic input directly into Quadramed • Y/N option for extra procedure prosthesis
Re-audit DNA-CPR on the Medical Wards	A positive improvement was shown in the following: Discussion with a family advocate or Power of attorney in case the patient lacks capacity is now 100% of DNA-CPR order in force for longer than 24 hours, 100% (54/54) had been reviewed daily by ward staff in comparison with 93% in the previous audit The following action plan has been developed: • Continue with a poster implementation which showed that it motivates Consultants to review DNA-CPR orders weekly and to sign the form • Consultants are reminded of the requirement to review registrar initiated DNA-CPR orders within 24 hours • Nursing staff are empowered to challenge consultants who do not complete the above tasks • To continue to emphasize at Trust inductions the
Title of Audit	**Resulting Actions**
Re-audit DNA-CPR on the Medical Wards – contd.	• importance of informing an appropriate advocate about DNA-CPR orders where patients lack capacity
Outcomes of Bowel Preparation for Flexible Sigmoidoscopy: Oral Preparation Vs. Enema	• Trust guidance implemented for using oral bowel preparation (unless contraindicated)
ESSURE (Non Hormonal Permanent Contraception)	• Trust guidelines have been amended • Patient information leaflet to be developed
National Pregnancy in Diabetes Audit	• Developed patient information leaflet to increase uptake of correct dose of folic acid in pre-conception period

Duchene Muscular Dystrophy Audit	• 6 monthly physiotherapist assessments for all patients • Physiotherapist in attendance in clinic for assessment • Blood test to all patients in clinic appointment – now implemented
Prescription to Administration of Antibiotics in ICU	• Raise awareness of record keeping by use of the existing SBAR form that nurses currently use for handover. In the 'recommendation' column of the SBAR form, the plan is to create a tick box section for antibiotics – Yes or No • Consider the use of Electronic Patient Record system electronic prescription
Assessment and Management of Burns 2016-2017	• Continue to raise awareness with all the MDT on the management of burns at LTHTR. • To complete documentation and burns assessment forms on all burns patients assessed at LTHTR • A burns and plastics induction booklet has been introduced on the intranet for the medical staff. The burns assessment and management plan for all burns patients is highlighted here
Wrong Site/Side Incidents in the Orthopaedic Department	• Raise awareness of the importance of compliance with trust policy for (Procedure For Preoperative Checking All Surgical Patients) dated 25th July 2014 version 5.2 • A check list has been implemented confirming that the surgeon has marked and consented each patient after the preoperative list team brief
Adult consent for special care dentistry	• Increase time of pre-op clinic appointments to 201-309 minutes • Identify sessions in which to review/discuss complex cases
Treatment of small cell lung cancer	• Prescribe etoposide in combination with platinum • Refine processes for identifying suitable patients for radiotherapy
Short synacthen tests with a change in cortisol assay	• Maintain increment of 200nmol/l over 30 mins following reformulation of method

Title of Audit	Resulting Actions
Compliance with the British Committee for Standards in Haematology Guidelines on the Laboratory Investigation of Antiphospholipid Syndrome (APS).	• Develop information sheet on APS suitable for all stakeholders and share with clinical staff
Audit of national guidelines 39 and 40 - Major trauma: assessment and initial management and Major trauma: service delivery	• Update Major Trauma booklet and share with network
Evaluating Documentation in an Electronic Patient Record	• Launch electronic vital sign recording in quarter 1 2017/18
Lower Limb Class Audit 2016	• Review evidence base for exercise content of class • Collect FFT feedback from service users • Reaudit in six months

IV Fluid Therapy in Adults in Hospital	• Assess feasibility of improving fluid prescription by incorporating into e-prescribing standards • Explore feasibility of use of sticker or development of an app to support effective fluid administration
ADHD audit	• Share findings with clinicians involved in the assessment of children with ADHD • Explore potential solutions to excess demand for access to CAMHS/psychological services

Research

Participation in clinical research

The number of patients receiving relevant health services provided or sub-contracted by Lancashire Teaching Hospitals NHS Foundation Trust in 2016-2017 that were recruited during that period to participate in research approved by a research ethics committee was 2406.

Recruitment

Lancashire Teaching Hospitals NHS Foundation Trust has recruited 2,238 patients to NIHR portfolio adopted studies in 2016-2017. It granted NHS permission for 90 new portfolio studies to commence during that time. The Trust recruited a further 168 to non-portfolio studies. In total there are currently 172 active research studies recruiting patients at the Trust.

Research Governance

In 2016-2017 Lancashire Teaching Hospitals NHS Foundation Trust performed strongly against the Department of Health benchmarks for the set up and delivery of clinical research in the NHS. The first patient has been recruited on to a trial within 70 days of receipt of a valid application for permission, 80% of the time (NIHR adjusted). Trials were opened at site on average 4.6 days after receiving a valid application against a national average of 22.9 days.

New Developments in 2016-2017

The Lancashire Clinical Research Facility (CRF) opened on 11th April 2016 and has subsequently been awarded a significant grant from the National Institute of Health Research (NIHR) designating it as an NIHR Experimental Medicine CRF until 2022. The CRF focusses on early translational and experimental research studies in neurosciences, cancer and dementia but also collaborates across other specialties and with other NIHR infrastructure in the North West.

Goals Agreed with Commissioners

Use of the CQUIN payment framework

A proportion of Lancashire Teaching Hospitals NHS Foundation Trust income in 2016/17 was conditional on achieving quality improvement and innovation goals agreed between Lancashire Teaching Hospitals NHS Foundation Trust and any person or body they entered into a contract, agreement or arrangement with for the provision of relevant health services, through the Commissioning for Quality and Innovation payment framework.

Further details of the agreed goals for 2016-17 and for the following 12-month period are available electronically at http://www.lancsteachinghospitals.nhs.uk/cquin

Lancashire Teaching Hospitals NHS Foundation Trust will receive income of up to £8,860,640 in 2016-2017 for the achievement of quality improvement and innovation goals through the Commissioning for Quality and Innovation payment framework. During 2015-16 income in 2015-16 was not conditional on achieving quality improvement and innovation goals through the Commissioning for Quality and Innovation payment framework

Registration with the Care Quality Commission

Lancashire Teaching Hospitals NHS Foundation Trust is required to register with the Care Quality Commission (CQC) and its current registration status is that the Care Quality Commission has registered and licensed Lancashire Teaching Hospitals NHS Foundation Trust to provide the following services;

- Diagnostic and/or screening services
- Maternity and midwifery services
- Surgical procedures
- Assessment or medical treatment for persons detained under the Mental Health Act 1983
- Termination of pregnancies
- Treatment of disease, disorder or injury
- Management of supply of blood and blood derived products

There are no conditions to this registration.

The Care Quality Commission has not taken enforcement action against Lancashire Teaching Hospitals NHS Foundation Trust during 2015-2016.

Lancashire Teaching Hospitals NHS Foundation Trust has not participated in any special reviews or investigations by the CQC during the reporting period.

Lancashire Teaching Hospitals NHS Foundation Trust had a planned inspection on 27th-30th September 2016 as part of the NHS acute hospital inspection programme.

Overall ratings for the Trust were as follows:

Overall rating	Requires improvement
Are services at this trust safe?	Requires improvement
Are services at this trust effective?	Requires improvement
Are services at this trust caring?	Good
Are services at this trust responsive?	Requires improvement
Are services at this trust well-led?	Requires improvement

Results for each service across the two hospital sites are detailed below:

Royal Preston Hospital

	Safe	Effective	Caring	Responsive	Well-led	Overall
Urgent and emergency services	Requires Improvement	Requires Improvement	Good	Requires Improvement	Requires Improvement	Requires Improvement
Medical care	Requires Improvement	Requires Improvement	Good	Requires Improvement	Requires Improvement	Requires Improvement
Surgery	Requires Improvement	Good	Good	Requires Improvement	Requires Improvement	Requires Improvement
Critical care	Requires Improvement	Requires Improvement	Good	Requires Improvement	Good	Requires Improvement
Maternity & gynaecology	Requires Improvement	Requires Improvement	Good	Good	Requires Improvement	Requires Improvement
Children & young people	Requires Improvement	Good	Good	Good	Requires Improvement	Requires Improvement
End of life care	Good	Good	Good	Good	Good	Good
Outpatients & diagnostic imaging	Requires Improvement	Not rated	Good	Requires Improvement	Requires Improvement	Requires Improvement

Chorley and South Ribble Hospital

	Safe	Effective	Caring	Responsive	Well-led	Overall
Urgent and emergency services	Requires Improvement	Requires Improvement	Good	Good	Requires Improvement	Requires Improvement
Medical care	Requires Improvement	Requires Improvement	Good	Good	Requires Improvement	Requires Improvement
Surgery	Good	Good	Good	Requires improvement	Good	Good
Critical care	Good	Requires Improvement	Good	Good	Good	Good
Maternity & gynaecology	Requires Improvement	Requires Improvement	Good	Good	Requires Improvement	Requires Improvement
Outpatients & diagnostic imaging	Requires Improvement	Not rated	Good	Requires Improvement	Requires Improvement	Requires Improvement

There were 4 compliance actions:

Regulation 2010	Findings
Good governance	Governance processes needed to be strengthened. A significant gap was identified between the locally held risk registers and the directorate and corporate registers. Information is not well aligned and therefore does not provide assurance as to the escalation of risks or actions taken to mitigate those risks. Not all policies and procedures are current, up to date or appropriately reviewed. Duty of Candour regulations are not addressed in all cases in a timely way.
Safe care and treatment	The general physical environment is aged and worn. The discharge lounge at RPH is not conducive to promoting patient's privacy and dignity and does not have readily accessible means for calling for urgent assistance should it be required.
Staffing	Across the organisation nurse staffing was found to be an ongoing challenge to the trust. • There is a lack of assurance that the paediatric area is always appropriately staffed. • In neonatal services staffing levels were only compliant with BAPM standards 80% of the time. There is a need to review and improve the staffing levels to ensure safe care and treatment, particularly within maternity, children's and neonatal services and where patients require intensive nursing at either level 2 or Level 3. • Medical staffing was a significant challenge to the trust which was clearly recognised and plans were in place to improve the recruitment of relevant medical staff. The use of medical locums was most noticeable within medicine, neurosciences, accident and emergency and plastic surgery. In addition there was an identified for improved performance in relation to mandatory training, including safeguarding training, in a number of areas.
Safeguarding	The safeguarding team was significantly understaffed due to sickness and vacancies affecting delivery. There were also concerns around the number of Deprivation of Liberty applications which were not responded to in a timely way by the local authorities.

Action plans are being developed to address concerns and will be shared and agreed with the CQC and implemented within the required timescales. A multidisciplinary Quality Delivery Group has been established to oversee implementation of the plan. The group will provide regular updates to the Board of Directors through the Safety and Quality Committee.

Quality of Data

It is generally accepted that good quality data is at the heart of identifying the need to improve. It also provides the evidence that there has been improvement in the quality of care delivered by the Trust as a result of changes that it has made.

Lancashire Teaching Hospitals NHS Foundation Trust submitted records during 2016-2017 to the Secondary Uses Service for inclusion in the Hospital Episode Statistics which are included in the latest published data. The percentage of records in the published data, which included the patient's valid NHS number, was:

- 99.8% for admitted patient care
- 99.8% for outpatient care
- 98.7% for accident and emergency care

The percentage of records in the published data, which included the patient's valid General Medical Practice code, was:

- 99.6% for admitted patient care
- 99.6% for outpatient care
- 99.5% for accident and emergency care

Both sets of indicators are consistent with the national average for 2016-2017.

Lancashire Teaching Hospitals NHS Foundation Trusts Information Governance (IG) Assessment Report overall score for 2016-2017 was 81% and was graded as Green.

This demonstrates a position consistent with the previous year's submission demonstrating achievement of the minimum level two compliance in 25 out of 45 requirements, achievement of level three compliance in a further 19, with one requirement not relevant to the Trust. Internal auditors again reported 'significant' assurance for the Trust.

Lancashire Teaching Hospitals NHS Foundation Trust has undertaken the following actions to improve data quality:

- Implementation of a Quarterly Data Quality Assurance Report to the Trust Board providing a summary of Data Quality Team activities, an update in relation to Data Quality Risks and Trust compliance in relation to the National Data Quality Assurance Dashboard and Maturity Index
- Continued development of the Trust Integrated Performance Report aligned to Trust ambitions and CQC Domains including a Data Quality Marker across all data collections supporting key performance indicators.
- Continued roll out of rolling ward audit programme aimed at all staff groups, clinical and non-clinical with a focus on raising awareness of the importance of good data quality across all data collections
- Further development of interactive workshops to ensure engagement with clinical and support staff regarding importance of good data quality and individual responsibility

The Trust has participated in on-going work in relation to a number of audits completed by Mersey Internal Audit Agency regarding quality assurance of specific board reporting areas. It is generally accepted that good quality data is at the heart of identifying the need to improve. It also provides the evidence that there has been improvement in the quality of care delivered by the Trust as a result of changes that it has made.

Lancashire Teaching Hospitals NHS Foundation Trust was not subject to the Payment by Results clinical coding audit during 2016-2017 by the Audit Commission. The Trust has completed an internal IG Clinical Coding Audit that resulted in Level 2 compliance, consistent with performance the previous year. The sample covered all specialties and reviewed both diagnostic and procedure coding completeness and quality levels.

As detailed in the 2015-16 report the Trust identified a risk to delivery of the 92% incomplete referral to treatment (RTT) pathway which triggered an internal review. The Trust has continued to progress actions in relation to RTT assurance during 2016-17. These include external assurance reviews and audit as follows:

- Intensive Support Team invited back to the Trust to offer advice and guidance
- External RTT analysts (JSF) completed an RTT script review covering the data collation and reporting processes. The review included exclusion codes, SQL construction in line with national reporting, PTL reporting and volume checks for end to end reporting
- External company Cymbio invited into the Trust to carry out a further validation assurance exercise incorporating validation of an initial 20,000 patient pathways
- External review of Trust actions undertaken by KPMG with recommendations identified

Review of Quality Performance

The Trust Safety and Quality Strategy – *Safe, Reliable and Compassionate* was developed in conjunction with staff, patients the public, and governors. This strategy set out a number of ambitious, measurable, patient-centred safety and quality improvement goals.

The improvement focus that described the cornerstones of *Safe, Reliable and Compassionate* during 2013/14 are originally as defined below but have evolved during the life of the strategy to focus on reduction of avoidable harm, reduction in mortality rates and improved and sustained performance in relation to patient feedback as demonstrated through the friends and family test:

Safe Care
As defined and measured by a reduction in harm associated with patient falls, medication error and healthcare associated infections. In addition to this, the reliability of care processes will also be monitored in relation to the early recognition of the sick patient and peri-operative care.
Effective Care
As defined by delivery of optimised patient care processes and outcomes of care in relation to stroke care, end of life care, dementia care and those identified through the Advancing Quality programme. In addition, there is focus on nutritional care, pain management, prevention of venous thromboembolism and tissue viability care and elements of care that impact on the wider patient population.
Experience of Care
As defined by patients and the public in relation to privacy and dignity, compassion and respect, information giving and involvement in decisions about care and treatment.

The key strategic goals to be achieved during the life of the strategy were:

Patient Safety

Within the Trust we consider the safety of patients to be our number one priority and as such we strive for a continual reduction in patient harm. Our ambition includes an explicit intention to not only reduce but also eliminate avoidable harm where possible.

The Trust has maintained high levels of engagement and performance with all elements of the Safety Thermometer programme with a year-end performance level of 98.45% harm-free hospital care in respect of new harm events, comparing very favourably with national performance and representing a 0.3% improvement on 2015-16's year-end position.

Never Events are serious, largely preventable patient safety incidents that should not occur if the available preventative measures have been implemented. They can lead to serious adverse outcomes, and can damage patients' confidence and trust. During 2016-17 the Trust reported 3 Never Events in relation to two surgical procedures (of the spine and scalp) and a misplaced nasogastric tube. Robust action plans and improvement programmes were developed in response with progress monitored within the divisions and any incidence monitored via the Clinical Governance Committee.

The national 'Sign up to Safety' campaign aims to save 6000 lives over 3 years by reducing avoidable harm by 50%. Lancashire Teaching Hospitals NHS Foundation Trust has supported the campaign by committing to reduce avoidable harm by 2017 and specifically ambitions to:

- Reduce avoidable falls with harm by 50% - this proved to be very ambitious although the Trust has so far achieved a 21% reduction in harm equating to 79 fewer harms to patients when comparing 2013/14 data with 2016/17 data (April to March)
- Reduce avoidable grade 3 hospital acquired pressure ulcers by 50% and eliminate grade 4 pressure ulcers – there have been no incidents of avoidable grade 4 pressure ulcers since January 2016 and no incidents of grade 3 ulcers since August 2016
- Reduce the number of patient's admitted to Critical Care with sepsis by 25%
- Reduce avoidable healthcare associated infections (C-Diff) by 50% - a 19% reduction was achieved compared to 2014-15 performance

Detailed information relating to key safety indicators and improvement programmes is presented below:

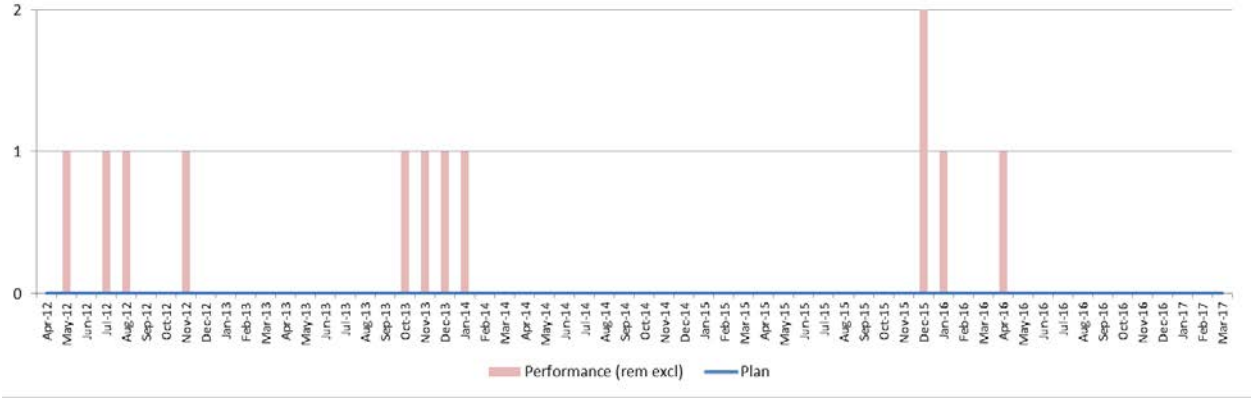
MRSA Bacteraemia

Staphylococcus aureus is a bacterium that commonly colonises human skin and mucosa. Most strains of *S. aureus* are sensitive to the more commonly used antibiotics, and infections can be effectively treated. Some *S. aureus* bacteria are more resistant. Those resistant to the antibiotic meticillin are termed meticillin-resistant *Staphylococcus aureus* (MRSA). Bacteraemia occurs when bacteria get into the bloodstream.

Infection prevention and control remains a key priority for the Trust, and the focus on MRSA bacteraemia (and *C.difficile* infection) has been maintained throughout the life of *Safe, Reliable and Compassionate* and has been reported in previous Quality Accounts. This focus will continue beyond the life of the strategy.

There was only one incident of MRSA bacteraemia attributed to the organisation during 2016-2017, an improvement on the three reported during 2015-16. The incident was investigated by a multi-disciplinary team using the national post infection review tool. The investigation findings were presented to the Director of Infection Prevention & Control (DIPC) at a dedicated meeting to identify how a case may have occurred and to identify actions that will prevent similar cases reoccurring in the future.

Following review, the incident was agreed to be unavoidable as there were no identified lapses in care. However, the focus for preventing further MRSA bacteraemia cases remains on best practice around peripheral and central line management, antimicrobial stewardship, urinary catheter care, MRSA screening and decolonisation. The Trust remains committed to a zero tolerance on avoidable cases.



Source: *LTHTR data*

C.difficile Infection

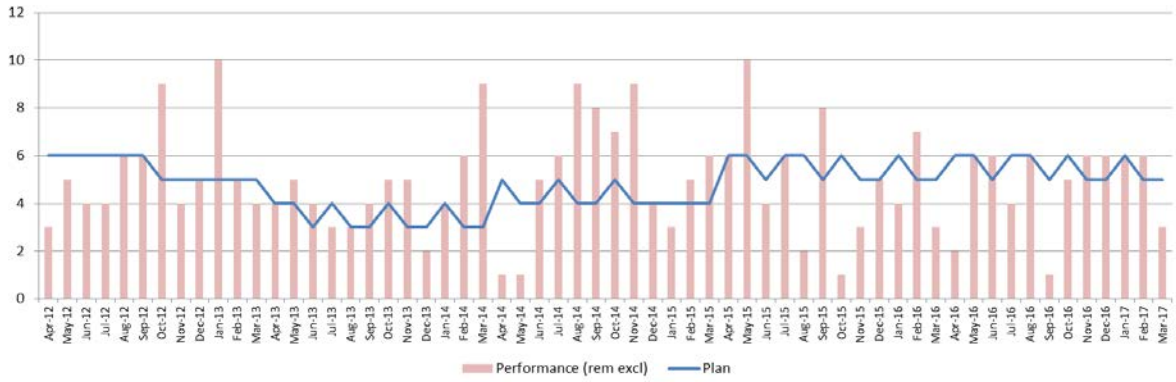
Clostridium difficile infection is the most important cause of hospital-acquired diarrhoea. *Clostridium difficile* is an anaerobic bacterium that is present in the gut of up to 3% of healthy adults and 66% of infants.

As stated above, infection prevention and control remains a key priority for the Trust. A strong focus on the prevention of *C.difficile* infection has been maintained throughout the life of *Safe, Reliable and Compassionate* and will continue to be a priority for the Trust.

During 2016-2017 the Trust performance for *C.difficile* cases was 56 against a national objective of 66. All Trust attributable cases are subject to a root cause analysis (RCA) process which is reviewed by an expert group including the DIPC and Infection Control Doctor. The process allows for a greater understanding of the individual causes of the *C.difficile* cases, in order to determine if there were any lapses in the quality of care provided in each case and, if so, to take appropriate steps to address any problems identified. A lapse in care would be indicated by evidence that policies and procedures consistent with national guidance and standards were not followed. Of the 56 cases reviewed during 2016-17, 12 cases (21.4%) were deemed to be avoidable due to lapses in care.

Themes identified from those cases included: the timely and optimal selection of antimicrobials in line with validated Trust guidance, and the standard of environmental cleaning, specifically the ability to provide timely and rapid whole room decontamination with hydrogen peroxide vapour technology. In addition, there were a number of cases where a failure to isolate a patient may have resulted in unnecessary exposure and subsequent infection.

Our focus for preventing *C.difficile* cases remains on best practice around antimicrobial stewardship, together with hand and environmental hygiene. We have also invested in new technology to increase the availability of vaporised whole room decontamination equipment across the Trust to enable efficient and timely decontamination of isolation rooms as part of the Trusts ongoing commitment to reducing all avoidable cases of *C.difficile* infection.



Source: *LTHTR data*

Falls Prevention

Preventing patients from falling is a particular challenge in acute hospital settings. There will always be a risk of falls in hospital given the nature of the patients that are admitted, and the injuries that may be sustained are not always trivial. However, there is a lot that can be done to reduce the risk of falls and minimise harm, whilst at the same time allowing patient freedom and mobilisation during their stay.

Falls and falls related injuries are a common and serious problem for older people. People aged 65 and older have the highest risk of falling. According to NICE (2013), 30% of people aged 65 and over and 50 % of people aged 80 and over fall at least once a year.

The reasons why patients fall are complex and influenced by contributing factors such as physical illness, mental health, medication and age, as well as other environmental factors.

The Trust has a well-established programme of improvement activities. To put this in real terms, since April 2014 the falls improvement programme has contributed to a reduction of 449 inpatient falls and 79 fewer patient harms, when compared to incident data from April 2013 to March 2014. In achieving this, the falls improvement programme has included:

- Sustained strong performance across the Trust in respect of risk assessment and response to risk, including enhanced supervision of ‘at risk’ patients
- Developed and implemented a new falls risk assessment and prevention care plan in line with NICE recommendations which incorporated a robust training programme
- Developed a falls prevention E-Learning package for all staff
- Implemented a visual system to remind and encourage patients to call for assistance - ‘Call Don’t Fall’
- Re-developed and re-launched Intentional rounding
- Production of quarterly falls information posters for ward staff
- Detailed analysis of falls data to identify themes and trends
- Working collaboratively with other Trusts (Aintree and as part of Quest)
- The Trust continues to support the national safety initiative called ‘Sign up to Safety’ and as part of this aims to reduce avoidable falls by 50% by December 2017
- Post fall rapid review (Swarm)
- Falls executive reviews
- Harm Free care training
- Slips, trips and falls policy has been updated to reflect updated NICE guidance
- Development of guidance on the safe use of ultra-low beds
- Development of an adapted version of the falls assessment and prevention plan and post fall rapid review for paediatrics

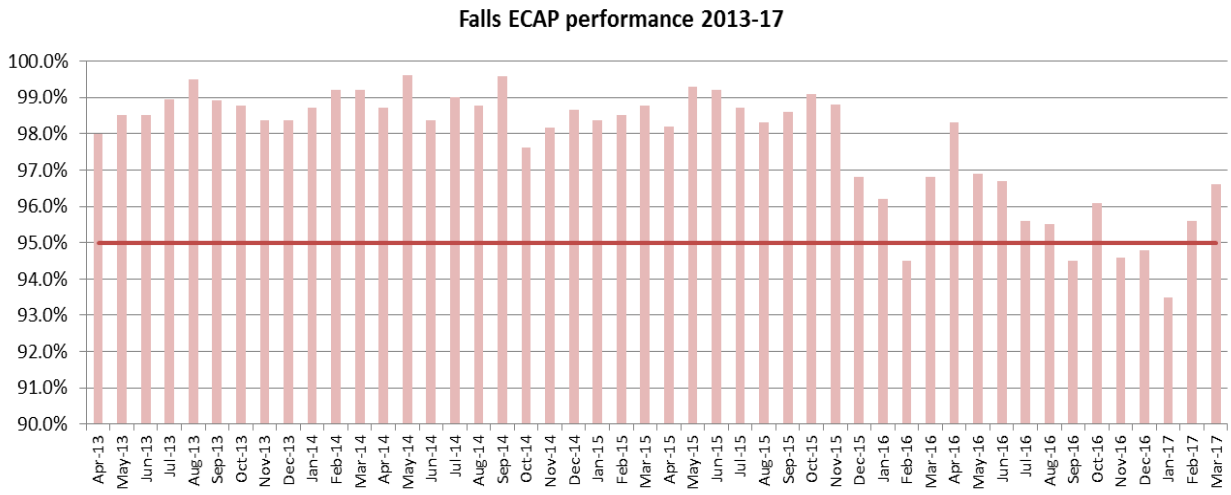
- Continual embedding of all falls prevention interventions.

During 16/17 we have implemented additional falls prevention improvements across the Trust:

- We have developed and introduced enhanced levels of care guidance for staff and developed and trialling new documentation to support implementation
- To support implementation an e-learning package has been developed
- Developed and successfully trialled a continence care management plan and is currently awaiting approval for Trust-wide rollout
- We are leading and coordinated the Central Lancashire Falls Collaborative, involving partnership organisations, and coordinating falls workshops across the health economy
- As part of the CQUIN project we have developed a night time falls prevention package
- We have successfully trialled and introduced new anti-embolism stockings with sole grip to reduce fall due to slipping

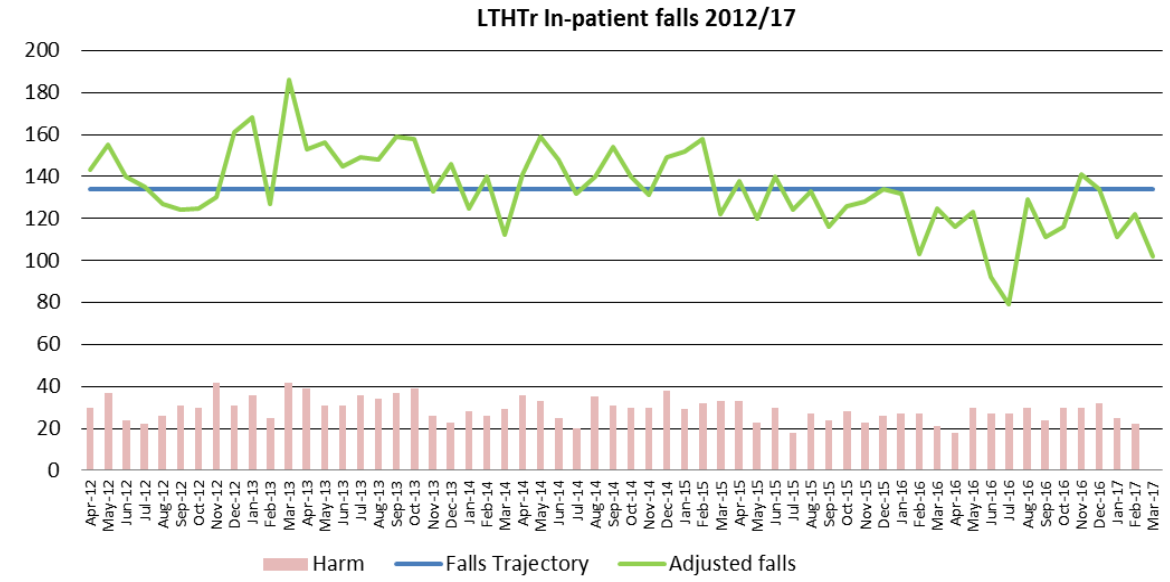
Our monitoring continues to focus on the number of falls, on harm events associated with falls, and on staff compliance with expected standards of assessment and response, as evidenced through the Trusts Essentials of Care Audit Programme (ECAP), which directly measures against the NICE quality standards for falls prevention.

The audit of clinical records is undertaken on 50% of ward patients on a monthly basis. Results are shown below:

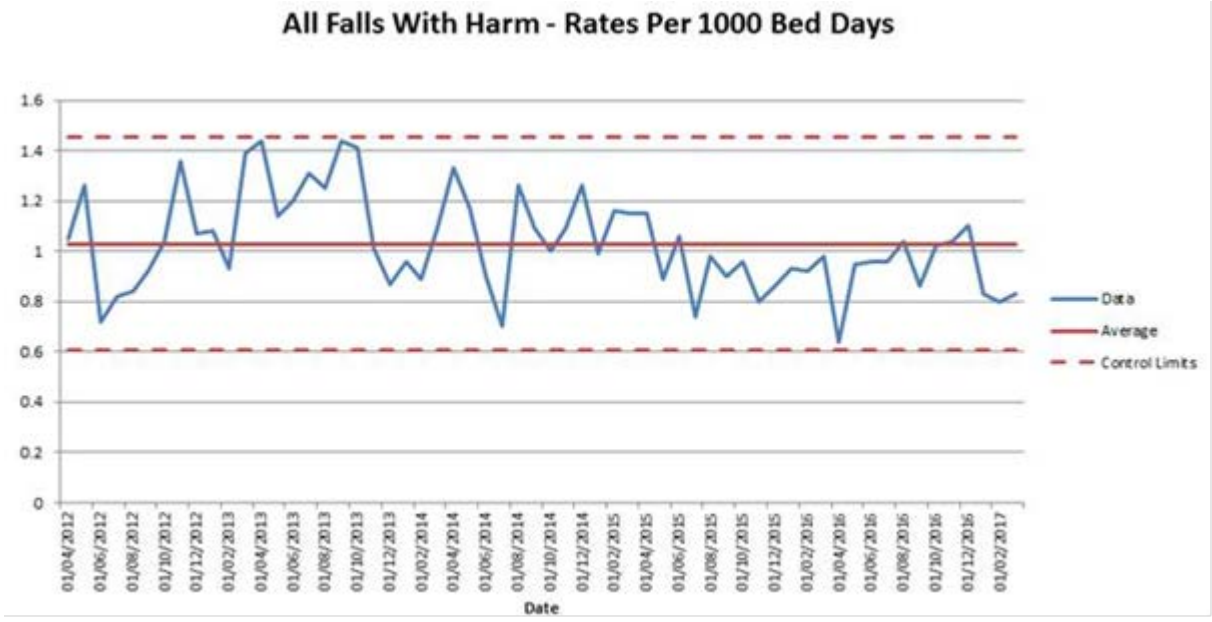


Source: *LTHTR ECAP programme*

During 2016-2017, the number of inpatient falls and harm associated with falls has reduced. There were 1386 reported incidents of patients falling (a reduction of 133 compared to 2015-16), with 317 incidents where harm occurred. 296 of these were adjudged to be low harm (in 2015 - 2016 there were 317 patients experiencing harm). It should be noted that this sustained performance occurred despite the significant increase seen in the number of patients over the age of 80 admitted to hospital with a corresponding increase in risk and acuity. The actual falls rate (incident/1000 bed days) fell from 5.41 in 2013/14 to 4 in 2016/17, a fall of 26.1%. The rate of falls with harm reduced from 1.17 to 0.92 in the same period, a fall of 21.36%.



Source: Datix



Source: LTHTR data

Through analysis of incident reporting and working with stakeholders, particularly within the falls collaborative, we have further built on existing improvement work to identify reasons for falls and develop and implement additional falls prevention strategies, as described within this section.

Medication Errors

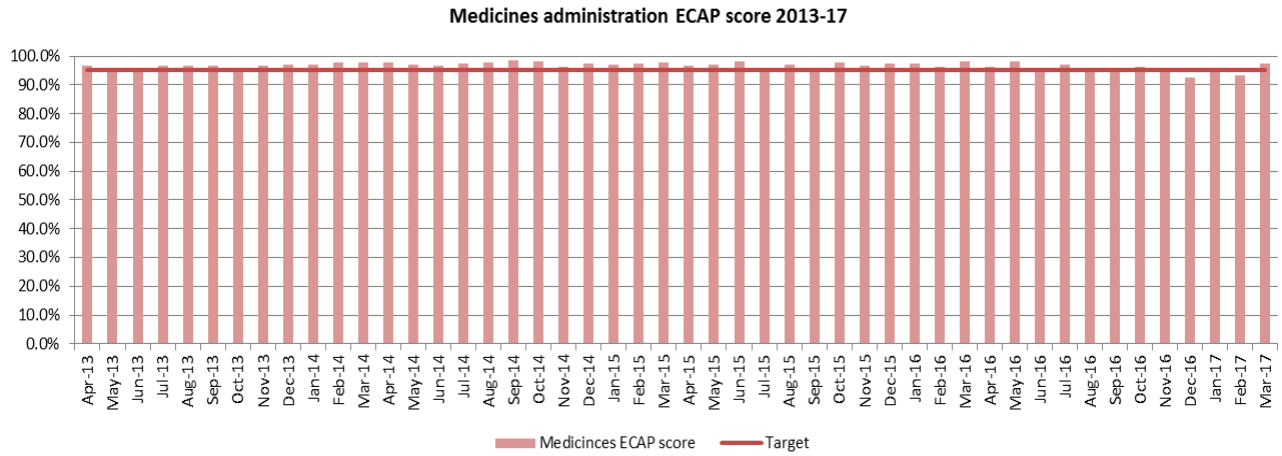
The Essentials of Care Audit Programme (ECAP) continues to provide the most reliable method for monitoring safe practice in respect of medicines prescribing and administration. The Trust has continued to collect data through ECAP on a number of indices which provide further detail on specific aspects of performance that could be influential on reducing harm.

The associated criteria are:

- All patient prescription documentation will provide details of ward, patient name, date of birth, hospital/NHS number and allergy status
- Omission codes will be evident for all medication not administered as prescribed
- The status of patients with a potential/actual medication allergy will be identified

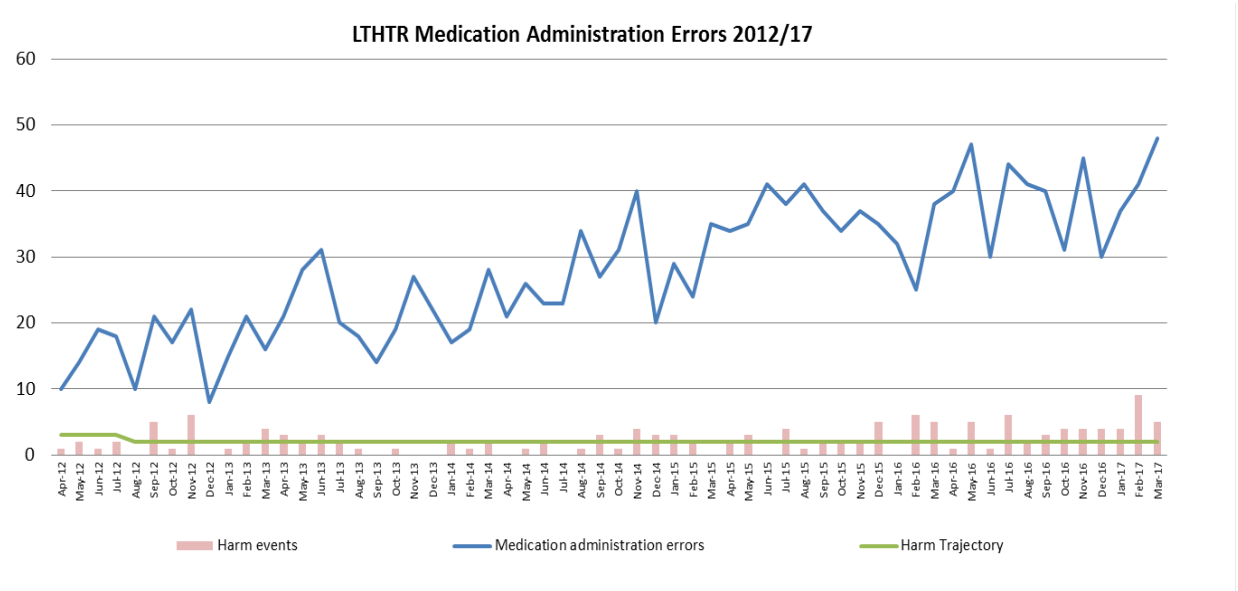
- Patients requiring intravenous antibiotics will be a) clinically reviewed on a daily basis and b) have a defined stop date

During 2016-2017, there has been continued strong performance in respect of the medication ECAP audit, which follows the same methodology as the falls ECAP process described above. Overall performance from this audit of 50% of patients in participating wards, undertaken by wards on a monthly basis, was almost 96% during the year, maintaining the high level of performance reported in 2015-2016.



Source: LTHTR ECAP programme

As ECAP data monitors safe practice as compared to established and evidence-based processes, so incident reporting is the vehicle for monitoring incidence and outcomes of errors. During 2016-2017, the number of medication administration errors reported within the Trust increased by approximately 11%. This increase could be as a result of efforts to increase the reporting of patient safety incidents. However, harm events have increased from 32 in 2015-2016 to 48 in 2016-2017. A small number of these events related to extravasation incidents (not previously included in the reporting criteria) but not sufficient to wholly account for the increase. Of the 48 harm events, 43 were graded as low harm and 5 moderate harm. Of these, 2 incidents related to omission of medicines, 1 each to administration of the wrong dose, wrong drug and wrong patient respectively. No patients suffered lasting physical harm as a result.



Source: Datix

In response, a medicines optimisation strategy was implemented, and a series of measures introduced designed to reduce error and associated harm, including:

- The appointment of a Medicines Safety Officer (MSO) who leads and supports key initiatives, working directly with the Datix team to analyse and validate all administration errors. The MSO also liaises closely
- Actions to improve the level of medicines reconciliation on admission beyond 90%
- Consistent processes for safe storage systems at ward level with audits of compliance
- Expansion of the number of competent non-medical prescribers
- A medication error matrix designed to stratify errors and inform judgements about relevant and proportionate response to error
- Staff training is actively supported by the Trust medicines management training team. The lead pharmacist is now a member of nurse clinical educators group.
- Errors related to high risk medicines such as anticoagulants, insulin, opioids, antimicrobials are reported specifically with action plans developed in a triumvirate approach between pharmacy, medical and nursing staff.
- A new medicines governance committee has been established to strengthen governance arrangements for medicines management with lead divisional nurse representation.

In addition a new electronic prescribing system is being implemented from April 2017 that should impact significantly on safe medicines prescribing and administration.

Duty of Candour

Lancashire Teaching Hospitals NHS Foundation Trust is strongly supportive of the principles of Duty of Candour. The investigation of incidents is carried out within a culture of openness and transparency with an absolute commitment to explaining and apologising to patients who have suffered harm and this is a key part of delivering excellent care with compassion. Duty of Candour is a regulation that has been applicable to health service bodies since 27th November 2014. It has been a further development of the “Being Open” process that was already followed in the Trust.

The Duty of Candour requires, that “any patient harmed by the provision of health care service is informed of the fact and an appropriate remedy offered regardless of whether a complaint has been made or a question asked” (Francis 2013).

Following the introduction of this regulation the Trust has included Duty of Candour in the *Being open* policy, training and workshops have been provided for staff and this is now included in the incident reporting training. Where incidents are reported as moderate or severe harm within the Datix system, the reviewer completes a mandatory field which triggers actions consistent with the guidance set out in the regulation. Compliance with Duty of Candour is monitored on a weekly basis through the Trusts case review group. The CQC highlighted during their inspection that Duty of Candour was not always addressed in a timely way. Since the inspection there has been increased focus on early identification of the need to apply Duty of Candour. In the last year we have applied Duty of Candour on 57 occasions. This compares to 17 reported in 2015-16 indicating that the application of Duty of Candour is much more embedded in the organisation.

Effective Care

We aim to provide effective care and treatment ensuring optimum clinical outcomes which is evidence-based and we remain committed to responding to identified areas for improvement. We continue to support the review of health economy-wide models and pathways of care to ensure consistency in all settings and effective transitions of care at the point of interface.

Our vision is to achieve the best clinical outcomes for our patients across all of the services we provide. We strive to achieve these outcomes by:

- Ensuring effective leadership and accountability
- Utilising best practice evidence and clinical research in defining clinical effectiveness
- Investing in the ongoing development of a skilled, competent workforce
- Supporting the development and implementation of improvements in operational infrastructure that ensures the delivery of the right care in the right place at the right time by the right people

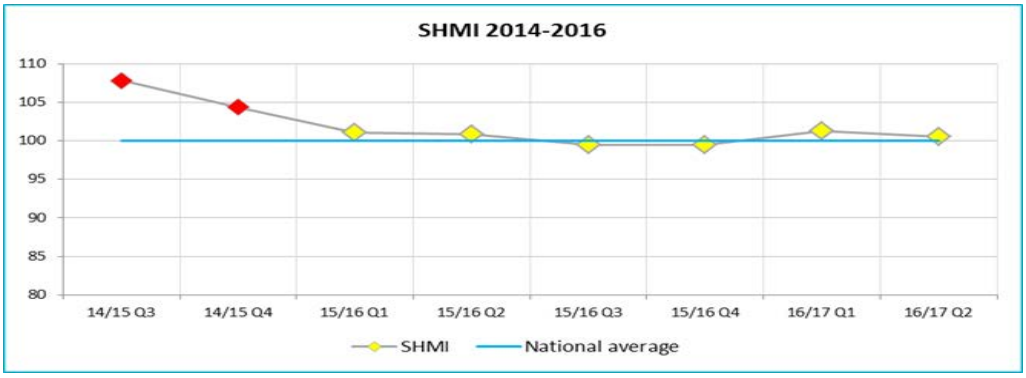
Leading improvements in healthcare through innovation, research and education is a key strategic priority for our Trust. We continue to offer our patients the opportunity to be involved in trials of new treatments as well as studies involving questions and interviews looking at their quality of life and service improvement.

Mortality

The Trust recognises the importance of mortality rates as a key factor in promoting confidence in Trust services. As such, it has been and remains a key strategic objective. Mortality is monitored through regular review of Summary Hospital Mortality indicator (SHMI) data and Hospital Standardised Mortality Rate (HSMR) data.

The Summary Hospital Mortality Indicator (SHMI) measures mortality in patients who die in hospital and at home within 30 days of discharge from hospital. In addition, SHMI does not take account of palliative care coding, social deprivation, but includes zero length of stay emergency patients and maternal and baby deaths.

After an initial period during 2014-15 following introduction of the indicator nationally, performance has remained within expected range since April 2015.



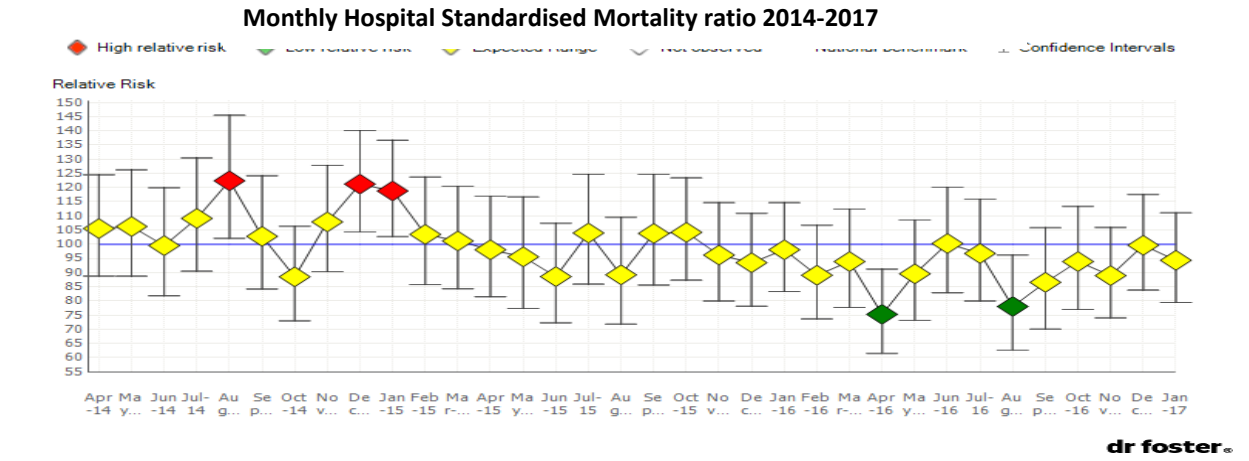
Source: *Dr Foster Intelligence*

The Hospital Standardised Mortality Rate (HSMR) is derived from routinely collected data based on 56 diagnostic groups that account for 80% of all hospital deaths. The data is adjusted to take into

account a range of factors that can affect survival rates but that may be outside of the direct control of the hospital such as age, gender, associated medical conditions and social deprivation.

The HSMR is defined as the ratio of observed deaths to expected deaths (based on the sum of the estimated risks of death) multiplied by 100. Thus, a rate greater than 100 indicates a higher than expected mortality rate whilst a rate lower than 100 indicates a lower rate.

Following a review of the complete NHS dataset for 2014-2015, the national HSMR (and benchmark for healthcare providers) was rebased to 100. Relative to the national benchmark, Lancashire Teaching Hospitals NHS Foundation Trust HSMR was higher than expected at 106.6. For 2015-16 the HSMR improved to an as expected position of 97.4. Performance improved significantly during 2016-17 with the most recent reported 12-month HSMR (Feb 2016 – Jan 2017) further reduced to a better than expected rate of 88.2



Source: Dr Foster Intelligence

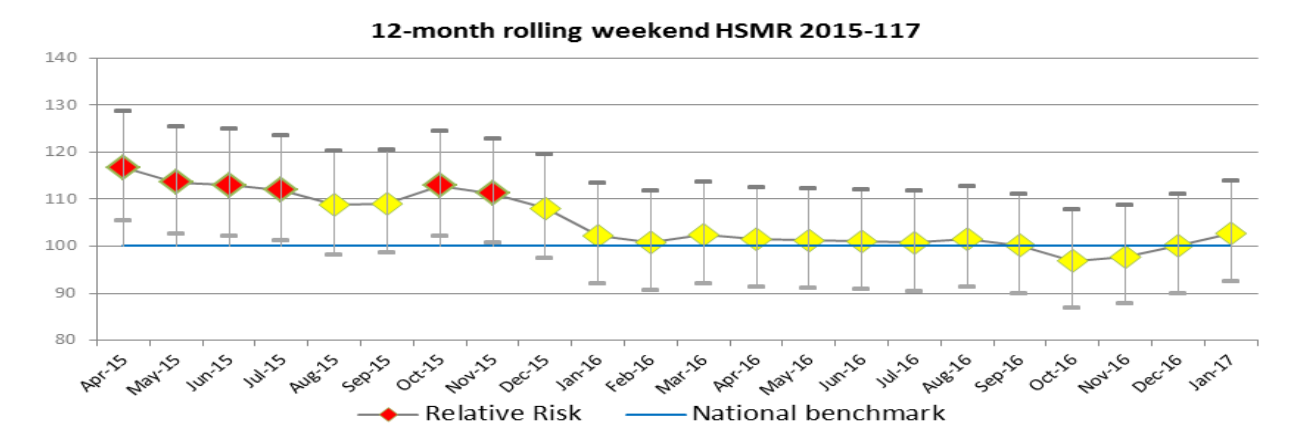
In 2015 a mortality committee was established. The committee is chaired by the Medical Director and monitors mortality rates, themes and trends. Mortality rates are also reported to the board of directors on a monthly basis. During the current year there are to date, no alerts for any diagnostic groups.

In 2016 the Trust signed up to the Learning Disabilities Mortality Review (LeDeR) programme and is represented on both the local strategy and operational groups.

During 2017 the Trust, in accordance with CQC guidance, will be strengthening our mortality review arrangements, utilising the recommended structured judgement tool to identify and report any avoidable deaths that occur within the Trust. We anticipate that information from this process will be reported through the Board meeting and will be included in the 2017-18 Quality Account.

Where adverse mortality alerts are triggered, an initial analysis of data is undertaken to determine whether a more detailed case note review is required. This is then undertaken by clinical staff and the findings are formally reported to the mortality committee and then to the safety and quality (Board level) committee. During 2016-2017, no significant trends or themes of substandard care and treatment were identified through this process.

Weekend mortality rates have been a source of national media interest and the Trust performance was in a particularly challenging position in 2014-15 with a significantly higher than expected rate of 117.7. This figure improved in 2015-16 to an as expected position of 102.4. Further improvement has been made since with the 12-month weekend mortality rate now 100.4 based on the most recent data available (Feb 2016 - Jan 2017) - within the expected range of performance.



Dr Foster Intelligence

Tissue Viability – Pressure Ulcer Incidence

National and Trust focus on the elimination of avoidable pressure ulcers in NHS provided care continues, with pressure ulcers one of the four indicators measured within the Safety Thermometer. The prevention of pressure ulcers has been a key priority for the Trust throughout the life of *Safe, Reliable and Compassionate* and has been included in the Quality Accounts in recent years Pressure ulcers can occur in any patient but are more likely to occur in patients with underlying medical conditions, the elderly, the malnourished and those who are obese. Pressure ulcers may be acquired in the community or in hospital, measurement systems therefore need to take account of the incidence or the number acquired in hospital and the prevalence which relate to the total number of patients with a pressure ulcer (a proportion of which will relate to acquisition in the community).

The Trust has an established programme focussing on prevention and management of pressure ulceration, which have in previous years included key features such as:

- Mattress, bed frame and seat cushion management. The contract with a commercial supplier allows for immediate availability of pressure relieving devices such as alternating pressure mattresses, for all patients in the Trust as the assessment of their risk dictates. The contract also allows for a yearly replacement programme for normal ward mattresses ensuring that mattress quality is maintained. There has been an increase in usage of specialist bariatric equipment; these patients are invariably at high risk of tissue damage due to pressure
- The availability of an electric bed frame for every patient enhancing the ability of patients to assist in pressure redistribution
- The use of a tissue viability risk assessment on admission and instigation of an appropriate care plan to prevent pressure ulcer formation

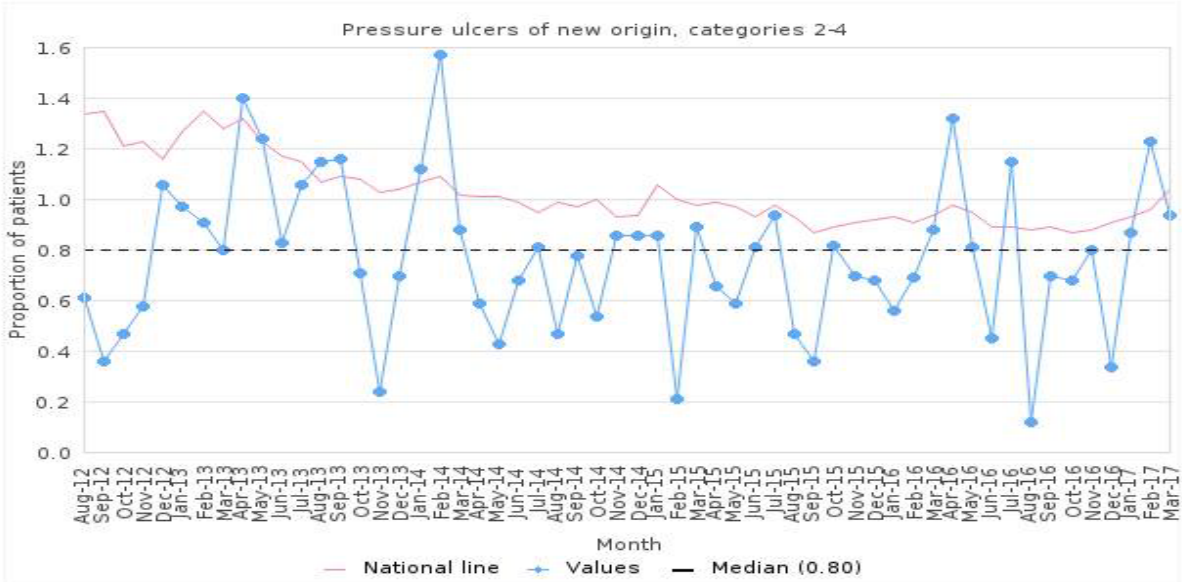
- Strengthening of validation processes, ensuring accurate classification, cause, and avoidability. All Grade 2, 3 and 4 pressure ulcers are subject to root cause analysis (RCA). This validation exercise undertaken by senior nurses provides assurance of the accuracy of reporting
- The practice of early and regular skin inspection practices and risk assessment of all patients is embedded across the Trust
- The Medical Illustration Department photograph all hospital acquired pressure ulcers which further informs and strengthens the investigation process
- An e-learning package workbook is available to all staff across the Trust.
- All staff are informed of the outcomes, learning and key actions from pressure ulcer review meetings through quarterly distribution of posters in clinical areas. Pressure Ulcer grading posters have also been distributed to all clinical areas to ensure clear, consistent definitions and to improve the reliability of grading
- There are now a range of options available for pressure ulcer prevention training to suit all staff learning styles – monthly taught sessions, an e-learning package and a recently developed pressure ulcer workbook
- A continued focus on reducing equipment related pressure ulcers resulting in the introduction gel sheets and change in practice within critical care to use different techniques to retain ET tubes as well as standardisation of pressure reducing oxygen products
- Involvement in the development of Lancashire wide best practice guidelines for safeguarding individuals with pressure ulcers
- Development of a new electronic pressure ulcer risk assessment which includes prompts regarding the risk of pressure ulcer development in diabetic feet
- Development and introduction of a repositioning chart which incorporates skin assessment
- The commercial contract has been reviewed to enable bariatric seating cushions to be made available for all patients who require them
- ECAP questions have been reviewed in line with NICE Quality standards to ensure that practice is accurately measured against existing standards
- Data is now shared with community teams providing geographical representation of where patients with pressure ulcers are admitted from
- All ward managers are able to view photographs of pressure ulcers relating to their ward

In 2016-17, a number of actions have significantly contributed to the improvement outlined in this overview, including:

- Robust, consistent review of all grade 2 and above pressure ulcers with divisions and a senior nursing forum.
- Use of medical imaging communicating the impact of pressure ulcer and educating the workforce.
- Creation of patient and carer information resources
- Cascade of learning to all clinical areas.
- Standardisation of pressure relieving equipment
- Development of an e learning package for pressure ulcer prevention
- Participating in a ‘React to Red’ education programme in conjunction with the local CCG, community healthcare providers and nursing and care home staff to develop a health economy wide approach to pressure ulcer prevention.
- Celebration of achievements on wards

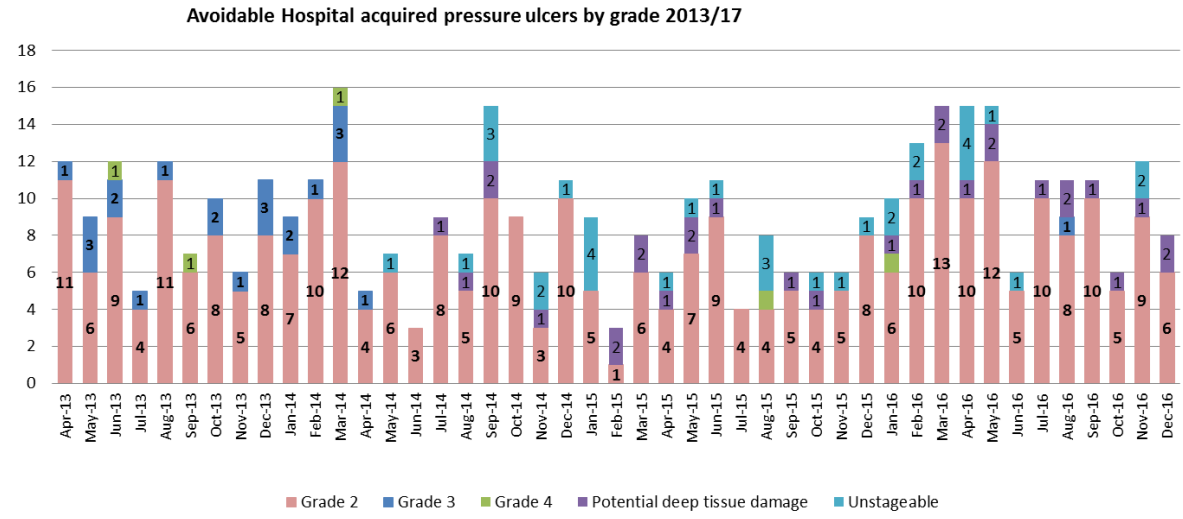
The measures described above have contributed to the reducing trend in acquired pressure ulcers within the Trust. Lancashire Teaching Hospitals NHS Foundation Trust monitors and reports pressure ulcer incidence and prevalence in two ways:

- Via the Safety Thermometer – a monthly point prevalence audit of all pressure ulcers, including hospital acquired ulcers. The results indicate a very low level of new pressure ulcers with performance better than the national average



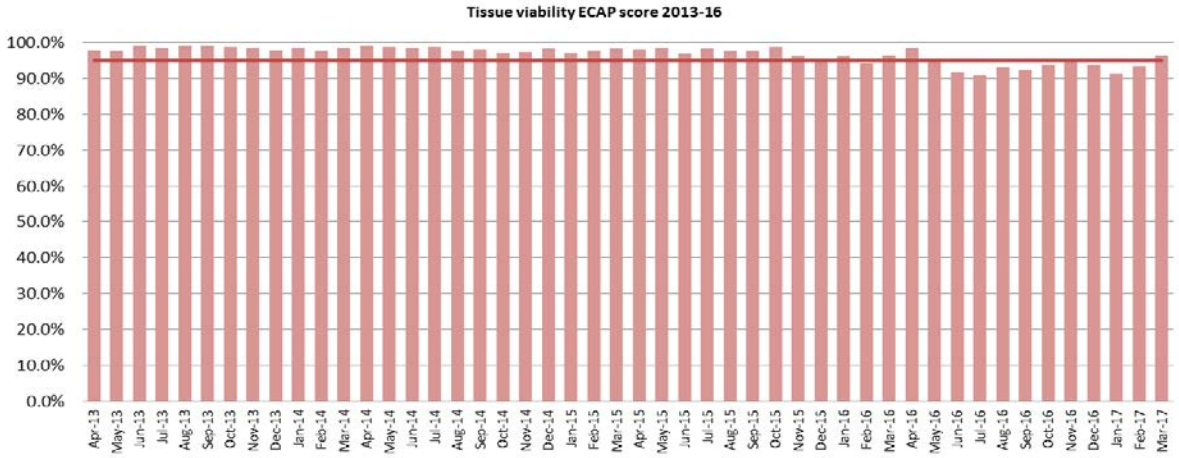
Source: NHS safety Thermometer

- Via incident data - during 2016-2017, 1466 patients were admitted to hospital with pressure ulcers of grade 2 or above (an increase of 122 on last year's figures). Of these, 224 were confirmed as grade 3 ulcers (8 more) and 95 as grade 4 (11 fewer). In total, 236 patients developed pressure ulcers following admission to hospital. Of these, 120 were deemed to be avoidable. 96 ulcers were grade 2, 1 was grade 3 and the remainder were classified as potential deep tissue damage or were considered unstageable.



Source: *Datix*

The Essentials of Care Audit Programme (ECAP) continues to focus attention on the importance of the tissue viability risk assessment and results show performance level of 93.4% against a target of 95%. During 2016-17, the ECAP tool was revised to reflect current practice. ECAP performance deteriorated following this review with performance issues focused on early assessment and planning. The change in process was also reflected in an increase in incidence around this time. Additional support from specialist nursing staff continues to address some of the assessment practices noted at ward level.

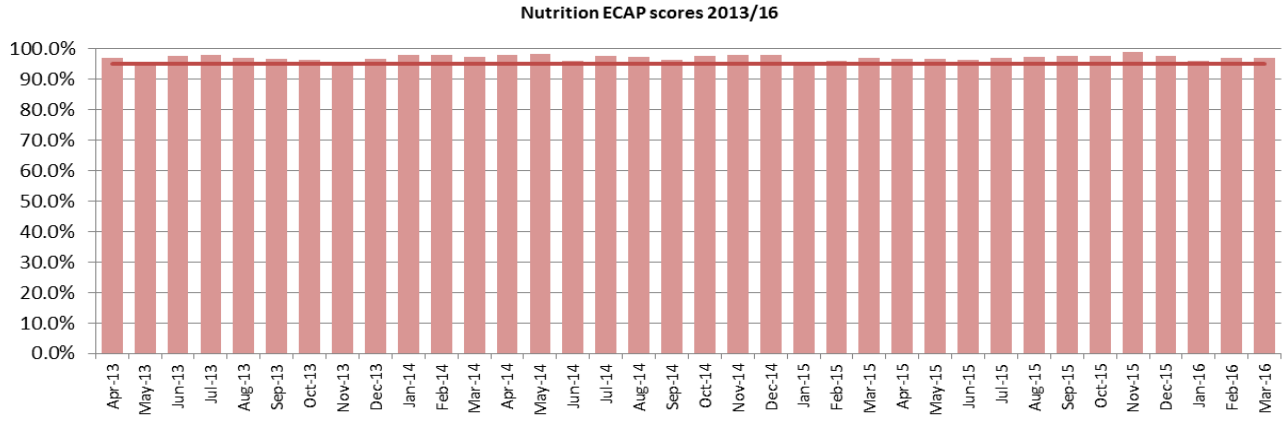


Source: LTHTR ECAP programme

Nutrition

One of our aims continues to be to ensure that patients admitted to the Trust who remain for more than 48 hours (excluding maternity and day case patients) have a nutritional screening assessment on admission. The assessment is carried out using the Malnutrition Universal Screening Tool (MUST) developed by the British Association for Parenteral and Enteral Nutrition. The screening tool highlights patients who are already malnourished or at risk of malnourishment and determines the need for referral for a more detailed nutrition assessment by a dietician.

The Essentials of Care Audit Programme (ECAP) provides further focus on the importance of the MUST tool and results show that during 2016-2017 overall performance was 95.5% compliant with standards.



Source: LTHTR ECAP programme

The provision of high quality nutritional support is complemented by the Trusts 7-day Integrated Nutrition and Communication Service (INCS). The team has also been expanded with the addition of two nurse practitioners. This has helped to support a number of key initiatives:

- Improved access to support both in and out of hospital for patients with additional nutritional needs and those on parenteral nutritional support
- Effective crisis prevention with improved access to information and advice
- Standardisation of practice across the Trust in relation to tube insertion and feeding
- Improved monitoring of patients with feeding devices
- Introduction of bedside swallowing assessments using fibreoptic endoscopes, speeding up decision-making and provision of appropriate nutrition
- Increased follow up of patients at 28 days post discharge
- Development of a neonatal nutrition and therapy team.

- Support for the elderly care programme. Across both sites a number of wards receive a ‘snack tray’ that offers a range of snacks to support / encourage patients to eat, increase their nutritional intake. This is in addition to the snacks available on the evening menu
- Catering services support the wards offering monthly ‘tea parties’ with the provision of home-made cakes etc. This is to be extended over the coming year to include ‘cocktails’ on the Ribblesdale ward
- Nutritional analysis of patient recipes the dietetic team encourages a comprehensive balanced diet with increased choice of some items
- The provision of adaptive cutlery to support patient feeding where required
- A tick box on the menu prompts ward staff to identify the requirement for a ‘red plate’ to be used for dementia patients, indicating the need for additional support with feeding
- The Trust is fully compliant with legislation relating to allergens. Catering services provide support with allergen information should that be requested by either the patient of the ward staff
- Action taken to ensure full compliance with national standards relating to soft, pureed and liquidized diets
- Introduction of a range of finger foods on the menu.

Experience of Care

Improving patient experience was and remains a key priority for the Trust, and the focus on respect and dignity, patient involvement and effective communication has been maintained throughout the life of *Safe, Reliable and Compassionate* and has been described and reported in previous Quality Accounts.

The value of patient feedback and the importance of listening and responding to that feedback, which is endorsed in the prominent reports published by Berwick (2013), Keogh (2013) and Francis (2013) has long been recognised by Lancashire Teaching Hospitals NHS Foundation Trust. The information provided via patient and service user feedback is used to inform and underpin improvements in patient care and experience.

Since 2008, the Trust has collected patient feedback over and above that provided by the national patient survey programme, complaints, concerns and compliments, utilising a range of electronic and paper systems to gather feedback. The national implementation of the Friends and Family Test (FFT) in 2013 led to the adoption of the FFT as the primary, though by no means only feedback source. The FFT provides a robust indicator of patient perception and experience and can also provide assurance around standards of care when analysed alongside the other data sources available.

During 2015 the Trust reviewed its patient experience information systems and implemented a multifactorial approach that uses FFT performance as the key indicator, coupled with analysis of patient surveys, complaints, PALS feedback, NHS choices and other web-based systems to generate true intelligence about what patients want and what has affected their experience of care.

In addition to local collection of feedback, the Trust participated in the two national patient surveys (national inpatient survey and emergency department survey) that were undertaken during 2016-2017. Unfortunately, there has been no confirmation of a publication date for either survey.

Inpatient Survey 2016

The national inpatient survey was informed by 461 responses from patients, a response rate of 38.8% of those surveyed. There has so far been no notification of the publication date.

The 2015 inpatient survey was not published until after publication of the 2015/16 quality account. Compared to the previous year, performance improved in respect of 41 questions and in 7 of the 10 sections surveyed, i.e:

- The hospital and ward
- Doctors
- Nurses
- Care and Treatment
- Operations and procedures
- Leaving hospital
- Overall views of care and services

Performance was considered better than expected in respect of 9 questions, relating to:

- Response to questions by nurses
- Confidence and trust in nurses
- Privacy
- Response to requests for assistance

- Waiting for medicines or transport on discharge
- Overall satisfaction with respect, dignity and care standards in hospital.

Emergency Department 2016

The national emergency department survey was informed by 280 responses from patients, a response rate of 23.1% of those surveyed – lower than the national average of 26.2%. Once again, there has so far been no notification of the publication date.

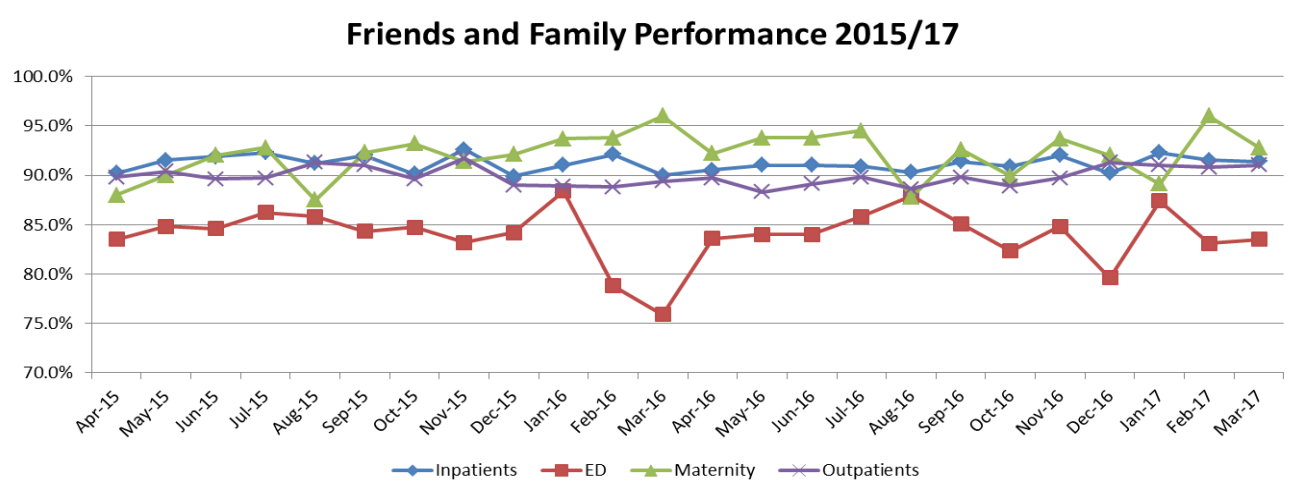
Friends and Family Test (FFT)

The benefits of using the FFT as the key performance indicator for patient experience are numerous:

- All adult inpatients, Emergency Department (ED) attenders, day-case patients, maternity patients and those attending outpatient appointments are afforded an opportunity to provide feedback on their experiences. Since 2015, children and their parents have also been provided with the opportunity to offer feedback on their experience
- As the majority of FFT feedback is obtained via sources not directly administered by front line staff, any potential for bias is minimised and the burden of data collection does not fall on frontline clinical staff.
- Although there can be significant variation between providers, FFT is a national programme; consequently, broad comparisons can be made with other organisations.

A performance threshold of 90% of patients recommending the ward/department for inpatients and 85% for ED attenders has been established. It is recognised that the score alone provides only a very limited measure of performance and, for that reason, the information is triangulated with other forms of feedback including the numbers and themes of complaints and concerns and the narrative comments provided as part of the FFT, to give a more comprehensive evaluation of patient experience from a patient's perspective at Trust, division, service line and ward/departmental level.

Patient feedback results and patient comments are available to wards and departments on a near real-time basis. Each ward area has a performance board displaying the feedback results and other quality indicators, and together, they are used to inform areas for improvement and actions taken in response to those identified areas for improvement.



Source: unify 2

FFT performance of wards and the ED is monitored on a monthly basis and, where an area fails to achieve the required level of performance, a review of comments in the context of other intelligence sources from staff surveys, complaints, PALS, and web based feedback can inform where the focus of improvement and subsequent action plans should be. The impact of these improvement actions is measured through an enhanced level of supervision.

At the end of 2016-2017, overall FFT performance improved slightly in the emergency department on each site with performance higher on the Chorley hospital site than on the Preston site. During the period that Chorley hospital was providing urgent care centre services, patient feedback was very positive. In respect of the overall picture, the key issue for patients remains waiting times within both departments, more so in Preston than Chorley.

Year-end inpatient, outpatient and maternity performance all remained positive and above the 90% target, with the exception of antenatal care where performance has fluctuated at times. Key issues appear to centre around seeing the same midwife across the period of pregnancy. An action plan is being developed by the head of midwifery in response to feedback that will be further supported by the active recruitment underway.

Complaints and concerns

Safe, Reliable and Compassionate acknowledges the importance of effective complaints management and recognises the contribution that acting on the feedback provided through the complaints process offers in the achievement of the key strategic goal of improving the patient experience.

The Patient Advice and Liaison Service (PALS) provide a valuable interface between the Trust and patients and the public. The PALS team often acts as advisor or arbitrator and can help to identify rapid solutions to concerns and prevent the need for patients and the public to go through a lengthier formal complaints process. During 2016-2017 the PALS team dealt with almost 1900 concerns from staff, patients and the public. Of these, 91 (<5%) went on to become formal complaints.

The Trust recognised that the timeliness and quality of some complaint investigations could improve and that there was scope to improve the quality of monitoring and the visibility of improvement actions. In response a consultation process began on a revision of the complaints policy and procedures. In addition, the Care Quality Commission inspected the Trust in September 2016 and identified similar areas for improvement, specifically:

- Review and improve the governance processes for the organisation to ensure robust policies and processes are in place that support the management and learning from complaints.
- The referencing of issues of moderate harm or above identified through the review of complaints or actions staff should take to ensure the Duty of Candour is discharged.
- The need to strengthen assurance around the competence of staff undertaking complaints investigations.
- The need to improve compliance with the key performance indicator to provide a final response to complaints within 25 working days.
- The need to strengthen monitoring of actions following investigations of complaints to ensure the identified actions were completed.

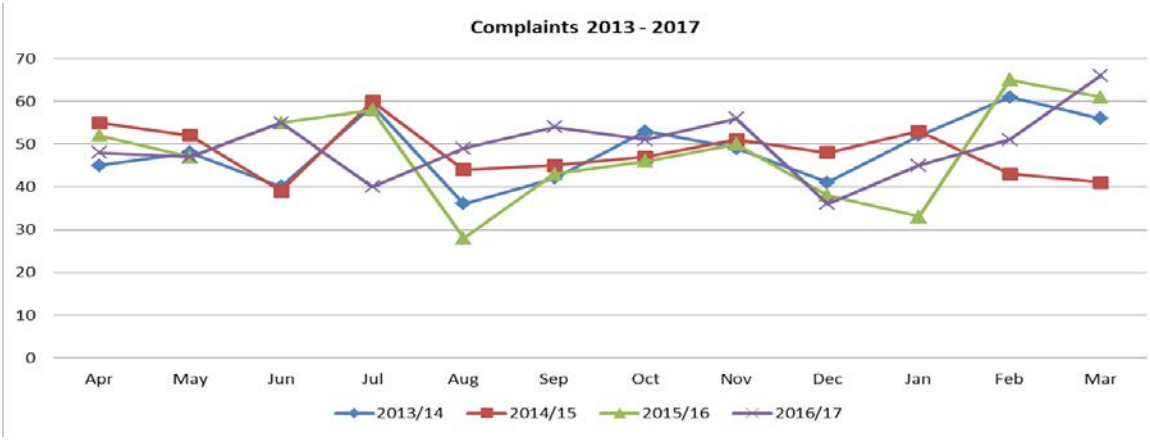
In response the complaints policy has been reviewed and revised. Future investigations will be undertaken by trained and competent investigators with direct responsibilities for the delivery of care, treatment and services within the relevant departments and with responsibility for ensuring

that improvement actions are undertaken. Investigation timescales have been reviewed to reflect stages of the investigatory processes and clarify performance expectations and accountability

Progress against improvement plans will be monitored at Divisional level and reported to the safety and quality committee as part of the Divisions quarterly reports.

Investment in technology to support the recording of complaint resolution meetings (with consent) will impact positively on the accuracy and timeliness of investigations and also provide greater transparency and flexibility on how information can be communicated to complainants. As a default standard, where meetings have taken place all complainants will be offered copies of recordings of those meetings.

The number of formal complaints received by the Trust between 1st April 2016 and 31st March 2017 was 595, which is 20 more than the number received in the previous financial year. Detailed below is the number of complaints received annually in the previous four years:



LTHTR data

The 3.5% increase in the numbers of complaints is the first increase in the four years. When considered in terms of the ratio of complaints to patient contact, the Trust received one complaint for every 1329 inpatient and outpatient episodes during 2016-17, (when activity fell for the first time in four years) compared to one complaint for every 1406 patient episodes during 2015-16.The trend in the ratio of complaints to patient contacts over the past four years is detailed below:

Year	No of complaints	Total episodes (IP/OP)	Ratio of complaints to patient contacts
2012-13	593	715670	1:1207
2013-14	582	718264	1:1234
2014-15	579	798490	1:1379
2015-16	575	808431	1:1406
2016-17	595	790696	1:1329

Source: Datix LTHTR

Of the 595 complaints received in 2016-17, 477 (80.2%) related to care or services provided at the Royal Preston Hospital (RPH), 112 (18.8%) to care or services provided at Chorley and South Ribble District General Hospital (CDH) and 6 (1%) to care or services provided offsite (4 by the

Specialist Mobility Rehabilitation Centre, based at Preston Business Centre, 1 by another Trust and 1 in the patients home).

298 (50.1%) of the complaints received related to the care of inpatients, 214 (36%) to the care or services provided to those who were outpatients and 75 (12.6%) to patients attending the Emergency Department. The remaining 8 complaints related to services offered to visitors to the Trust.

When considered in the context of the number of complaints per division, the information detailed below is reflective of the current divisional arrangements. 236 (39.7%) of the complaints received relate to directorates or departments that are now contained within the Medical Division, 311 (52.3%) to those within the Surgical Division and 39 (6.6%) to directorates and departments that sit within the Division of Diagnostics and Clinical Support. 9 complaints relate to departments outside the three divisions detailed above (5 to Facilities, 3 to car parking, and 1 to corporate services).

608 formal complaints were closed during 2016-17. The investigations that were undertaken into those closed complaints concluded that 170 (28%) of the complaints had been upheld, 267 (44%) were partly upheld and 171 (28%) had not been upheld.

The percentage of complaints upheld or partly upheld increased this year (from 66.4% in 2015-16 to 72%), perhaps reflecting the Trust's continuing ethos of being open, honest and non-defensive when care or services are suboptimal.

The NHS Complaints Regulations determine that all complaints should be acknowledged within three working days of receipt. In the last financial year, 100% of complainants received an acknowledgement within that timescale.

Second letters are often received as a result of dissatisfaction with the initial response or as a result of the complainant having unanswered questions. In 2016-17, the Trust received 38 second letters, 16 less than the number received in the previous financial year, which in turn was 19 fewer than in 2014-15. Whilst meeting timescales for investigation has at times been very challenging, the 30% decrease in the number of second letters received is extremely pleasing and reflects the work that has taken place between staff in the Customer Care department and those in the divisions and departments to ensure that the complaints are fully answered and that resolution is achieved.

During 2014-15, 21 complaints were referred to the PHSO, compared to 32 in the previous year. During 2015-16, this reduction was maintained, during which time 18 complaints were referred to the PHSO. In 2016-7, 17 complaints were referred to the PHSO. In that same period, the PHSO completed their investigations into 13 of the complaints that had been referred to them prior to April 2016 have also been closed. Of the complaints referred to the PHSO in 2016-17, 5 have been closed with 1 upheld, 3 not upheld and 1 withdrawn. 4 complaints have been partly upheld, with 8 still under investigation.

- In response to the feedback received and the findings of complain investigations, a number of changes have been made during 2016-17 to further improve the quality of our services. These include:
- Improvements in the timeliness of falls risk assessments
- Strengthened arrangements for the referral, diagnosis and treatment of patients presenting with undiagnosed leg swelling
- Improved mechanisms for the delivery of enhanced care and support to vulnerable patients
- Improved compliance with duty of candour compliance in the Surgical Division

- Improved compliance with health record storage standards, reducing incidence of missing health records
- Enhanced monitoring and management arrangements for patients at risk of dehydration
- Development of a clinical pathway to relieve intractable nausea and vomiting
- Strengthened key worker arrangements for patients with gynaeoncology conditions
- Improvements in the management of patients with chronic obstructive pulmonary disease at point of admission and discharge
- Improved processes for the review of diagnostic results

The Trust receives many formal and informal compliments from patients and their families in relation to their experience of care. During 2016-17 a total of 7905 compliments and thank you cards were received by wards, departments and through the Chief executive's office. It is recognised that the number may still be under reported and that the figure does not include the many compliments received through the NHS choices, the Patient Opinion websites and through the friends and family test. During 2016-17 over 35000 positive comments were received by the Trust through the Friend and Family Test facility alone.

Patient stories

In 2015-16, the Trust introduced the practice of sharing a patient story at each Board of Directors' meeting. Until recently the stories were either communicated by a member of staff or presented as a short film with the involvement of the complainant. During 2016-17 the Trust reviewed its process and now offers a personal invite to patients (who wish to do so) to attend a Board meeting (supported by a member of staff) and present their story. During 2017-18, this process has been refined to ensure that patients accessing services across the Trust have opportunity to share their story with the Board. In addition, the relevant division will provide information detailing what changes/improvements have occurred as a result of the individual's experience

Communication and involvement in care

Good communication is an essential component of a positive and safe patient experience. Failure to communicate effectively can lead to:

- failings in care and treatment
- poor patient outcomes
- lack of engagement and involvement of patients and their families
- anxiety and loss of confidence
- complaint and dissatisfaction

It is acknowledged that it is at the point of staff/patient/carer interaction where good communication is, arguably most important, particularly in building a confident, trusting and caring relationship. Poor communication, both verbal and non-verbal can often be interpreted as poor attitude and can significantly affect relationships between staff, and patients and relatives.

In recognition of its importance, the Trust has continued to promote the importance and benefit of good communication through a number of improvement programmes during 2015-16. The 'ALWAYS' programme, which was commenced in 2014-15 and completed in 2015-16 focused primarily on reinforcing the Trust values in order to improve patient experience, particularly in relation to enhancing communication between all staff and patients/relatives/carers and on involving patients in decision-making about their care.

The Trust continues to invest in the care of older patients and those with dementia. Seven medical wards have so far received the Quality Mark for Elderly Friendly Hospital Wards from the Royal College of Psychiatrists. Participation in the programme is being widened with plans to recruit more wards to the programme in 2017-18.

The Trust continues to recruit staff, both clinical and non-clinical to act as dementia champions across the Trust, providing a knowledgeable, trained resource within their own departments to help others understand and respond appropriately to the specific needs of patients with dementia. Champions receive specialist training in how to care for patients with dementia and have been responsible for introducing a range of improvements.

As part of the CQUIN programme for 2016-17, a number of initiatives have been completed:

- Following consultation with visual and hearing impaired patients to determine preferred modes of communication of information, television screens with accessible media is being provided in the ophthalmology and audiology clinics at Royal Preston Hospital to support information sharing with these groups
- The children's ward have developed processes for providing various means through which children and parents can give feedback and receive information
- Appointment letters can now be provided via email on request. In addition for visually impaired patients there is an option to receive letters oriented on yellow paper with large font
- Video sign language facilities have been successfully trialled in the emergency departments. During 2017 this facility will be rolled out to other points of emergency access where timely access to translation/signing facilities is essential

Information

The Trust's patient information products were again assessed by the Information Standard and accredited by them. The Information Standard is a certification programme for all organisations producing evidence based health and care information for the public. Any organisation achieving The Information Standard has undergone a rigorous assessment to check that the information they produce is clear, accurate, balanced, evidence based and up-to-date.

We remain committed to supporting and upholding the aims of the Information Standard by demonstrating its commitment to trustworthy health and care information as well as providing assurances of the quality of their internal processes. Information will be reviewed regularly and updated and necessary to ensure its ongoing suitability.

Public and Patient Involvement

The National Health Service Act 2006 places a duty on healthcare organisations to make arrangements to involve patients and the public in service planning and operation. We consider effective patient and public involvement (PPI) to be the key to delivery of high quality care and we will continue to ensure patients and the public are involved in major service changes and development. The Trust also recognises that PPI takes place at a number of levels, whilst feedback on service delivery and quality come from a variety of sources.

We have in place a patient and public involvement (PPI) strategy 2013/16 which clearly sets out our commitment to involving patients, carers and the public at various levels. This is carried out using a number of different approaches, including the use of our membership as well as engaging with local organisations, NHS agencies, statutory organisation, voluntary and community groups, local schools and colleges. The strategy is currently under review.

During 2016/17, we engaged with patients, service users and external organisations associated with those who have hearing and sight problems to gather information as to how the organisation can better support access to services and information. This has allowed us to plan improvements to our outpatient areas. In the future this will provide audio and visual information to support patients and service users. We have also consulted with the deaf community regarding access to British sign language interpreters and have successfully piloted a video sign language service which allows patients to be seen quicker in the emergency department. It is planned that this service will be rolled out to other areas across the hospitals in the coming year.

Governors also undertake their own quality projects. This year they have focused on the patient journey across a range of inpatient and outpatient pathways, capturing the thoughts and experiences of service users and ensuring that, where appropriate, this is shared with staff for acknowledgement or improvement.

In the coming year we plan to work with our young people's services and consult on how we can make improvements within this area by gathering views on what is important for their care and treatment whilst in hospital. We will also be involving and consulting with carers to ensure support mechanisms are in place for them when their loved ones are in hospital.

Staff Survey

We fully recognise the importance of valuing our staff in their efforts, and we are committed to promote recognition and celebration of excellence in patient care. We continually strive to develop well-structured and effectively led teams as these are fundamental to the development of an effective, valued workforce.

In the 2016 staff survey, 24% of staff reported experiencing harassment, bullying or abuse from staff in the last 12 months, 2% lower than in 2015 and 1% lower than the national average.

86% of staff reported that they believed the Trust provides equal opportunities for career progression or promotion. Performance is 1% higher than 2015 performance but 1% lower than the national average.

Assuring Quality

The availability of meaningful, relevant and timely information in relation to safety and quality is essential to monitor a range of clinical indicators that provide assurance and direction in the analysis of clinical outcomes and the identification of learning.

During 2016-17 we have significantly strengthened the quality and accessibility of information systems within the Trust, with:

- Improved incident reporting systems now accessible throughout the Trust providing meaningful information and performance reports
- A new platform for clinical audit activity, allowing ease of access and reducing duplication. All audit activity, local and national can now be accessed through the same process and the platform ensures that improvement actions are identified, completed and available to be shared with others within the Trust. We use a range of processes in order to monitor and assess safety and quality. We synthesize information from a range of sources including local and national audit, benchmarking, and feedback from patients (via surveys, friends and family tests and complaints/compliments).

During 2016-17 we conducted a quality improvement event to develop a new quality assurance framework for wards and departments. The framework, which will be launched in 2017 redefines the measures of quality for wards and provides assurance on the quality of services through a triangulated approach utilising feedback, data and observation. Wards and departments achieving high standards and demonstrating progress will be recognised and rewarded through a 'star' accreditation system. The framework will replace the previous process of internal inspections

We utilise nationally benchmarked data where possible, from such sources as the NHS Information Centre and Dr Foster Intelligence clinical benchmarking tools, and have participated in peer review exercises e.g. in respect of infection prevention and control and cancer services.

Arrangements for the monitoring of safety and quality performance have been revised during 2016-17. The safety and quality committee promotes and leads a safety and quality culture in which staff are supported and empowered to improve services and care. The committee provides the Board of Directors with assurance that the patient experience and outcomes of care are optimised by:

- ensuring that adequate structure, processes and controls are in place to promote safety and excellence in the standards of care and treatment;
- monitoring performance against agreed safety and quality metrics, identifying and understanding significant variation and ensuring appropriate and effective response;
- monitoring performance and progress in respect of CQUIN programmes and contractual quality schedule indicators; and
- ensuring compliance with Monitor and relevant Care Quality Commission standards

The Trust's Governors who have been actively supportive of the Trust's quality improvement activities will continue to play a major part in the new arrangements, supporting quality improvement activities within the Trust through participation and challenge. For example, over the last year they have actively participated in:

- CQC style internal inspections
- Quality Mark audits as part of the elderly friendly wards accreditation process
- PLACE visits
- Annual members meetings
- Representation at the Trusts Safety and Quality Committee and other key governance meetings
- Scrutiny of board meeting papers and non-executive director performance

Governor involvement in the *Our Health Our Care* programme and local health melas has been hugely valued and much appreciated by the Trust. The Governors' patient experience group continues to offer valuable challenge and assurance, whilst they continue to contribute to significant environmental improvements for patients through use of their charitable fund.

Performance against Key National Priorities

Lancashire Teaching Hospitals NHS Foundation Trust performance is measured against a range of patient safety, access and experience indicators identified, since April 2016 in the NHS Improvement Compliance Framework and the Acute Services Contract.

During 2016-17 the Trust has continued to experience significant operational pressures due to patient flow. A health economy wide action plan is in place to address the urgent care system and pressures; with identified primary and social care initiatives/schemes expected to deliver a level of sustainability across the health economy.

Overall during 2016-2017 the Trust achieved compliance against a range of measures within the Risk Assessment Framework and Single Oversight Framework including access standards including six of the eight cancer waiting times standards, and infection prevention standards. In addition, the Trust has maintained performance against a range of other measures identified in the Acute Services Contract.

However, the Trust has failed to achieve its objectives in relation to Accident and Emergency Waiting Times, the 18 week incomplete access target, 62 day cancer treatment. This was largely due to significant pressures within the emergency service throughout 2016-2017 that adversely impacted on compliance with access standards and the trusts elective care programme. Further the Trust has experienced significant numbers of delayed discharges throughout the year as access to nursing/residential and intermediate care beds have become compromised.

In April 2016 the emergency department at Chorley Hospital was temporarily redesignated an urgent care service as a result of significant issues in staffing middle grade rota's which affected the continued delivery of a safe full Type 1 ED service across two hospital sites. The Chorley site provided a service from 8am to 8pm daily with all 999 ambulances taken to Royal Preston Hospital or other nearest appropriate Reconfiguration of assessment services at the Preston Site took place accommodate any increased demand and support patient flow at this critical time. This provision remained in place until January 2017 when the Chorley ED was re-opened as a limited hours' ED 08:00=20:00.

In addition 24 Hour Urgent Care Centres opened on both sites during January 2017. Implementation had originally been scheduled for 2016.

The summary position detailing performance against key targets 2016-17 is shown in the table below:

Indicator	Target %	Cumulative Performance	Achieved	Current Period
A&E - 4 hour standard	95	84.97	Not Achieved	% - Cumulative to end Mar 2017. Position includes both ED and UCC locations
Cancer - 2 week rule (All Referrals) - New method	93	95.3	Achieved	% - Cumulative to end Mar 2017
Cancer - 2 week rule - Referrals with breast symptoms	93	94	Achieved	% - Cumulative to end Mar 2017
Cancer - 31 day target	96	96	Achieved	% - Cumulative to end Mar 2017
Cancer - 31 Day Target - Subsequent treatment – Surgery	94	95	Achieved	% - Cumulative to end Mar 2017
Cancer - 31 Day Target - Subsequent treatment – Drug	98	100	Achieved	% - Cumulative to end Mar 2017
Cancer - 31 Day Target - Subsequent treatment -Radiotherapy	94	97.8	Achieved	% - Cumulative to end Mar 2017
Cancer - 62 day target - total	85	80.4	Not Achieved	% - Cumulative to end Mar 2017
Cancer - 62 Day Target - Referrals from NSS (Summary)	90	87.6	Not Achieved	% - Cumulative to end Mar 2017
MRSA	0	1	NA	% - Cumulative to end Mar 2017
C.difficile Infection- (Previous Monitor Indicator)	66	56	Achieved	% - Cumulative to end Mar 2017
C.difficile infection avoidable (Lapses in care) – (Revised Monitor indicator)	66	12	Achieved	% - Cumulative to end Mar 2017
18 weeks - Referral to Treatment - Incomplete Pathways	92	84.81	Not Achieved	% - sum of all months in 2016-17

Summary Table of Performance Against Core Indicators

12. Summary Hospital-Level Mortality Indicator (SMHI)	April 2014 – March 2015	April 2015-Mar2016	October 2015 –September 2016
(a) the value and banding of the summary hospital-level mortality indicator ('SHMI') for the Trust for the reporting period	Trust = 1.011	Trust = 0.995	Trust = 1.0053
	National average = 1.0	National average = 1.0	National average = 1.0
	Low = 0.661	Low = 0.678	Low = 0.69
	High =1.209	High =1.178	High = 1.16
	Banding = 2	Banding = 2	Banding = 2
(b)the percentage of patient deaths with palliative care coded at either diagnosis or speciality level for the Trust for the reporting period	Trust = 28.9% High = 50.9 Low = 0	Trust = 33% National = 28.5% High = 54.6% Low = 0.6%	Trust = 36.5% National = 29.7% High = 56.3% Low = 0.4%

Lancashire Teaching Hospitals NHS Foundation Trust considers that this data is as described for the following reason:

- There has been increased focus on mortality across the organisation and improvements in the quality of documentation and clinical coding.
- Investment in coding software and additional coding staff and greater partnership working with clinicians.

Lancashire Teaching Hospitals NHS Foundation Trust has taken the following actions to improve this score, and so the quality of its services by:

- Leading on a health economy-wide care pathway for patients with Chronic Obstructive Pulmonary Disease (COPD).
- Improved engagement with mortality reviews by clinical staff.
- Implementation of a clinical effectiveness strategy with a focus on clinical leadership and accountability.
- Implementation of revised mortality review arrangements to facilitate review, reporting and learning from all avoidable deaths.

18. PROMS; The Trust's patient reported outcome measure scores for:	April 2014 – March 2015			April 2015-March 2016			April 2016- September 2016		
	EQ5D (Health gain)	Oxford score	Aberdeen score	EQ5D (Health gain)	Oxford score	Aberdeen score	EQ5D (Health gain)	Oxford score	Aberdeen score
(i) groin hernia repair	Health gain = 0.076	NA	NA	NA	NA	NA	NA	NA	NA
	National = 0.084 High = 0.154 Low = 0	NA	NA	National = 0.088 High = 0.157 Low = 0.021	NA	NA	National = 0.89 High =0.135 Low = 0	NA	NA
(ii) varicose vein surgery	NA	NA	NA	NA	NA	NA	NA	NA	NA
	National = 0.095 High = NA Low =NA	NA	National =-8.252 High = NA Low =NA	National = 0.095 High = 0.149 Low =0.018	NA	National =-8.252 High = 3.05 Low = -18.02	National =0.099 High = 0.13 Low =0.037	NA	National =8.5 High = -4.26 Low =-13.13

(iii) Hip replacement surgery (Primary)	Health gain = 0.418	Score = 19.79	NA	Health Gain = 0.408	Score = 20.906	NA	Health gain = 0.359	19.341	NA
	National = 0.437 High =0.517 Low =0. 331	National = 21.4 High =24.65 Low = 16.3	NA	National = 0.438 High =0.51 Low =0.32	National = 21.6 High = 24.97 Low =16.89	NA	National = 0.45 High =0.52 Low =0. 36	National = 22.00 High =24.67 Low = 18.13	NA
(iv) Knee replacement surgery (Primary)	Health gain = 0.321	Score = 16.05	NA	Health Gain = 0.276	Score = 15.731	NA	Health gain = NA	Score = NA	NA
	National = 0.315 High = 0.418 Low =0.204	National = 16.15 High =19.49 Low =11.48	NA	National = 0.32 High =0.398 Low =0.198	National = 16.4 High = 19.92 Low = 11.96	NA	National = 0.337 High = 0.412 Low =0.207	National = 16.9 High =19.34 Low =12.4	NA

Patient Reported Outcome Measures (PROMS) is a survey through which patients are asked about their health and quality of life before they have an operation, and about their health and the effectiveness of the operation afterwards. In this way the impact of treatment on an individual patient can be measure. The higher the score, the greater the impact on the patient.

The PROMS programme uses three measures:

- The EQ5D tool provides a generic measure of quality of life.
- The Oxford specifically measures the impact of knee replacement surgery on quality of life and is only used for patients undergoing knee surgery, whilst the Aberdeen score measures the impact of varicose vein surgery on quality of life and is only used for patients undergoing varicose vein surgery.

Lancashire Teaching Hospitals NHS Foundation Trust considers that this data is as described for the following reasons:

- PROMS performance in respect of EQ-5D was better than the national average for knee replacement during 2014-2015. Valid data is not yet available for 2015-2016. Patient level data is currently being reviewed to identify possible reasons for variance in performance and will inform development of improvement actions.
- The EQ-5D position in respect of groin hernia repair improved against 2013/14 and against the national position. Trust level data for 2015-2016 is not yet available
- For varicose vein surgery, performance cannot be accurately assessed due to the small numbers of procedures performed at the Trust.

Lancashire Teaching Hospitals NHS Foundation Trust intends to take the following actions to improve this score, and so the quality of its services, by;

- Reviewing and responding to patient level data.
- Increasing uptake of the PROMS questionnaire through review of points of access by patients, ensuring that they are provided with opportunity to complete initial assessments.

19. The percentage of patients aged: 0 to 15 and 16 or over Readmitted to a hospital which forms part of the trust within 28 days of being discharged from a hospital which forms part of the trust during the reporting period	**2009/10**	**2010/11**	**2011/12 split under and over 16 years**

0-15 years	Trust = 11.94 National = NA High = 14.02 Low = 0	Trust = 12.11 National = NA High = 16.05 Low = 0	Trust = 11.71 National = NA High = 14.94 Low = 0
16 years and over	Trust = 10.92 National = 11.18 High=NA Low = NA	Trust = 10.87 National = 11.42 High=24.84 Low =0	Trust = 11.93 National = 11.45 High=13.11 Low =0

Lancashire Teaching Hospitals NHS Foundation Trust considers that this data is as described for the following reasons:

- Comparative national data for patients aged 0-15 years is not currently available from the NHS information centre
- Performance in respect of patients aged 16 and over was better than national performance during 2011/12 – the most recent available data

Lancashire Teaching Hospitals NHS Foundation Trust intends to take the following actions to improve this score, and so the quality of its services, by continuing to review and monitor the impact of any significant shift in case mix on readmission rates and responding where areas of improvement are identified.

20. The Trust's responsiveness to the personal needs of its patients during the reporting period	**2013/14**	**2014-2015**	**2015-16**
	Trust = 68.7	Trust = 64.8	Trust = 68.3
	National = 68.7 High= 84.2 Low = 54.4	National = 68.9 High= 86.1 Low = 59.1	National = 69.6 High=86.2 Low = 58.9

Lancashire Teaching Hospitals NHS Foundation Trust considers that this data is as described for the following reasons:

- 2016-2017 performance data is not yet available pending publication (date to be confirmed)
- 2015/16 data demonstrates improved position relative to the national average.

Lancashire Teaching Hospitals NHS Foundation Trust intends to take the following actions to improve this score, and so the quality of its services, by continuing to promote excellent care with compassion, always events and trust values and by investing in leadership., training and development of staff. We will implement improvement programmes focussed on effective communication and involvement.

21. %age of staff employed by, or under contract to the trust during the reporting period who would recommend the Trust as a provider of care to their family and friends	**2014**	**2015**	**2016**
	Trust = 66	Trust = 65	Trust = 65
	National (Acute Trusts) = 65 High = 89 Low = 38	National (Acute Trusts) = 70 High = 89 Low = 46	National (Acute Trusts) = 70 High = 85 Low = 51

Lancashire Teaching Hospitals NHS Foundation Trust considers that this data is as described for the following reasons:

- Investment in staffing and staff development.
- Positive leadership at all levels.
- Embedding of positive organisational values from Board to ward.
- Focus on further improvement in mandatory training and appraisal rates.

Lancashire Teaching Hospitals NHS Foundation Trust intends to take the following actions to improve this score, and so the quality of its services, by continuing to invest in staff development, exploring ways in which recruitment can be maximised and further improving appraisal and mandatory training rates.

23. %age of patients who were admitted to hospital and who were risk assessed for Venous thromboembolism (VTE) during the reporting period	**Q1 2016-2017**	**Q2 2016-2017**	**Q3 2016-2017**
	Trust = 95.77%	Trust = 95.56%	Trust = 95.65%
	National = 95.73% High = 100% Low = 80.61%	National = 95.51% High = 100% Low = 72.14%	National = 95.64% High = 100% Low = 76.48%

Lancashire Teaching Hospitals NHS Foundation Trust considers that this data is as described for the following reasons:

- Effective systems and risk assessment processes.
- Positive clinical leadership and response to lessons learned.

Lancashire Teaching Hospitals NHS Foundation Trust intends to take the following actions to improve this score, and so the quality of its services, by:

- Refining current processes, subject to ongoing satisfactory performance, by encouraging local ownership of review and improvement actions

24. The rate per 100000 bed days of cases of C.difficile infection reported within the trust amongst patients aged 2 or over during the reporting period	**2013/14**	**2014-2015**	**2015-2016**
	Trust = 18.8	Trust = 21.2	Trust = 19.4
	National = 14.7 High= 37.1 Low = 0	National = 15.0 High = 62.6 Low = 0	National = 14.9 High = 66 Low = 0

Lancashire Teaching Hospitals NHS Foundation Trust considers that this data is as described for the following reasons:

- Increased focus on antimicrobial prescribing
- Improved responsiveness to need for isolation

Lancashire Teaching Hospitals NHS Foundation Trust has taken the following actions to improve this score, and so the quality of its services, by:

- Continuing to promote best practice around antimicrobial stewardship, hand and environmental hygiene. We have also invested in new technology to increase the availability of vaporised whole room decontamination equipment across the Trust to enable efficient and timely decontamination of isolation rooms as part of the Trusts ongoing commitment to reducing all avoidable cases of *C.difficile* infection.
- Engagement of antimicrobial pharmacist as a member of the infection control and prevention team

25. The number and, where available, rate of patient safety incidents reported within the trust during the reporting period, and the number and percentage of such patient safety incidents that results in severe harm or death	**October 2014 – March 2015**	**April 2015- September 2015**	**October 2015 - March 2016**
(i)Rate of Patient Safety Incidents per 1000 Bed days	Number = 6860 Rate /1000 bed days = 44.6 National rate/1000 bed days = NA High Rate/1000 bed days = 82.2 Low Rate/1000 bed days = 3.6	Number = 6480 Rate/1000 bed days = 44.5 National Rate/1000 bed days = NA High Rate/1000 bed days = 74.7 Low Rate/1000 bed days = 18.1	Number = 6097 Rate/1000 bed days = 40.2 National Rate/1000 bed days = NA High Rate/1000 bed days = 75.9 Low Rate/1000 bed days = 14.8
(ii) % of Above Patient Safety Incidents = Severe/Death	Severe harm or death	Severe harm or death	Severe harm or death
	Trust Number = 24 Percentage of all incidents= 0.35%	Trust Number = 38 Percentage of all incidents= 0.59%	Trust Number = 42 Percentage of all incidents= 0.69%
	National = NA	National = NA	National = NA

Lancashire Teaching Hospitals NHS Foundation Trust considers that this data is as described for the following reasons;

- The increase in reporting of incidents and corresponding increase in those cases reported as severe harm or death is as a result of ongoing efforts to improve reporting systems, processes and tools.
- Ongoing organisational focus on the importance of incident reporting and development of a

positive safety culture with improved staff engagement in incident reporting has also contributed to this increase.

Lancashire Teaching Hospitals NHS Foundation Trust intends to take the following actions to improve this score, and so the quality of its services, by:

- Further refinement of the Datix reporting system which enables closer monitoring of actions and provides feedback to the reporter
- Strengthening of Divisional Governance arrangements to ensure timely review and response to reported incidents and shared learning.

Source: Health and Social Care Information Centre (HSCIC)

Annex 1: Statements from External Stakeholders

Greater Preston Clinical Commissioning Group

NHS Greater Preston CCG would like to take this opportunity to comment on the annual quality account from Lancashire Teaching Hospitals NHS Foundation Trust (LTH). The account has been shared with the Quality & Performance Committee and will be shared with associate commissioners.

2016-17 marks the final year of the Trust's current Safety & Quality Strategy. The CCG is pleased to note that the three key priorities below were all addressed:

- Achievement of 98% harm free hospital care.
- A reduction in the inpatient hospital standardised mortality ratio of 15%.
- Achieving 90% positive patient feedback (inpatients).

This achievement is further reflected by the achievement of the *C difficile* target and a reduction in the numbers of inpatient falls with harm. Improvements in mortality rates have been maintained, which is very positive; the weekend mortality rate has also seen a further decrease. The CCG recognise that the most recent HSMR is 90.54, which is significantly better than expected.

The CCG acknowledge that the Trust has had a very challenging 2016/17, however is disappointed to note the outcome from the recent CQC inspection. Although the overall rating of 'requires improvement' has remained the same, performance appears to have deteriorated since the last report. The CCG welcomes the governance structure that has already been established at the Trust and commend the Trust's aspiration to achieve a rating of 'outstanding'. However, in order to ensure a robust approach to improvement the CCG would request that the quality improvement plan is realistic, has clear deliverables (with timescales) and is subject to external scrutiny. The CCG would also like to be assured that priority is given to those areas where a deteriorating performance has been identified. This will ensure that improvement goals are achieved within a culture of openness and continuous improvement.

Staffing challenges have been an inherent problem at the Trust throughout 2016/17. There have been a number of medical and nursing vacancies that have proved difficult to recruit to. Notably this resulted in the temporary closure of A&E at the Chorley site (although the department has now reopened on a reduced hours basis). Staffing challenges have been further compounded by sickness absence rates and the impact of the agency cap, although the CCG is pleased to note that sickness absence rates have decreased throughout the year. The CCG acknowledges the intention of the Trust Board to invest in both Maternity and Paediatric staffing establishments, which is positive.

Staff are working extremely hard in very challenging circumstances and should be commended for continuing to achieve national recognition. This has been further reinforced by the CQC report where the Trust was rated as 'good' in all areas for 'caring'. The CCG now receives regular updates in relation to staffing challenges but would be keen to ensure that the focus on staffing levels remains a key priority.

Achieving key national performance targets has remained challenging for the Trust throughout 2016/17. The Trust has failed to achieve the A&E 4 hour standard (resulting in a number of reported breaches in relation to 12 hour Trolley Waits), the 18 week Referral to Treatment Time target (incomplete pathways), and the 62 day cancer standard. As a result of this a number of elective patient operations have also been cancelled. Disappointingly, there have also been a number of patients who have breached the 52 week Referral to Treatment Time target. Operational pressures,

including staffing challenges, have clearly had an impact upon the significant under performance against these standards . The CCG is also aware of issues with the functionality of the Quadramed Patient Administration System, which created delays in relation to patient appointments. It is acknowledged that the Trust has addressed this issue and that the 'fix' to the system is currently being externally verified. The CCG looks forward to receiving the assurances that issues have been addressed and that there will be no further delays to patient pathways.

The CCG would like to acknowledge that updated improvement plans have now been submitted. This will ensure that trajectories for achievement in relation to the key NHS constitutional targets (A&E 4 hour standard, 18 week Referral to Treatment time and 62 day cancer standard) can be implemented and monitored. In addition, a variety of actions have been jointly implemented across the health economy in order to support the Trust in improving its position. Work is underway in relation to the new social care funding in order to address any issues that may be causing difficulties with patient flow throughout the hospital. The CCG is confident that by working in partnership with the Trust, NHS England and NHS Improvement, the current performance can be improved upon in order to ensure safe, effective patient care.

It is disappointing to report that 3 Never Events occurred during 2016-17. The CCG acknowledges the external review that has been undertaken in relation to these events, the result of which will be presented to the Quality & Performance Committee (along with any improvement actions).

The Trust has participated in CQUIN schemes throughout 2016-17:

- Antimicrobial Resistance & Stewardship
- Sepsis
- Clinical Utilisation Review
- Falls prevention
- Patient Information and Communications (PALS)
- Staff Health & Wellbeing

Improvements in performance in these areas have been recognised as a result of this participation. The CCG would like to give particular recognition to the work that has been undertaken by staff in order to achieve these improvements. The HR business partner should be commended for the work that has been undertaken in relation to the achievement of the Staff Health and Wellbeing CQUIN. The CCG is keen to see how this can be maximised in order to support staff through these challenging times.

LTH has participated in 94% of national clinical audits with improvement actions noted where appropriate. The CCG recognises that the Trust has introduced a new IT platform for monitoring clinical audit activity and looks forward to the increased rigour this will give to the effectiveness of care within the hospitals. Additionally, the introduction of the Lancashire Clinical Research Facility will allow the hospital to participate in experimental research studies and collaborate with other designated hospitals in relation to developmental treatments.

The CCG note that patient experience has been variable at ward level although has achieved 90% overall for inpatients. The scores for the emergency departments have improved slightly but still remain below the performance target (predominantly due to waiting times). The antenatal score in maternity services is also slightly below the expected target. It will be important to ensure that patient experience continues to be a focus in 2017-18.

Notably the complaints process has been refreshed and now includes a clear link to Duty of Candour requirements. By strengthening the focus on Duty of Candour requirements the CCG feel this will give a further level of openness and transparency to patient care. The Trust improvement

priorities for the year ahead clearly maintain a focus on the challenges the hospitals are currently facing and incorporate the findings from the latest CQC inspection. These include:

- access and flow of patients through the hospital
- staffing levels
- improved governance processes
- patient safety priorities

The CCG is pleased to note that there will be a Quality Improvement Strategy and a quality delivery plan in order to achieve these aims. This is an ambitious plan for improvement. However, the CCG looks forward to working in partnership with the Trust and other stakeholders to ensure the continuous focus upon improvement in order to provide the best possible care for patients.

Healthwatch

Feedback received from Healthwatch is summarised below:

Bearing in mind that Healthwatch Lancashire's response is presented from a 'lay person' perspective, I offer the following for your consideration:

Your introduction in part 1 is helpful in gaining a picture of the Trust in 2016/17. However, I feel that the positive news about the Trust would have benefitted from being presented first rather than an initial launch into the challenges the Trust encountered during the reporting period.

I read with interest pages 49 to 57, the Trust's account of gathering and considering the patient experience and would be keen to progress a more in-depth conversation into how Healthwatch Lancashire can work with the Trust to ensure a robust mechanism of good engagement governance.

The report contains a significant amount of information related to the Trust's performance; whilst I appreciate this is an essential element of the document, the information presented may seem overwhelming for a 'lay person'. Therefore, I would suggest the Trust provides a 'reader friendly' version of the Quality Account, particularly useful if the Trust and the health and social care sector in general wishes to engage widely with its local communities to share its 'case for changes' messages.

Finally, Healthwatch Lancashire wishes the Trust success as it moves forward into 2017 and beyond and I look forward to your response.

Governors

Feedback received from Governors is summarised below:

It would be good to mention governor projects, such as involvement in CQC style inspections, Quality Mark audit, PLACE, Governor led projects to observe the patient journey through outpatients and as inpatients, thus enabling governors talking with patients to capture their thoughts and experiences which are then relayed back to the relevant staff for action if required.

By being involved in Trust events governors are able to capture the views and public perceptions of the service received at our hospitals. E.g. OHOC, Mela, Annual Members meeting, listening events, and annual members meetings

Mention needs to be made of the Trusts Governors and their involvement not only in the quality of care evidenced by ward inspections but by scrutiny of the data available at Board meetings. Governor involvement in research giovernace should also be referenced

In the *Statements of Assurance from the Board* section mention needs to be made of the Trusts Governors and their involvement not only in the quality of care evidenced by ward inspections but by scrutiny of the data available at Board meetings.

In addition, the hospital Governors continue to look for reassurance regarding the quality of data provided and observing the performance of NEDs when raising questions and concerns at Board meetings and Governing Council.

Note:- Further comments were received relating to formatting of the report that have been acknowledged and where necessary, incorporated into the final version.

Overview and Scrutiny Committee

Requested but no response received as at 25 May 2017.

Our response to Statements

Re: Greater Preston Clinical Commissioning Group feedback:

We acknowledge the positive feedback in relation to the progress we have made in relation to our Safety and Quality Strategy. We share the disappointment expressed by commissioning colleagues in respect of our recent CQC inspection; significant progress has already been made against a number of recommendations within the CQC report and this has been acknowledged by our CQC lead inspector.

The Quality Improvement Plan is being prepared for submission to the CQC post-Quality Summit and will reflect the CCGs' aspirations for that plan. Focus on staffing will remain a key priority for the Trust. The Trust shares the CCGs' optimism and commitment to working in partnership and we maintain that current performance can be improved upon in order to ensure safe, effective patient care. Improving patient experience will continue to be a focus for the Trust, as we develop our Patient Experience Strategy during 2017/18.

During 2016/17 we have strengthened our clinical governance and risk management arrangements through the appointment of a Divisional Director of Governance with lead responsibility and significant expertise in this area. This, together with strengthening divisional governance arrangements, has better positioned the Trust to respond to the CQC's recommendations.

Re: HealthWatch feedback:

With respect to the Trust's account of gathering and considering the patient experience, we would welcome a more in-depth conversation with Healthwatch Lancashire to ensure a robust mechanism of good engagement governance as we develop our Patient Experience Strategy during 2017/18.

We appreciate there is a significant amount of information related to the Trust's performance contained within the Quality Report, which is a requirement of the Annual Reporting Manual, however, each year we produce an Annual Review document, which is a 'reader friendly' version of the Quality Account for our stakeholders. Copies of the Annual Review will be available at our annual members' meeting in September 2017 and on our website.

The Trust has valued the support of HealthWatch Lancashire during the reporting period and very much looks forward to working in partnership during the forthcoming year.

Re: Governor feedback:

The narrative of the quality account has been revised to incorporate the feedback, and now better reflects the vital role that the Governing Council has in promoting and seeking assurance of quality of care provided, with the following exceptions:

The comments related to the *Statements of Assurance from the Board* section have not been included there as this section of text is mandated by NHSI. However, they have been incorporated into the *Assuring Quality* section

Annex 2: Statement of directors' responsibilities for the quality report

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations to prepare Quality Accounts for each financial year.

NHS Improvement has issued guidance to NHS foundation trust boards on the form and content of annual quality reports (which incorporate the above legal requirements) and on the arrangements that NHS foundation trust boards should put in place to support data quality for the preparation of the quality report.

In preparing the Quality Report, directors are required to take steps to satisfy themselves that:

- The content of the Quality Report meets the requirements set out in the NHS foundation trust annual reporting manual 2016-17 and supporting guidance;

- The content of the Quality Report is not inconsistent with internal and external sources of information including:
    - board minutes and papers for the period April 2016 to March 2017
    - Papers relating to quality reported to the board over the period April 2016 to March 2017
    - Feedback from commissioners dated
    - Feedback from governors dated 17th May 2017
    - Feedback from local Healthwatch organisations dated 10th May 2016
    - Feedback from Overview and Scrutiny Committee was requested but not provided
    - The Trust's complaints report published under regulation 18 of the Local Authority Social Services and NHS Complaints Regulations 2009, dated 4th May 2017
    - 2015 patient survey dated 8 June 2016 - note - The 2016 national patient survey has not yet been published
    - The 2016 national staff survey 7th March 2017
    - The Head of Internal Audit's annual opinion over the Trust's control environment dated 31 March 2017
    - CQC Inspection report dated 21st April 2017

- The Quality Report presents a balanced picture of the NHS foundation trust's performance over the period covered

- The performance information reported in the Quality Report is reliable and accurate

- There are proper internal controls over the collection and reporting of the measures of performance included in the Quality Report, and these controls are subject to review to confirm that they are working effectively in practice

- The data underpinning the measures of performance reported in the Quality Report is robust and reliable, conforms to specified data quality standards and prescribed definitions, is subject to appropriate scrutiny and review and

- The Quality Report has been prepared in accordance with NHS Improvement's annual reporting manual and supporting guidance (which incorporates the Quality Accounts regulations) as well as the standards to support data quality for the preparation of the Quality Report.

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

By order of the Board

NB: sign and date in any colour ink except black

	25 May 2017
Chairman	Date
	25 May 2017
Chief Executive	Date

Glossary of Abbreviations

CCG	Clinical Commissioning Group
CCOT	Critical Care Outreach team
CDH	Chorley District Hospital
CMP	Case Mix Programme
COPD	Chronic Obstructive Pulmonary Disease
CQC	Care Quality Commission
CQUIN	Commissioning for Quality and Innovation
CS	Caesarean section
CRF	Clinical Research Facility
DNACPR	Do not attempt cardiopulmonary resuscitation
ECAP	Essentials of Care Audit Programme
EMB	Ethambutol endometrial biopsy
FFFAP	Falls and Fragility Fractures Audit Programme
FFT	Friends and Family Test
HDU	High Dependency Unit
HRA	Health Research Authority
HSMR	Hospital Standardised Mortality Ratio
IBD	Inflammatory Bowel Disease (Programme)
ICNARC	Intensive Care National Audit & Research Centre
ICU	Intensive Care Unit
IG	Information Governance
LTHTR	Lancashire Teaching Hospitals NHS Foundation Trust
MBRRACE-UK	Mothers and Babies - Reducing Risk through Audits and Confidential Enquiries across the UK
MDT	Multidisciplinary Team
MINAP	Myocardial Ischaemia National Audit Project
MRSA	Methicillin resistant staphylococcus aureus
NAOGC	National Audit of Oesophago-gastric Cancer
NBOCAP	National Bowel Cancer Audit Programme

NCAA	National Cardiac Arrest Audit
NCEPOD	National Confidential Enquiry into Patient Outcome and Death
NELA	National Emergency Laparotomy Audit
NICE	National Institute for Health and Clinical Excellence
NJR	National joint registry
NLCA	National Lung Cancer Audit
NNAP	National Neonatal Audit Programme
NPDA	National Paediatric Diabetes Audit
PPH	Postpartum Haemorrhage
PREM	Patient Reported Experience Measure
PROMs	National Patient Reported Outcome Measures programme
RCOG	Royal College of Obstetricians and Gynaecologists
RPH	Royal Preston Hospital
SHMI	Summary Hospital-level Mortality Indicator
SLT	Speech and Language Therapy
TARN	Trauma Audit and Research Network
TIA	Transient Ischaemic Attack
VTE	Venous thromboembolism

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF GOVERNORS OF LANCASHIRE TEACHING HOSPITALS NHS FOUNDATION TRUST ON THE QUALITY REPORT

We have been engaged by the Council of Governors of Lancashire teaching Hospitals NHS Foundation Trust to perform an independent assurance engagement in respect of Lancashire Teaching Hospitals NHS Foundation Trust's Quality Report for the year ended 31 March 2017 (the 'Quality Report') and certain performance indicators contained therein.

Scope and subject matter

The indicators for the year ended 31 March 2017 subject to limited assurance consist of the following two national priority indicators (the indicators):

- percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period; and
- A&E: maximum waiting time of four hours from arrival to admission, transfer or discharge;

We refer to these national priority indicators collectively as the 'indicators'.

Respective responsibilities of the directors and auditors

The directors are responsible for the content and the preparation of the Quality Report in accordance with the criteria set out in the *NHS Foundation Trust Annual Reporting Manual* issued by NHS Improvement.

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that:

- the Quality Report is not prepared in all material respects in line with the criteria set out in the *NHS Foundation Trust Annual Reporting Manual* and supporting guidance;
- the Quality Report is not consistent in all material respects with the sources specified in the *Detailed requirements for quality reports for foundation trusts 2016/17* ('the Guidance'); and
- the indicators in the Quality Report identified as having been the subject of limited assurance in the Quality Report are not reasonably stated in all material respects in accordance with the NHS Foundation Trust Annual Reporting Manual and the six dimensions of data quality set out in the *Detailed Requirements for external assurance for quality reports for foundation trusts 2016/17.*

We read the Quality Report and consider whether it addresses the content requirements of the NHS Foundation Trust Annual Reporting Manual and consider the implications for our report if we become aware of any material omissions.

We read the other information contained in the Quality Report and consider whether it is materially inconsistent with:

- Board minutes and papers for the period April 2016 to May 2017;
- papers relating to quality reported to the board over the period April 2016 to May 2017;
- feedback from commissioners, dated 24 May 2017;
- feedback from governors, dated 17 May 2017;
- feedback from local Healthwatch organisations, dated 23 May 2017;
- feedback from Overview and Scrutiny Committee, requested 28 April 2017
- the trust's complaints report published under regulation 18 of the Local Authority Social Services and NHS Complaints Regulations 2009;
- the latest national patient survey, dated 8 June 2016;

- the latest national staff survey, dated 7 March 2017;
- Care Quality Commission Inspection, dated 21 April 2017; and
- the 2016/17 Head of Internal Audit's annual opinion over the trust's control environment, dated 24 May 2017;

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with those documents (collectively, the 'documents'). Our responsibilities do not extend to any other information.

We are in compliance with the applicable independence and competency requirements of the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics. Our team comprised assurance practitioners and relevant subject matter experts.

This report, including the conclusion, has been prepared solely for the Council of Governors of Lancashire Teaching Hospitals NHS Foundation Trust as a body, to assist the Council of Governors in reporting the NHS Foundation Trust's quality agenda, performance and activities. We permit the disclosure of this report within the Annual Report for the year ended 31 March 2017, to enable the Council of Governors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the indicator. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council of Governors as a body and Lancashire Teaching Hospitals NHS Foundation Trust for our work or this report, except where terms are expressly agreed and with our prior consent in writing.

Assurance work performed

We conducted this limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by the International Auditing and Assurance Standards Board ('ISAE 3000'). Our limited assurance procedures included:

- evaluating the design and implementation of the key processes and controls for managing and reporting the indicator;
- making enquiries of management;
- testing key management controls;
- limited testing, on a selective basis, of the data used to calculate the indicator back to supporting documentation;
- comparing the content requirements of the NHS Foundation Trust Annual Reporting Manual to the categories reported in the Quality Report; and
- reading the documents.

A limited assurance engagement is smaller in scope than a reasonable assurance engagement. The nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information.

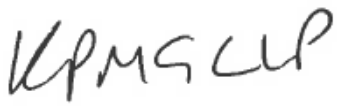
The absence of a significant body of established practice on which to draw allows for the selection of different, but acceptable measurement techniques which can result in materially different measurements and can affect comparability. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision of these criteria, may change over time. It is important to read the quality report in the context of the criteria set out in the *NHS Foundation Trust Annual Reporting Manual* and supporting guidance.

The scope of our assurance work has not included governance over quality or the non-mandated indicator, which was determined locally by Lancashire Teaching Hospitals NHS Foundation Trust.

Conclusion

Based on the results of our procedures, nothing has come to our attention that causes us to believe that, for the year ended 31 March 2017:

- the Quality Report is not prepared in all material respects in line with the criteria set out in the NHS Foundation Trust Annual Reporting Manual and supporting guidance;
- the Quality Report is not consistent in all material respects with the sources specified in the Guidance; and
- the indicators in the Quality Report subject to limited assurance have not been reasonably stated in all material respects in accordance with the NHS Foundation Trust Annual Reporting Manual and the six dimensions of data quality set out in the Guidance.



KPMG LLP
Chartered Accountants
Manchester

30 May 2017

Lancashire Teaching Hospitals NHS Foundation Trust

FINANCIAL REVIEW
2016/17

Independent auditor's report

to the Council of Governors of Lancashire Teaching Hospitals NHS Foundation Trust only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Lancashire Teaching Hospitals NHS Foundation Trust for the year ended 31 March 2017 set out on pages 178 to 210. In our opinion:

— the financial statements give a true and fair view of the state of the Trust's affairs as at 31 March 2017 and of the Trust's income and expenditure for the year then ended; and

— the Trust's financial statements have been properly prepared in accordance with the Department of Health's Group Accounting Manual 2016/17.

Overview		
Materiality: Financial statements as a whole	£4.5m (2015/16:£4.4m) 1% (2015/16: 1%) of total income from operations	
Risks of material misstatement 2015/16		**vs**
Recurring risks	Valuation of NHS income and receivables	▲
	Valuation of Land and Buildings	◀▶

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows:

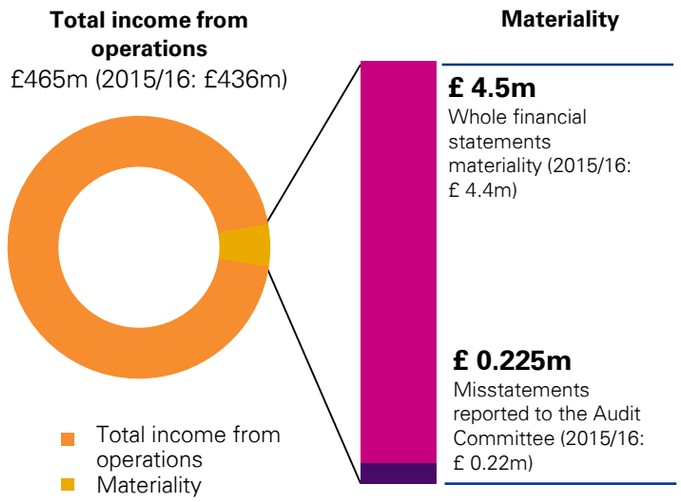
	The risk	Our procedures included:
Valuation of NHS income and receivables NHS income £453 million (2015/16: £426m) NHS receivables £21 million (2015/16: £7m) *Refer to page 95 (Audit Committee Report), page 183 (accounting policy) and pages 192 (income) and 202 (receivables) (financial disclosures).*	**Valuation of NHS income and receivables and fraudulent revenue recognition** We have recognised this risk in 2016/17 due to an increased risk of estimations of under or over activity against contracts, and risks in estimates of income due for delivering quality measures (CQUIN). Of the Trust's reported total income of £465 million (2015/16 £436m), £453m (2015/16, £426m) is from NHS sources. Of this total, £420.1 million (2015/16, £393.9m) came from commissioners: Clinical Commissioning Groups (CCGs) and NHS England. The majority of this income is contracted on an annual basis, however actual achievement is based on completing the planned level of activity and achieving key performance indicators (KPIs). If the Trust does not meet its contracted KPIs then commissioners are able to impose fines, reducing the level of income achievement. This increases the risk of disagreements at year end between the Trust and its commissioners. In 2016/17, the Trust received £10.6million of transformation funding from NHS Improvement. This funding was entirely dependent on the Trust meeting it's agreed planned deficit at year end. This increases the risk of fraudulent revenue recognition due to the pressure on management to meet the planned deficit. An agreement of balances exercise is undertaken between all NHS bodies to agree the value of transactions during the year and the amounts owed at the year end. 'Mismatch' reports are available setting out discrepancies between the submitted balances from each party in transactions and variances over £250,000 are required to be reported to the National Audit Office to inform the audit of the Department of Health consolidated accounts. Due to the issues highlighted above there is an increased risk that a material mismatch would arise.	— **Contract income:** We compared the actual income from the Trust's most significant commissioners to the block contracts agreed at the start of the year. We agreed the validity of any significant variations between the actual income and the contracted income to appropriate third party confirmations. — **Agreement of Balances exercise:** We identified the mismatches arising from the agreement of balances exercise with CCGs and other NHS providers. For mismatches over £250K we challenged management's assessment of the level of income and receivables they were entitled to and the receipts that could be collected. — **Sustainability and Transformation Funding monies:** We reperformed the Trust's calculation of performance against the financial targets used in determining receipt of transformation funding to determine the amount the Trust was qualified to receive. We agreed the amounts recorded in the accounts to our calculation. — **Fraudulent revenue recognition**: We considered areas of management judgement, valuation and estimation and the impact of any identified audit adjustments on the delivery of the planned deficit that was agreed with NHS Improvement.

2. Our assessment of risks of material misstatement (continued)

	The risk	Our procedures included:
Valuation of Land and Buildings (£187.8 million; 2015/16: £178.6m) *Refer to page 95 (Audit Committee Report), page 184 (accounting policy) and page 200 (financial disclosures).*	**Valuation of Land and Buildings** Land and buildings are required to be held at fair value. As hospital buildings are specialised assets and there is not an active market for them they are usually valued on the basis of the cost to replace them with an equivalent asset. When considering the cost to build a replacement asset the Trust may consider whether the asset would be built to the same specification or in the same location. Assumptions about changes to the asset must be realistic. Valuation is completed by Cushman & Wakefield, an external expert engaged by the Trust, using construction indices and so accurate records of the current estate are required. Full valuations are completed every five years, with interim desktop valuations completed in interim periods. Valuations are inherently judgmental. There is a risk that the methodology, assumptions and underlying data, are not appropriate or correctly applied. Lancashire Teaching Hospitals NHS Foundation Trust had a full valuation undertaken at the 31 March 2014, and a desktop valuation performed at the 31 March 2017 resulting in a £8.6 million increase in the value of the property, plant and equipment balance There is a risk that the valuation is not applied to the financial statement balances appropriately to recognise the valuation gains and impairment losses in line with the requirements of the Department of Health Group Accounting Manual 2016/17.	— **External Valuer:** We assessed the competence, capability, objectivity and independence of the Trust's external valuer and considered the terms of engagement of, and the instructions issued to, the valuer for consistency with the requirements of the Department of Health Group Accounting Manual 2016/17. — **Agreement of underlying asset records**: We confirmed the accuracy of the estate base data provided to the valuer to complete the desktop valuation to ensure it accurately reflected the Trust estate. — **Consideration of the valuation assumptions:** We critically assessed the assumptions used in preparing the desktop valuation completed of the Trust's land and buildings to ensure they were appropriate. — **Impairment review**: We considered how management and the valuer had assessed the need for an impairment across its asset base either due to a loss of value or reduction in future service potential — **Accounting movements and disclosures:** We undertook work to understand the basis upon which any movements in the valuation of land and buildings have been identified and treated in the financial statements and determining whether they have complied with the requirements of the Department of Health Group Accounting Manual 2016/17.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements was set at £4.5 million (2015/16: £4.4 million), determined with reference to a benchmark of income from operations (of which it represents approximately 1%). We consider income from operations to be more stable than a surplus-related benchmark. We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £225k (2015/16: 220k), in addition to other identified misstatements that warrant reporting on qualitative grounds.



4. Our opinion on other matters prescribed by the Code of Audit Practice is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2016/17; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5. We have nothing to report in respect of the matters on which we are required to report by exception

We are required to report to you if, based on the knowledge we acquired during our audit, we have identified information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable; or
- the Audit Committee's commentary on page 95 of the Annual Report does not appropriately address matters communicated by us to the Audit Committee.

Under the Code of Audit Practice we are required to report to you if, in our opinion:

—the Annual Governance Statement does not reflect the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual 2016/17, is misleading or is not consistent with our knowledge of the Trust and other information of which we are aware from our audit of the financial statements.

In addition we are required to report to you if:

- any reports to the regulator have been made under Schedule 10(6) of the National Health Service Act 2006.
- any matters have been reported in the public interest under Schedule 10(3) of the National Health Service Act 2006 in the course of, or at the end of the audit.

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

6. Other matters on which we report by exception – adequacy of arrangements to secure value for money

Under the Code of Audit Practice we are required to report by exception if we conclude that we are not satisfied that the Trust has put in place proper arrangements to secure value for money in the use of resources for the relevant period.

The Trust have shown improvement against the significant deficit position reported in 2015/16, but remain in deficit for 2016/17 and plan for a deficit in 2017/18.

The Trust have significant loan balances, including a loan of £20.5million due for repayment at the end of 2017/18. The current plans and forecasts do not demonstrate that the Trust will be able to repay this loan.

The requirement for external financial support has continued throughout 2016/17 and into 2017/18. The Trust recognise this in the Annual Governance Statement on page 70.

The Trust achieved Cost Improvement Plan (CIP) delivery of £24.5m in the year, in line with their plan. However, due in part to the temporary closure of the Chorley Emergency Department during the year, there were significant changes throughout the year in the plans to deliver this. The recurrent elements of the CIP delivery were significantly below plan, offset by an increase in non-recurring savings. While this represents an overall achievement for the year the reduction in recurring savings places significant additional pressures on the 2017/18 savings targets

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

On the basis of our work, having regard to the guidance issued by the Comptroller & Auditor General in November 2016, with the exception of the matters reported above, we are satisfied that, in all significant respects, Lancashire Teaching Hospitals NHS Foundation Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

7. We have completed our audit

We certify that we have completed the audit of the accounts of Lancashire Teaching Hospitals NHS Foundation Trust in accordance with the requirements of Schedule 10 of the National Health Service Act 2006 and the Code of Audit Practice issued by the National Audit Office.

Scope and responsibilities

As described more fully in the Statement of Accounting Officer's Responsibilities on page 69 the accounting officer is responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors. A description of the scope of an audit of financial statements is provided on our website at www.kpmg.com/uk/auditscopeother2014. This report is made subject to important explanations regarding our responsibilities, as published on that website, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Under Section 62(1) and Schedule 10 paragraph 1(d), of the National Health Service Act 2006 we have a duty to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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 review in accordance with the Code of Audit Practice, having regard to the specified criterion issued by the Comptroller and Auditor General, as to whether the Trust has proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary.

This report is made solely to the Council of Governors of the Trust, as a body, in accordance with Schedule 10 of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Council of Governors of the Trust, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council of Governors of the Trust as a body, for our audit work, for this report or for the opinions we have formed.

Amanda Latham for and on behalf of KPMG LLP
Chartered Accountants and Statutory Auditor
1 St Peters Square, Manchester, M2 3AE
30 May 2017

KPMG

Foreword to the accounts

Lancashire Teaching Hospitals NHS Foundation Trust

These accounts, for the year ended 31 March 2017, have been prepared by Lancashire Teaching Hospitals NHS Foundation Trust in accordance with paragraphs 24 & 25 of Schedule 7 within the National Health Service Act 2006.

Signed 

Name Karen Partington
Job title Chief Executive
Date **25 May 2017**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 March 2017

	Note	£000	2015/16 £000
Operating income from patient care activities	2	409,483	391,980
Other operating income	3	55,384	44,062
Total operating income from continuing operations		**464,867**	**436,042**
Operating expenses	4	(471,794)	(463,692)
Operating deficit from continuing operations		**(6,927)**	**(27,650)**
Finance income	8	81	119
Finance expense - financial liabilities	8	(1,556)	(994)
Finance expense - unwinding of discount on provisions		-	(27)
PDC dividends payable		(4,430)	(4,991)
Net finance costs		**(5,905)**	**(5,893)**
Gains on disposal of non-current assets		101	118
Deficit for the year from continuing operations		**(12,731)**	**(33,425)**
Deficit for the year		**(12,731)**	**(33,425)**
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments		(656)	(244)
Revaluations		7,254	207
Total comprehensive income/(expense) for the period		**(6,133)**	**(33,462)**

In accordance with Trust accounting policies the Land and Buildings of the Trust were revalued resulting in a reversal of previous impairments charged to expenditure. The Trust also qualified for £10.7m of Sustainability and Transformation funding in 2016/17. Without these two elements the deficit recorded would have been £25.4m (2015/16 £29.6m)

STATEMENT OF FINANCIAL POSITION AS AT 31 March 2017

	Note	£000	2015/16 £000
Non-current assets			
Intangible assets	9	6,081	7,018
Property, plant and equipment	10	226,906	221,196
Total non-current assets		**232,987**	**228,214**
Current assets			
Inventories	13	8,966	8,831
Trade and other receivables	14	32,810	17,736
Non-current assets for sale	11	-	345
Cash and cash equivalents	15	7,339	3,819
Total current assets		**49,115**	**30,731**
Current liabilities			
Trade and other payables	16	(45,014)	(43,787)
Other liabilities	17	(3,550)	(4,786)
Borrowings	18	(25,787)	(5,010)
Provisions	20	(485)	(822)
Total current liabilities		**(74,836)**	**(54,405)**
Total assets less current liabilities		**207,266**	**204,540**
Non-current liabilities			
Borrowings	18	(52,874)	(46,257)
Provisions	20	(1,761)	(1,599)
Total non-current liabilities		**(54,635)**	**(47,856)**
Total assets employed		**152,631**	**156,684**
Financed by			
Public dividend capital		220,609	218,529
Revaluation reserve		42,987	37,036
Income and expenditure reserve		(110,965)	(98,881)
Total taxpayers' equity		**152,631**	**156,684**

The notes on pages 182 to 210 form part of these accounts.

Name 

Position Karen Partington, Chief Executive

Date: **25 May 2017**

Statement of Changes in Taxpayers Equity

2016/17	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2016 - brought forward	**218,529**	**37,036**	**(98,881)**	**156,684**
Deficit for the year	-	-	(12,731)	**(12,731)**
Other transfers between reserves	-	(561)	561	**-**
Impairments	-	(656)	-	**(656)**
Revaluations	-	7,254	-	**7,254**
Transfer to retained earnings on disposal of assets	-	(86)	86	**-**
Public dividend capital received	2,080	-	-	**2,080**
Taxpayers' and others' equity at 31 March 2017	**220,609**	**42,987**	**(110,965)**	**152,631**

2015/16	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2015 - brought forward	**217,742**	**37,937**	**(66,320)**	**189,359**
Deficit for the year	-	-	(33,425)	**(33,425)**
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits	-	(760)	760	**-**
Other transfers between reserves	-	(104)	104	**-**
Impairments	-	(244)	-	**(244)**
Revaluations	-	207	-	**207**
Public dividend capital received	787	-	-	**787**
Taxpayers' and others' equity at 31 March 2016	**218,529**	**37,036**	**(98,881)**	**156,684**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 March 2017

	Note	£000	2015/16 £000
Cash flows from operating activities			
Operating deficit		(6,927)	(27,650)
Non-cash income and expense:			
Depreciation and amortisation		12,851	12,276
Net impairments		(1,977)	3,911
Income recognised in respect of capital donations		(82)	(225)
(Increase)/decrease in receivables and other assets		(14,843)	570
Increase in inventories		(135)	(1,771)
Increase/(decrease) in payables and other liabilities		963	(9,944)
(Decrease)/increase in provisions		(175)	208
Net cash generated from/(used in) operating activities		**(10,325)**	**(22,625)**
Cash flows from investing activities			
Interest received		81	119
Purchase of intangible assets		(814)	(1,961)
Purchase of property, plant, equipment and investment property		(9,207)	(20,896)
Sales of property, plant, equipment and investment property		446	118
Receipt of cash donations to purchase capital assets		25	225
Net cash generated from/(used in) investing activities		**(9,469)**	**(22,395)**
Cash flows from financing activities			
Public dividend capital received		2,080	787
Movement on loans from the Department of Health		28,238	23,143
Movement on other loans		5	69
Capital element of finance lease rental payments		(899)	(1,179)
Interest paid on finance lease liabilities		(206)	(335)
Other interest paid		(1,243)	(629)
PDC dividend paid		(4,661)	(5,801)
Net cash generated from financing activities		**23,314**	**16,055**
Increase/(decrease) in cash and cash equivalents		**3,520**	**(28,965)**
Cash and cash equivalents at 1 April		**3,819**	**32,784**
Cash and cash equivalents at 31 March		**7,339**	**3,819**

1 Notes to the Accounts

1.1 Basis of preparation

NHS Improvement, in exercising the statutory functions conferred on Monitor, is responsible for issuing an accounts direction to NHS Foundation Trusts under the NHS Act 2006. NHS Improvement has directed that the financial statements of NHS Foundation Trusts shall meet the accounting requirements of the Department of Health Group Accounting Manual (DH GAM), which shall be agreed with the Secretary of State. Consequently, the following financial statements have been prepared in accordance with the DH GAM 2016/17 issued by the Department of Health. The accounting policies contained in that manual follow IFRS and HM Treasury's FReM to the extent that they are meaningful and appropriate to NHS Trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.2 Accounting convention

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

1.3 Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

For 2016/17 the Trust planned a deficit of £10.4m before impairments, and had been on course to achieve this improvement from the previous year without the impact of the exceptional closure of the Emergency Department at Chorley for staffing and patient safety reasons, which cost the Trust £5m. This amount has been allowed for in the control total set by NHSI, and as such the Trust has met its control total. The Trust has a plan for 2017/18 which further reduces the recurrent deficit after the achievement of a challenging performance efficiency target. The Trust has been accepted into the Financial Improvement Programme run by NHSI in which it will receive assistance to deliver savings over and above current Trust plans in 2017/18 and future years. Although the current Working Capital loan from DH is due for repayment in March 2018, it is expected that this will be re-negotiated during the coming financial year.

The Trust's expectation is that services will continue to be provided from the existing hospital sites. However it recognises that sustainable financial balance needs to come through engagement with the wider health economy requiring not only the trust to achieve service efficiencies but also for it to maximise the use of its assets and support the wider transformational change in service delivery. The Trust will work with NHS Improvement (NHSI) and its stakeholders to achieve this objective.

In addition to the matters referred to above, the Trust has not been informed by NHSI that there is any prospect of its dissolution within the next twelve months and it anticipates the continuation of the provision of services in the foreseeable future as evidenced by the inclusion of financial provision for those services in published documents and contracts for services with commissioners.

1.4 Consolidation

Subsidiary entities are those over which the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The income, expenses, assets, liabilities, equity and reserves of subsidiaries are consolidated in full into the appropriate financial statement lines. The capital and reserves attributable to minority interests are included as a separate item in the statement of financial position.

The Trust is corporate trustee of the Lancashire Teaching Hospitals NHS Foundation Trust Charity and the Rosemere Cancer Foundation Charity. The Trust has assessed its relationship to the charitable funds and determined them to be a subsidiaries because the Trust is exposed to, or has rights to, variable returns and other benefits for itself, patients and staff from its involvement with the charitable funds and the ability to affect those returns and other benefits through its power over the funds.

However the charitable funds of Lancashire Teaching Hospitals NHS Foundation Trust are not material and therefore consolidation is not required.

1.5 Segmental reporting

An operating segment is a component of the Trust that engages in activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Trust's other components.

The chief operating decision maker is the Board of Directors. The board receives the monthly financial statements for the whole Trust and subsidiary information relating to income and divisional expenses. The board makes decisions based on the effect on the monthly financial statements.

The single segment of 'Healthcare' has therefore been identified consistent with the core principle of IFRS8 which is to enable users of the financial statements to evaluate the nature and financial effects of business activities and economic environments.

1.6 Income

Income in respect of services provided is recognised when, and to the extent that, performance occurs and is measured at the fair value of the consideration receivable. The main source of income for the Trust is contracts with commissioners in respect of health care services.

Where income is received for a specific activity which is to be delivered in a subsequent financial year, that income is deferred.

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

The Trust recognises the amount of income due as a result of care received by patients at the Statement of Financial Position date.

1.7 Expenditure

Short-term employee benefits

Salaries, wages and employment-related benefits 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

Past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. It is not possible for the NHS Trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme.

Employer's pension cost 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.

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.

1.8 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 and
• the cost of the item can be measured reliably.
• the item has a cost of at least £5,000, or
• collectively have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they have broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.

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

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.

Land and Buildings used for the Trust's services or administrative purposes are measured subsequently at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses or current value in existing use. Revaluations are performed by external independent valuers with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the statement of financial position date. An item of property, plant and equipment which is surplus with no plan to bring it back into use is valued at fair value under IFRS13, if it does not meet the requirements of IAS40 or IFRS5

Fair values are determined as follows:
• Land and non-specialised buildings - market value for existing use
• Specialised buildings - depreciated replacement cost

As directed by HM Treasury, the Trust has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets. This approach assumes that the asset would be replaced with a modern equivalent, not a building of identical design, with the same operational value as the existing asset. The modern equivalent may be smaller than the existing asset, for example, due to technological advances in plant and machinery or reduced operational use.

Where the asset life exceeds 15 years and its value is material, new fixtures and fittings are carried at depreciated historic cost with carrying values subject to review for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

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

Depreciation
Items of property, plant and equipment are depreciated over their remaining useful economic 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' ceases 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 reversed through 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'.

In accordance with the DH 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 imparment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset beofre 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 income 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 all of the following criteria are met:
• the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
• the sale must be highly probable i.e.:
- management are committed to a plan to sell the asset
- an active programme has begun to find a buyer and complete the sale
- the asset is being actively marketed at a reasonable price
- the sale is expected to be completed within 12 months of the date of classification as 'held for sale' and
- the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

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. 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 economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

Donated, government grant and other 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.

1.9 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 only where all of the following can be demonstrated:
• the project is technically feasible to the point of completion and will result in an intangible asset for sale or use
• the Trust intends to complete the asset and sell or use it
• the Trust has the ability to sell or use the asset
• how the intangible asset will generate probable future economic or service delivery benefits, e.g. the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
• adequate financial, technical and other resources are available to the Trust to complete the development and sell or use the asset and
• the Trust can measure reliably the expenses attributable to the asset during development.

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 under IFRS 13, if it does not meet the requirements of IAS 40 or IFRS 5.

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 economic lives in a manner consistent with the consumption of economic or service delivery benefits.

1.10 Government Grants

Government grants are grants from government bodies other than income from clinical commissioning groups or NHS Trusts for the provision of services. Grants from the Department of Health are accounted for as Government grants as are grants from the Big Lottery fund

Where the government 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 the grant is taken to income, unless the grant is subject to conditions that the future economic benefits embodied in the grant are to be consumed in a specified manner, in which case the grant is held as deferred income and carried forward to future financial years to the extent that the conditions have not been met.

1.11 Inventories

Inventories are valued at the lower of cost and net realisable value

1.12 Financial Instruments and financial liabilities

Recognition
Financial assets and financial liabilities which arise from contracts for 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, are recognised when, and to the extent which performance occurs i.e. when receipt or delivery of the goods or services is made.

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

All other financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

De-recognition
All financial assets are de-recognised when the rights to receive cashflows from the assets have expired or the Trust has transferred substantially all of the risks and rewards or ownership.

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

Classification and measurement
Financial assets are categorised as Loans and receivables.

Financial liabilities are classified as other financial liabilities.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets.

The Trust's loans and receivables comprise: cash at bank and in hand, NHS receivables, accrued income and 'other' receivables.

Loans and receivables are recognised initially at fair value, net of transaction costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Income.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets which are either designated in this category or not classified in any of the other categories. They are included in long-term assets unless the Trust intends to dispose of them within 12 months of the statement of financial position date.

Available-for-sale financial assets are recognised initially at fair value, including transaction costs, and measured subsequently at fair value, with gains or losses recognised in reserves and reported in the statement of comprehensive income as an item of "other comprehensive income". When items classified as "available-for-sale" are sold or impaired, the accumulated fair value adjustments recognised are transferred from reserves and recognised in "finance costs" in the statement of comprehensive income.

Other Financial Liabilities
All other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

They are included in current liabilities except for amounts payable more than 12 months after the statement of financial position date, which are classified as long-term liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to finance costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

Determination of fair value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction. IAS39 provides a hierarchy to be used in determining the fair value for a financial instrument [IAS39 Appendix A, paragraphs AS69-82], and includes quoted market prices, independent appraisals, discounted cash flows.

Impairment of Financial Assets
At the Statement of Financial Position date, the Trust assesses whether any financial assets, other than those held at "fair value through income and expenditure" are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Income and the carrying amount of the asset is reduced through the use of the bad debt provision

The carrying amount of individual debts is written down directly where it is certain that the debt cannot be recovered. Where there is a level of uncertainty as to the recoverability of individual debts an appropriate provision is made.

1.13 Leases

Finance Leases
Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Foundation Trust, the asset is recorded as property, plant and equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease.

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

The annual rental is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to finance costs in the statement of comprehensive income. The lease liability is de-recognised when the liability is discharged cancelled or expires.

Operating Leases
Other leases are regarded as operating leases and the rentals are charged to operating expenses on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to operating expenses over the life of the lease.

Leases of land and buildings
Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately. Leases of land are treated as operating leases

1.14 Provisions

Provisions are recognised where the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the resources required to settle the obligation at the Statement of Financial Position date, taking into account the risks and uncertainties. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using relevant rates issued by HM Treasury.

Clinical negligence costs
The NHS Litigation Authority (NHSLA), known as NHS Resolution from 1st April 2017, operates a risk pooling scheme under which the NHS Trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the NHS Trust.

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

1.15 Contingencies

Contingent assets are 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 the notes to the financial statements where an inflow of economic benefits is probable.

Contingent liabilities are provided for where a transfer of economic benefits is probable. Otherwise they are not recognised, but are disclosed unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

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

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

1.16 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on excess of assets over liabilities at the time of establishment of the predecessor NHS Trust. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS32.

A charge, reflecting the cost of capital utilised by the NHS Trust is paid over as public dividend capital dividend. The charge is calculated as the rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities (except for donated assets and cash balances with the Government banking Service). The average carrying amount is calculated as a simple average of opening and closing relevant net assets

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

1.17 Value Added Tax

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

1.18 Corporation Tax

The Trust is a health service body within the meaning of s519A ICTA 1988 and accordingly is exempt from taxation in respect of income and capital gains within categories covered by this. There is a power for HM Treasury to disapply the exemption in relation to specified activities of a Foundation Trust (S519A(3) to (8) ICTA 1988). Accordingly, the Trust is potentially within the scope of corporation tax in respect of activities which are not related to, or ancillary to, the provision of healthcare.

1.19 Foreign exchange

The functional and presentational currencies of the Trust are sterling. A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction. Any resulting exchange gains or losses are taken to the Statement of Comprehensive Income.

1.20 Third Party Assets

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

1.21 Losses and Special payments

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

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). The losses and special payments note is compiled directly from the losses and compensations register which reports on an cash basis with the exception of provisions for future losses.

1.22 Critical accounting judgements and key sources of estimation uncertainty

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

1.23 Key Sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The asset revaluation of the hospital has been carried out by Cushman Wakefield, who have applied the modern equivalent asset valuation. This approach assumes that the asset would be replaced with a modern equivalent, not a building of the identical design, with the same operational value as the existing asset. The modern equivalent may well be smaller than the existing asset, for example, due to technological advances in plant and machinery or reduced operational use. The application and assessment of the valuation has been informed by Trust management in respect of the estimated requirements of a modern equivalent hospital.

1.24 Early adoption of standards, amendments and interpretations

The DH GAM does not require the following Standards and Interpretations to be applied in 2016/17, These standards are still subject to HM Treasury FreM adoption, with IFRS 9 and IFRS 15 being for implementation in 2018/19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration.

IFRS 9 Financial Instruments - Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted.

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

IFRS 16 Leases - Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM; early adoption is not therefore permitted.

IFRIC 22 Foreign Currency Transactions and Advance Consideration - Application required for accounting periods beginning on or after 1 January 2018

2. Income from Activities (by type)

	2016/17 £000	2015/16 £000
Elective income	71,269	75,554
Non elective income	102,720	96,086
Outpatient income	58,461	63,153
A & E income	12,129	13,042
Other NHS clinical income	160,858	139,542
Private patient income	1,226	1,005
Other clinical income	2,820	3,598
Total income from activities	**409,483**	**391,980**

2.1 Income from Activities (by source)

Income from patient care activities received from:	**2016/17 £000**	**2015/16 £000**
CCGs and NHS England	405,183	387,147
Other NHS foundation trusts	250	305
NHS trusts	4	6
Non-NHS: private patients	952	924
Non-NHS: overseas patients (chargeable to patient)	274	81
NHS injury scheme (was RTA)	2,683	3,394
Non NHS: other	137	123
Total income from activities	**409,483**	**391,980**
Of which:		
Related to continuing operations	409,483	391,980
Related to discontinued operations	-	-

Overseas Income	**2016/17 £000**	**2015/16 £000**
Income recognised this year	274	81
Cash payments received in-year	30	22
Amounts added to provision for impairment of receivables	36	49
Amounts written off in-year	41	3

2.2 Commissioner and non-Commissioner Requested Services

Under the terms of its Provider Licence, the Trust is required to analyse the level of income from activities that has arisen from commissioner requested and non-commissioner requested serivces. Commissioner requested services are defined in the provider licence and are services that commissioners believe would need to be protected in the event of provider failure. This information is provided in the table below:

	2016/17	2015/16
	£000	£000
Commissioner Requested Goods and Services	405,183	387,147

3. Other Operating Income

	2016/17	2015/16
	£000	£000
Research and development	2,696	2,405
Education and training	20,751	20,327
Receipt of capital grants and donations	82	214
Non-patient care services to other bodies	5,610	6,140
Sustainability and Transformation Fund income	10,671	-
Other *	15,574	14,976
Total other operating income	**55,384**	**44,062**
Of which:		
Related to continuing operations	55,384	44,062
Related to discontinued operations	-	-

* Items within other income that exceed £500,000 include:

	£000	£000
Pharmaceutical sales	3,585	4,093
Car parking	2,263	2,218
Catering income	1,601	1,563
Estates recharges	745	621
Patient transport	254	1,745

4. Operating Expenses

	2016/17 £000	2015/16 £000
Services from NHS foundation trusts	5,641	5,092
Services from NHS trusts	2,574	2,600
Services from CCGs and NHS England	7	8
Purchase of healthcare from non NHS bodies	6,237	6,642
Employee expenses - executive directors	944	834
Remuneration of non-executive directors	128	124
Employee expenses - staff	300,881	291,766
Supplies and services - clinical	46,207	43,266
Supplies and services - general	8,396	7,514
Establishment	2,695	2,771
Transport	2,978	3,275
Premises	17,891	17,957
(Decrease)/increase in provision for impairment of receivables	(98)	154
Change in provisions discount rate	306	138
Drug costs	47,106	46,298
Rentals under operating leases	154	145
Depreciation on property, plant and equipment	11,100	10,495
Amortisation on intangible assets	1,751	1,781
Net impairments	(1,977)	3,911
Audit fees payable to the external auditor		
audit services- statutory audit	71	75
other auditor remuneration (external auditor only)	87	11
Clinical negligence	15,603	13,988
Legal and professional fees	640	1,928
Consultancy costs	319	417
Internal audit costs	143	108
Training, courses and conferences	1,020	769
Redundancy	20	179
Insurance	521	579
Losses, ex gratia & special payments	6	20
Other	443	847
Total	**471,794**	**463,692**
Of which:		
Related to continuing operations	471,794	463,692
Related to discontinued operations	-	-

An additional sum of £60,000 (2015/16 Nil) has been paid to auditors for non-audit fees but included in the cost of the capital schemes that the advice related to.

5. Arrangements containing an operating lease

Operating expenses include:	2016/17 £000	2015/16 £000
Operating lease expense		
Minimum lease payments	154	145
Total	**154**	**145**

5.2 Annual commitments under non-cancellable operating leases are:

	31 March 2017 £000	31 March 2016 £000
Future minimum lease payments due:		
- not later than one year;	155	149
- later than one year and not later than five years;	520	555
- later than five years.	20	34
Total	**695**	**738**

6.1 Staff Costs

	2016/17 Total £000	2015/16 Total £000
Salaries and wages	233,153	229,560
Social security costs	22,606	17,517
Employer's contributions to NHS pensions	26,984	26,403
Termination benefits	429	557
Temporary staff (including agency)	18,653	18,563
Total gross staff costs	**301,825**	**292,600**
Recoveries in respect of seconded staff	-	-
Total staff costs	**301,825**	**292,600**
Of which		
Costs capitalised as part of assets		

6.2 Retirements due to ill-health

During 2016/17 there were 6 early retirements from the Trust agreed on the grounds of ill-health (5 in the year ended 31 March 2016). The estimated additional pension liabilities of these ill-health retirements is £337k (£211k in 2015/16).

The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

6.3 Pension Benefits

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2017, is based on valuation data as 31 March 2016, updated to 31 March 2017 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

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

7. The Late Payment of Commercial Debts (Interest) Act 1988	2016/17 £000	2015/16 £000
Amounts included within interest payable arising from claims made under this legislation	-	-
Compensation paid to cover debt recovery costs under this legislation	-	-

8.1 Finance Income

	2016/17 £000	2015/16 £000
Interest on bank accounts	81	119
Total	**81**	**119**

8.2 Finance costs - interest expense

	2016/17 £000	2015/16 £000
Interest expense:		
Loans from the Department of Health	1,248	615
Commercial loans	44	44
Finance leases	264	335
Total interest expense	**1,556**	**994**
Other finance costs	-	-
Total	**1,556**	**994**

8.3 Gains of disposal of non-current assets

	2016/17 £000	2015/16 £000
Profit on disposal of non-current assets	101	118
Net profit on disposal of non-current assets	**101**	**118**

8.4 Impairment of assets

	2016/17 £000	2015/16 £000
Net impairments charged to operating deficit resulting from:		
Loss or damage from normal operations	-	3,911
Changes in market price	(2,619)	-
Other	642	-
Total net impairments charged to operating deficit	**(1,977)**	**3,911**
Impairments charged to the revaluation reserve	656	244
Total net impairments	**(1,321)**	**4,155**

9.1 Intangible non-current assets

	Software licences £000
Valuation/gross cost at 1 April 2016 - brought forward	**13,593**
Additions	814
Gross cost at 31 March 2017	**14,407**
Amortisation at 1 April 2016 - brought forward	**6,575**
Provided during the year	1,751
Amortisation at 31 March 2017	**8,326**
Net book value at 31 March 2017	**6,081**

	Software licences £000
Valuation/gross cost at 1 April 2015	**11,398**
Additions	1,866
Reclassifications	329
Valuation/gross cost at 31 March 2016	**13,593**
Amortisation at 1 April 2015	**4,794**
Provided during the year	1,781
Amortisation at 31 March 2016	**6,575**
Net book value at 31 March 2016	**7,018**

10.1 Tangible non-current assets

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation/gross cost at 1 April 2016 - brought forward	**21,830**	**165,485**	**6**	**1,064**	**88,826**	**141**	**32,151**	**1,522**	**311,025**
Additions	-	2,554	-	144	4,664	64	799	10	**8,235**
Impairments	-	(656)	-	-	-	-	-	-	**(656)**
Reclassifications	-	1,064	-	(1,064)	-	-	-	-	**-**
Revaluations	-	(902)	(6)	-	-	-	-	-	**(908)**
Disposals / derecognition	-	-	-	-	-	-	-	-	**-**
Valuation/gross cost at 31 March 2017	**21,830**	**167,545**	**-**	**144**	**93,490**	**205**	**32,950**	**1,532**	**317,696**
Accumulated depreciation at 1 April 2016 - brought forward	**-**	**8,740**	**6**	**-**	**54,996**	**103**	**24,478**	**1,506**	**89,829**
Provided during the year	-	2,968	-	-	6,043	8	2,072	9	**11,100**
Impairments	-	4,637	-	-	-	-	-	-	**4,637**
Reversals of impairments	-	(6,614)	-	-	-	-	-	-	**(6,614)**
Revaluations	-	(8,156)	(6)	-	-	-	-	-	**(8,162)**
Accumulated depreciation at 31 March 2017	**-**	**1,575**	**-**	**-**	**61,039**	**111**	**26,550**	**1,515**	**90,790**
Net book value at 31 March 2017									
Owned	21,830	164,073	-	144	31,663	83	6,400	17	**224,210**
Finance leased	-	1,225	-	-	-	-	-	-	**1,225**
Donated	-	672	-	-	788	11	-	-	**1,471**
NBV total at 31 March 2017	**21,830**	**165,970**	**-**	**144**	**32,451**	**94**	**6,400**	**17**	**226,906**

10.1 Tangible non-current assets (Previous year)

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation/gross cost at 1 April 2015 - as previously stated	**21,980**	**151,264**	**450**	**10,217**	**77,587**	**127**	**30,153**	**1,522**	**293,300**
Additions	-	4,200	-	4,390	8,608	14	2,521	-	**19,733**
Impairments	-	-	(244)	-	-	-	-	-	**(244)**
Reclassifications	-	9,814	(5)	(13,543)	3,928	-	(523)	-	**(329)**
Revaluations	-	207	-	-	-	-	-	-	**207**
Transfers to/ from assets held for sale	(150)	-	(195)	-	-	-	-	-	**(345)**
Disposals / derecognition	-	-	-	-	(1,297)	-	-	-	**(1,297)**
Valuation/gross cost at 31 March 2016	**21,830**	**165,485**	**6**	**1,064**	**88,826**	**141**	**32,151**	**1,522**	**311,025**
Accumulated depreciation at 1 April 2015 - as previously stated	**-**	**1,925**	**-**	**-**	**50,766**	**96**	**22,435**	**1,498**	**76,720**
Provided during the year	-	2,904	6	-	5,527	7	2,043	8	**10,495**
Impairments	-	3,911	-	-	-	-	-	-	**3,911**
Disposals / derecognition	-	-	-	-	(1,297)	-	-	-	**(1,297)**
Accumulated depreciation at 31 March 2016	**-**	**8,740**	**6**	**-**	**54,996**	**103**	**24,478**	**1,506**	**89,829**
Net book value at 31 March 2016									
Owned	21,830	154,625	-	1,064	32,845	25	7,673	16	**218,078**
Finance leased	-	1,458	-	-	135	-	-	-	**1,593**
Donated	-	662	-	-	850	13	-	-	**1,525**
NBV total at 31 March 2016	**21,830**	**156,745**	**-**	**1,064**	**33,830**	**38**	**7,673**	**16**	**221,196**

10.2 Economic life of property, plant and equipment

	Min Life Years	Max Life Years
Buildings excluding dwellings	0	81
Plant and Machinery	0	13
Transport Equipment	0	7
Information technology hardware	0	7
Furniture & Fittings	0	10

11. Non-current assets for sale and assets in disposal groups

	Land £000	Dwellings £000	Total £000
Assets held for sale at 1 April 2015	-	-	-
Assets classified as available for sale in the year	150	195	345
Assets held for sale at 1 April 2016	150	195	345
Assets sold in year	(150)	(195)	(345)
Assets held for sale at 31 March 2017	-	-	-

12. Fixed Asset Investments

There are no fixed asset investments

13. Inventories

	31 March 2017 £000	31 March 2016 £000
Drugs	1,883	1,961
Consumables	6,947	6,787
Energy	136	83
Total inventories	**8,966**	**8,831**

Inventories recognised in expenses for the year were £45,134k (2015/16: £54,172k). Write-down of inventories recognised as expenses for the year were £0k (2015/16: £0k).

14.1 Receivables

	31 March 2017 £000	31 March 2016 £000
Current		
Trade receivables due from NHS bodies	6,600	7,102
Provision for impaired receivables	(3,167)	(3,265)
Prepayments (non-PFI)	2,252	1,208
Accrued income	23,018	1,441
PDC dividend receivable	264	33
VAT receivable	354	289
Other receivables	3,489	10,928
Total current trade and other receivables	**32,810**	**17,736**

14.2 Provision for impairment of receivables

	31 March 2017 £000	31 March 2016 £000
At 1 April as previously stated	**3,265**	**3,240**
Increase in provision	399	1,604
Amounts utilised	-	(129)
Unused amounts reversed	(497)	(1,450)
At 31 March	**3,167**	**3,265**

14.3 Analysis of impaired receivables

Ageing of impaired financial assets	31 March 2017 £000	31 March 2016 £000
0 - 30 days	35	89
30 - 60 Days	40	402
60 - 90 days	39	73
90 - 180 days	105	729
Over 180 days	2,948	1,972
Total	**3,167**	**3,265**

Ageing of non-impaired financial assets past their due date		
0 - 30 days	1,447	4,518
30 - 60 Days	1,987	1,186
60 - 90 days	233	780
90 - 180 days	374	215
Over 180 days	546	173
Total	**4,587**	**6,872**

15. Cash and Cash Equivalents

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.

	31 March 2017 £000	31 March 2016 £000
At 1 April	**3,819**	**32,784**
Net change in year	3,520	(28,965)
At 31 March	**7,339**	**3,819**
Broken down into:		
Cash at commercial banks and in hand	24	27
Cash with the Government Banking Service	7,315	3,792
Total cash and cash equivalents as in SoFP	**7,339**	**3,819**
Bank overdrafts (GBS and commercial banks)	-	-
Total cash and cash equivalents as in SoCF	**7,339**	**3,819**

16. Trade and other payables

	31 March 2017 £000	31 March 2016 £000
Current		
NHS trade payables	4,569	4,156
Amounts due to other related parties	3,780	3,595
Other trade payables	13,261	11,191
Capital payables	2,107	3,079
Social security costs	3,135	2,478
Other taxes payable	2,605	2,431
Other payables	395	472
Accruals	15,162	16,385
Total current trade and other payables	**45,014**	**43,787**

17. Other Liabilities

	31 March 2017 £000	31 March 2016 £000
Current		
Deferred goods and services income	3,550	4,786
Total other current liabilities	**3,550**	**4,786**

18. Borrowings

	31 March 2017 £000	31 March 2016 £000
Current		
Capital loans from the Department of Health	4,233	3,612
Working Capital Loans from the Department of Health	20,500	-
Commercial loans	327	284
Obligations under finance leases	727	1,114
Total current borrowings	**25,787**	**5,010**
Non-current		
Capital Loans from the Department of Health	22,337	22,522
Working Capital Loans from the Department of Health	27,803	20,500
Commercial Loans	192	230
Obligations under finance leases	2,542	3,005
Total non-current borrowings	**52,874**	**46,257**

19. Finance lease Obligations

	31 March 2017 £000	31 March 2016 £000
Gross lease liabilities	**3,969**	**5,017**
of which liabilities are due:		
- not later than one year;	1,029	1,486
- later than one year and not later than five years;	2,845	3,089
- later than five years.	95	442
Finance charges allocated to future periods	(700)	(898)
Net lease liabilities	**3,269**	**4,119**
of which payable:		
- not later than one year;	727	1,114
- later than one year and not later than five years;	2,447	2,583
- later than five years.	95	422
	3,269	**4,119**

20. Provisions for liabilities and Charges

	Other legal claims £000	Other £000	Total £000
At 1 April 2016	**242**	**2,179**	**2,421**
Change in the discount rate	-	306	306
Arising during the year	-	71	71
Utilised during the year	(20)	(310)	(330)
Reversed unused	(222)	-	(222)
Unwinding of discount	-	-	-
At 31 March 2017	**-**	**2,246**	**2,246**
Expected timing of cash flows:			
- not later than one year;	-	485	**485**
- later than one year and not later than five years;	-	437	**437**
- later than five years.	-	1,324	**1,324**
Total	**-**	**2,246**	**2,246**

£205,901,902 is included in the provisions of the NHS Lititgation Authority at 31 March 2017 (£154,571,711 at 31 March 2016) in respect of clinical negligence liabilities of the Trust

22. Capital Commitments

Commitments under capital expenditure contracts at the balance sheet date were £5,580,000 (£2,091,000 at 31 March 2016).

23. Post balance sheet events

There are no post balance sheet events

24. Contingent liabilities

	31 March 2017 £000	31 March 2016 £000
Employer and occupier liability	(141)	(201)
Employment tribunal and other employee related litigation	-	(60)

Employer and occupier contingent liability is the potential liability in relation to claims from staff and the public settling at its maximum value. This is assessed by the NHS Litigation Authority who are the Trust's insurers

25. Related party transactions

Lancashire Teaching Hospitals NHS Foundation Trust is a body corporate established by order of the Secretary of State for Health. During the year none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with Lancashire Teaching Hospitals NHS Foundation Trust.

Council of Governors
The roles and responsibilities of the Councial of Governors of the Foundation Trust are carried out in accordance with the Trust's Provider Licence:

The Council has specific powers including:
- appointment and, if appropriate, removal of the Chair and other non-executive Directors
- approval of the appointment of the Chief Executive
- to decide the remuneration and allowances and the other terms and conditions of office of the Chair and other non-executive Directors
- to appoint and, if apropriate, remove the Trust's external auditors
- to appoint or remove any other external auditor
- to receive the annual accounts, annual report and any report on them by the auditor
- to provide their views to the board of directors when the board of directors is preparing the Trust's forward plan
- to hold the non-executive directors individually and collectively to account for the performance of the board of directors
- to represent the interests of the members of the Trust as a whole and of the public
- to approve 'significant transactions' as defined within the constitution
- to approve an application by the Trust to enter into a merger, acquisition, seperation or dissolution
- to decide whether the Trust's private patient work would significantly interfere with the Trust's principal purpose
- to approve any proposed increase in private patient income of 5% or more in any financial year
- to approve, along with the Board of Directors, any changes to the Trust's consititution
- to require the attendance of one or more directors at a Council of Governors meeting, for the purpose of obtaining information about the Trust's performance of its functions or the directors' performance of their duties (and for deciding whether to propose a vote on the Trust's or directors' performance).

The Foundation Trust maintains a register of interests for the Board and for members of the Council of Governors.

Of the total of 30 members of the Council of Governors, 6 represent the interests of other organisations who the Trust has identified as key partners in the delivery of healthcare to the population of Preston Chorley and South Ribble.

25. Related party transactions (continued)

The Trust had a significant number of transactions with other NHS or Government departments which are all classed as 'related parties' to the Trust. Material transactions (and/or balances outstanding) in excess of £5m are summarised below:

	Income	Expenditure	Receivable	Payable
	£000	£000	£000	£000
NHS Blackburn with Darwen CCG	5,608	-	23	-
NHS Blackpool CCG	8,753	-	49	6
NHS Chorley and South Ribble CCG	95,994	-	-	709
NHS Cumbria CCG	7,029	-	362	-
NHS East Lancashire CCG	10,239	-	215	-
NHS England	146,369	-	1,998	-
NHS Fylde and Wyre CCG	12,508	-	323	-
NHS Greater Preston CCG	113,807	-	1,083	355
NHS Lancashire North	10,647	-	-	44
Health Education England	19,437	-	136	-
NHS Litigations Scheme	-	15,947	-	-
NHS Pension Scheme	-	26,984	-	3,780
National Insurance Fund	-	22,606	-	5,740

Members of the Council of Governors, Executive Directors and Non-Executive Directors, or close family members of the same, who have interests in or hold positions with organisations with which the trust has had transactions during the year, are listed below:

	Income	Expenditure	Receivable	Payable	Relationship
	£000	£000	£000	£000	
South Ribble Borough Council	11	2	2	-	Member of Council of Governors
Chorley Borough Council	24	1	-	-	Member of Council of Governors
Preston council	-	3	-	-	Member of Council of Governors
Lancashire County council	23	13			Member of Council of Governors
UCLAN	63	82	7	-	Member of Council of Governors
Myerscough College	-	-	-	-	Non-executive Director

25. Related party transactions (continued)

The Trust is Corporate Trustee of two charities which means that the Trust has control over the charities. Both Charities are registered with the Charity Commission and produce a set of annual accounts and an annual report (separate to that of the NHS Foundation Trust) These documents will be available in September 2017, on request from the Finance Department of the Trust. Details of the charities and of material transactions between them and the Trust are detailed below.

Charity	Registered Number	Donations received £000	Receivable £000	Payable £000
Lancashire Teaching Hospitals NHS Foundation Trust Charity	1051194	82	57	0
The Rosemere Cancer Foundation Charity	1131583	0	0	0

26. Financial Instruments

International Financial Reporting Standard 7 requires disclosure of the role which Financial Instruments have had during the period in creating or changing the risks which a body faces in undertaking its activities. Because of the continuing service provider relationship which the Trust has with its Commissioners, and the way in which those Commissioners are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also, Financial Instruments play a much more limited role in creating or changing risk for the Trust than would be typical of listed companies, to which these standards mainly apply. The Trust has limited powers to borrow or invest surplus funds and Financial Assets and Liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

The Trust's Treasury Management operations are carried out by the Finance Department, within parameters defined formally within the Trust's Standing Financial Instructions, and policies agreed by the Board of Directors. The Trust's treasury activities are also subject to review by Internal Audit.

Liquidity Risk

Net operating costs of the Trust are funded under annual Service Agreements with NHS Commissioners, which are financed from resources voted annually by Parliament. While the Trust is in deficit it is accessing working capital loans and facilities through DH. The Trust largely finances its capital expenditure from internally generated cash, and funds made available by the Department of Health. Additional funding by way of loans has been arranged with the Foundation Trust Financing Facility to support major capital developments. The Trust is, therefore, exposed to liquidity risks from the loan funding - however these risks are approved, and comply with Monitor's Risk Assessment Framework.

Currency Risk

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

Interest Rate Risk

100% of the Trust's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. The Trust is not, therefore, exposed to significant interest rate risk.

Credit Risk

The majority of the Trust's Income comes from contracts with other public sector bodies, and therefore the Trust has low exposure to credit risk. The maximum exposure as at 31 March 2017 is within Receivables from customers, as disclosed in the Trade and Other Receivables Note to these Accounts (Note 14).

26.1 Financial assets by category

	Loans and receivables £000	Total £000
Assets as per SoFP as at 31 March 2017		
Trade and other receivables excluding non financial assets	17,536	**17,536**
Cash and cash equivalents at bank and in hand	7,339	**7,339**
Total at 31 March 2017	**24,875**	**24,875**

	Loans and receivables £000	Total £000
Assets as per SoFP as at 31 March 2016		
Trade and other receivables excluding non financial assets	12,907	**12,907**
Cash and cash equivalents at bank and in hand	3,819	**3,819**
Total at 31 March 2016	**16,726**	**16,726**

26.2 Financial liabilities by category

	Other financial liabilities £000	Total £000
Liabilities as per SoFP as at 31 March 2017		
Borrowings excluding finance lease and PFI liabilities	75,392	**75,392**
Obligations under finance leases	3,269	**3,269**
Trade and other payables excluding non financial liabilities	44,957	**44,957**
Provisions under contract	2,246	**2,246**
Total at 31 March 2017	**125,864**	**125,864**

	Other financial liabilities £000	Total £000
Liabilities as per SoFP as at 31 March 2016		
Borrowings excluding finance lease and PFI liabilities	47,148	**47,148**
Obligations under finance leases	4,119	**4,119**
Trade and other payables excluding non financial liabilities	38,878	**38,878**
Provisions under contract	2,421	**2,421**
Total at 31 March 2016	**92,566**	**92,566**

26.3 Maturity of financial liabilities

	31 March 2017 £000	31 March 2016 £000
In one year or less	71,228	44,711
years	5,255	25,165
years	41,350	12,581
In more than five years	8,031	10,109
Total	**125,864**	**92,566**

26.4 Fair values of financial instruments

The carrying values of short term financial assets and financial liabilities are considered to approximate to fair value.

27. Losses and special payments

	2016/17		2015/16	
	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000
Losses				
Bad debts and claims abandoned	45	46	1,769	36
Total losses	**45**	**46**	**1,769**	**36**
Special payments				
Compensation payments	2	3	-	-
Ex-gratia payments	36	9	44	20
Total special payments	**38**	**12**	**44**	**20**
Total losses and special payments	**83**	**58**	**1,813**	**56**

Losses and special payments are reported on a cash basis.

28. Third party assets

The Trust held £6,000 cash at bank and in hand at 31 March 2017 (£879 at 31 March 2016) which relates to monies held by the Trust on behalf of patients. This has been excluded from the cash at bank and in hand figure reported in the accounts

29. Private Finance Initiative (PFI) transactions

The Trust did not have any PFI arrangements during 2016/17 or at the balance sheet date.

30. Limitation on auditor's liability

The auditors liability for losses in connection with the external audit is limited to £2m.

If you have any queries regarding this report, or wish to make contact with any of the directors or governors, please contact:

Company Secretary
Lancashire Teaching Hospitals NHS Foundation Trust
Royal Preston Hospital, Sharoe Green Lane
Fulwood, Preston
PR2 9HT

T: 01772 522010
E: Company.Secretary@lthtr.nhs.uk

For more information about Lancashire Teaching Hospitals NHS Foundation Trust see:

www.lancsteachinghospitals.nhs.uk
@LancsHospitals
Facebook Page