Lancashire Teaching Hospitals NHS Foundation Trust
Annual Report and Accounts 2015–2016

Excellent care with compassion

Lancashire Teaching Hospitals NHS
NHS Foundation Trust

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Annual Report and Accounts 2015-16

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

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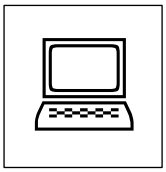

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www.lancsteachinghospitals.nhs.uk

CHAIRMAN'S STATEMENT

We have made excellent progress in 2015-16 in what has been widely accepted as one of the most challenging years for NHS hospitals.

In 2014-15 Monitor, the regulator of foundation trusts, opened an investigation into our financial governance and on 18th June 2015 Monitor took regulatory action by imposing an additional licence condition on the Trust. We provided a number of enforcement undertakings to Monitor, which sought to address the concerns they had raised, including developing a short term recovery plan, developing a longer term sustainability plan, and improving our corporate governance and financial management standards.

Staff throughout the organisation, from board to the frontline, have worked extremely hard during 2015/16 to fulfil our enforcement undertakings and improve our deficit position. I am pleased to report that we have made significant progress in this regard; we have delivered our challenging savings target of £24.7 million in the past year and our deficit before impairments is £29.6m, which was a significant improvement on the Trust's original plan and reflected the Trust's commitment to reduce expenditure whilst maintaining safe services. Monitor is very satisfied with our progress, and has expressed confidence that we have the right team in place to further reduce the deficit in coming years. 2016/17 will nevertheless present a considerable challenge in terms of managing our short term cash requirements and the longer term viability of the Trust.

Whilst tackling the deficit has been a priority, we have also been working with local health and care organisations to develop a longer term plan to review how services can be delivered sustainably across the county, and more locally in central Lancashire. This has been a golden opportunity to work in collaboration to transform how health and social care works, so that together we can develop a new system that will support local people to access the services they need, when they need it, in the right setting. This is just the start of a journey and we are absolutely committed to delivering real and lasting change.

There have been some exciting developments in our hospitals this year. We have completed the transfer of major vascular services in the region to the centre at Royal Preston Hospital, so now patients who need complex vascular surgery can be treated by experts in our new state of the art operating theatre, and cared for by a specialist team in our new vascular ward.

We have also opened a dedicated major trauma ward this year, which is the final development in establishing our major trauma centre and means people who experience a life or limb threatening injury can receive specialist care from the point of admission, through surgery and post-operative care in a specialist setting, to immediate and ongoing rehabilitation and therapy. The team is wholeheartedly committed to supporting every major trauma patient to return to their pre-accident state as far as possible, and resume and independent life.

Demand for hospital services has continued to increase during the year, and we have seen 11,245 more outpatients, provided 10,374 more operations and admitted 1,087 more patients than in 2014-15. More and more people are being admitted to hospital for emergency care and an increasing proportion is elderly (who tend to stay in hospital for longer) and this inevitably has an effect on our ability to provide treatment on time for everyone who is awaiting a planned procedure or operation. Overall we achieved compliance against 8 Monitor performance standards (including referral for GP cancer waiting times, cancer treatment started within one month of decision to treat and infection prevention standards) but did not achieve compliance against 4 Monitor performance standards (in respect of 62 day cancer treatment, 62 day cancer screening, ED 4-Hour Wait and 18 week Incomplete Referral To Treatment Pathway).

We believe the answer to these challenges lie in the wider work we are doing with partners to transform how the health and social care system works locally because hospitals are just one part of a patient's journey and we need to be keeping people well in their own homes and in the community, and providing the support they need to enable them to leave hospital when they no longer require our specialist care. However within the hospitals we will continue to do all we can to ensure we are working effectively, and to eliminated delays in patient care. In the coming year we will be working with a number of external experts who will cast an independent eye over our processes and practices to see what we can improve ourselves now.

Despite pressures we have continued to provide a high standard of care for our patients. We signed up to John's Campaign this year demonstrating our commitment to providing dementia friendly care. Our dementia friendly ward refurbishment programme has continued and our nursing staff have reviewed and improved how we look after people with dementia so we're providing person-centred care and helping families to access ongoing support after discharge from hospital.

Providing care and managing our services when faced with such challenging circumstances needs a real team effort, expertise, and unstinting commitment. We are proud of our staff who go the extra mile, day in day out, to deliver care with compassion. Many teams and individuals have been recognised this year with national and regional awards for their contributions, and our own Quality Awards highlight the difference our staff make for our patients every day. Our governors have been very active this year in seeking and representing the views of our membership in how we develop and deliver services and I thank them for their commitment to constructively challenging the board, and continuously representing the voice of local people. A vital part of our team is our many volunteers, who offer their services across many departments throughout our hospitals and who make such difference to the experience of patients and our families – I thank you all for your continued support.

We've come through a very difficult time and are in a much more positive position than this time last year, and really ready to drive forward the necessary transformation to improve care for our local communities.

Stuart Heys
Chairman
26 May 2016

PERFORMANCE REPORT
2015/16

OVERVIEW

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 61 to 65.

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
- renal and plastic surgery
- specialist mobility and rehabilitation services
- major trauma services

In 2013 we became the regional vascular centre for Lancashire and South Cumbria. Elective and emergency vascular surgery is transferring to the vascular centre from University Hospitals Morecambe Bay, Wrightington, Wigan and Leigh and Blackpool Teaching Hospitals on a phased basis, with all surgery for the area being undertaken at the centre by April 2016.

Our business model

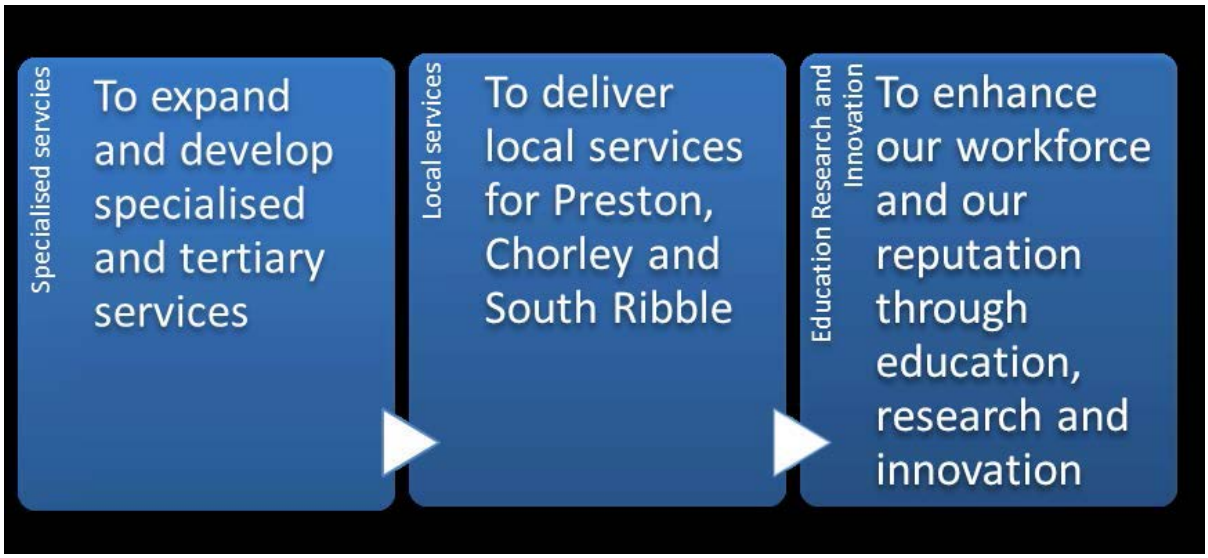
The governance structure of a foundation trust is prescribed through legislation, and is reflected within our constitution. All foundation trusts are required to have a board of directors and a council of governors as well as a membership scheme, which is open to members of the public and staff who work 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. During 2016/17 we will start to deliver an exciting educational facility to simulate life-like health settings for young people and students. 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 2015/16 the Trust revised its clinical service strategy. Furthermore we have recently refreshed our organisational purpose statement, as follows: "*Our purpose is to be recognised as the centre for acute and specialised hospital services in Lancashire and South Cumbria, providing the highest standards of compassionate, safe care that gives our patients a positive experience, excelling in research, innovation and teaching, developing our staff to reach their potential, and improving the health and wellbeing of our diverse communities*."

During 2016/17 we and the local clinical commissioning groups will continue to progress the 'Our Health Our Care' programme. During 2015-16 the transformation programme was re-branded from 'Your Hospitals, Your Health' to 'Our Health Our Care' because hospitals are just one part of an overall health and care system. We are now working with local partners to clinically redesign models of care; this will determine the future of our acute services configuration and hospital facilities. We are continuing to work towards developing proposals for change that are likely to require a formal public consultation later in 2016/17.

During 2016/17 we will also continue to work with our external partners as part of the Healthier Lancashire programme. Healthier Lancashire is a programme that involves all of the health, social care and well-being services in Lancashire working together to develop a long term strategy for our communities. The programme aims to create a healthier population, and will focus on reducing health inequalities, preventing ill health and designing services according to people's needs rather than organisational boundaries. We have been actively involved in developing this programme because we believe it is vital that all of the health and social care organisations need to work together to create a system that works for everyone, so that people can get the care they need, when they need, in the right setting.

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:

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

- implications of adhering to agency caps imposed by Monitor on our ability to fill key posts
- changes to the Care Quality Commission social care inspections has led to services impacting on patient flows and bed capacity

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. The severe staffing issue arose for a number of reasons: there is a national shortage of emergency medicine doctors; we have not been allocated enough doctors in training who help us staff our rotas; and the application of the national agency cap has affected our ability to secure locums to fill gaps in the rota. We have taken a number of actions to recruit a permanent workforce including continuous international and national recruitment activities, changing how our service works and adapting some job roles to maintain services, and appointing GPs to provide additional support to the emergency department. Despite such action, on 31st March 2016 we identified a significant risk to service delivery with immediate effect. A number of crisis meetings were immediately held with the System Resilience Group ('SRG' being the group which oversees urgent care in the local area comprising Chorley & South Ribble CCG, Greater Preston CCG, Lancashire County Council, Lancashire Care and North West Ambulance Service) who supported the decision to temporarily change the service provision at Chorley and South Ribble Hospital to an urgent care service between the hours of 08:00-20:00; with a GP out of hours' service overnight. The decision was based on an agreed risk assessment, the principles of providing a safe service which optimised the service provision at Chorley and South Ribble Hospital with the staffing resources available and which had the least impact on other organisations. On 18th April 2016 the temporary service changes were implemented and the SRG continue to meet on a weekly basis to review the risk assessments and the minimum requirements for reinstating the emergency department.

Our performance

The Trust has steadily improved performance throughout 2015/16, for the cancer sixty-two day treatment standard (from urgent GP referral) which rose from a 77.6% (non-compliant) position in Quarter 1 to 87.8% (compliant) position in Quarter 4. The Trust has achieved this by a targeted approach to reduce 62 day breaches within weekly performance meetings, embedding timed pathways and deploying the CancerTrack QlikView tool within the cancer team.

The Trust successfully delivered against the four hour wait target for quarter 1 and 2, however quarter 3 saw a dip in performance to 91.79% that was then compounded by an increase in ED attendances of 13% in January, leading to a failure to reach the standard of 95%.

A review of the RTT waiting list took place in November 2015 that identified a cohort of patients that had not been monitored, reported and treated in line with RTT guidance. The Trust informed the regulator and the CCG to ensure complete visibility of the issue and engaged with the Intensive Support Team to ensure appropriate expert oversight. A root cause analysis was carried out for all patients who had waited over 52 weeks and no harm was identified.

Going Concern

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

During 2015 the Trust has worked hard locally and responded to national cost controls to significantly reduce its planned deficit. Consequently Monitor approved a term loan of £20.5 million, repayable on 18 March 2018, to support the Trust's working capital position. For 2016/17 the Trust's budget and expenditure plans have been prepared using national guidance on tariff and inflationary factors, with income based on agreements with commissioners. These plans show a projected operating deficit in 2016/17 of £10.0m with a borrowing requirement of £15.3m at 31 March 2017. This improved position from 2015/16 shows the Trust's commitment to return to financial sustainable balance.

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.

Based on these indications, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

PERFORMANCE ANALYSIS

Our performance

The Trust pays particular attention to flow through the organisation and as such uses the Monitor framework KPIs for access (ED target, RTT and cancer), as a key criteria of success within the performance area. The speed of access to services, whether elective or non-elective, is a key determinant for patients in assessing the quality of their experience.

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. For elective activity, weekly performance meetings review lists of patients awaiting treatment (the incomplete RTT standard). To ensure a smooth flow through the organisation, bed meetings take place daily that proactively manage the flow of patients out of hospital and anticipate future requirements. The performance of the Trust over the 2015/16 period has illustrated how crucial patient flow is.

In the first two months of 2015/16 there was an 8% improvement in performance against the ED 4 hour target from 89.8% to 97.4% as a result of the introduction of step down facilities, allowing low risk patients to be discharged from acute hospital beds. This created the capacity to allow ED to admit patients appropriately in a timely manner.

The increase in demand over the course of the year has affected the Trust's ability to be compliant with access targets. During 2015/16 there was a decrease in elective inpatient activity (down by 1,233) as a result of a substantial increase in non-elective inpatient activity (up by 2,552).

There was a growth in patient contacts overall which was the result of increased emergency pressures during 2015/16 in terms of both attendances at Accident and Emergency Departments (767) and overall emergency admissions(2552), an increase in the number of patients undergoing an outpatient procedure(10,330) or receiving regular, planned treatment such as Oncology and Renal Dialysis(4343). Overall we have exceeded our in-year planned activity level by 4,343 contacts.

The table below summarises the position by category of contact for 2015/16:

	Actual	Plan	Difference
Elective in-patients	13,608	14,049	-441
Day cases	52,284	53,076	-792
Total electives	**65,892**	**67,125**	**-1,233**
Non-elective in-patients	51,407	47,622	3,785
Total inpatient/day cases	**117,299**	**114,747**	**2,552**
New outpatients	133,979	138,996	-5,017
Follow up outpatients	361,775	369,595	-7,820
Outpatient procedures	45,754	35,424	10,330
Total outpatients	**541,508**	**544,015**	**-2,507**

ED attendances (total)	**129,146**	**128,379**	**767**
Births*	**4,711**	**4,560**	**151**
Regular day/night attendees*	**108,451**	**104,108**	**4,343**

* Planned levels for births are regular day/night attendances (renal and oncology services) are 2014-15 outturn.

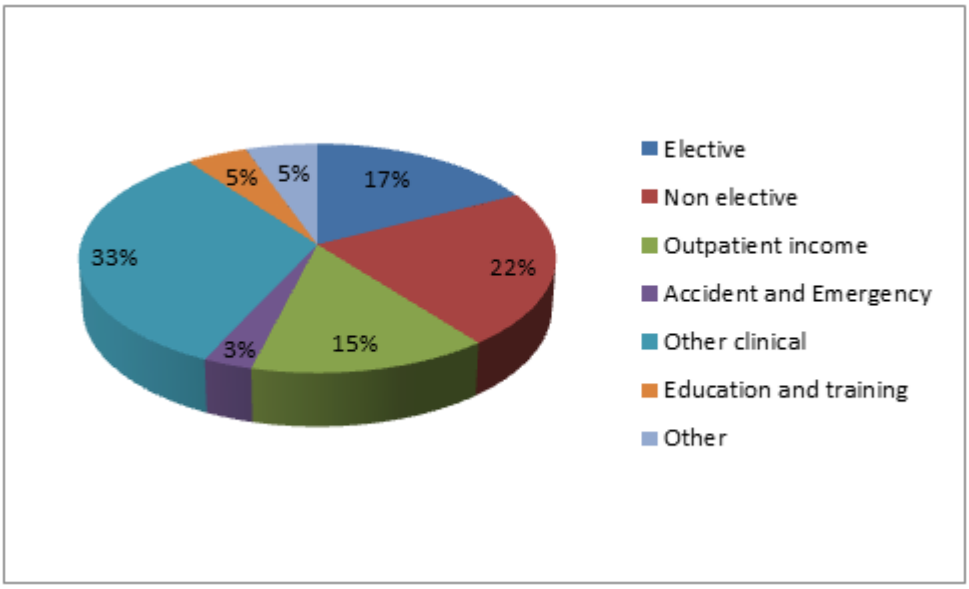
Our finances

We completed the year, having achieved our planned risk rating of 2. The deficit before impairments of £29.6m was a significant improvement on the Trust's original plan and reflected the Trust's commitment to reduce expenditure whilst maintaining safe services.

Income Generation

During 2015/16 we received £392m from patient care. A further £44m was generated from training levies, research funding, car parking, catering and retail outlets and from providing services to other organisations. Despite a reduction to national tariffs total patient care income has remained similar to 2014/15 levels as a consequence of service growth. Service growth is associated with the centralisation of vascular services and the Trust providing increased homecare services.

Income Analysis



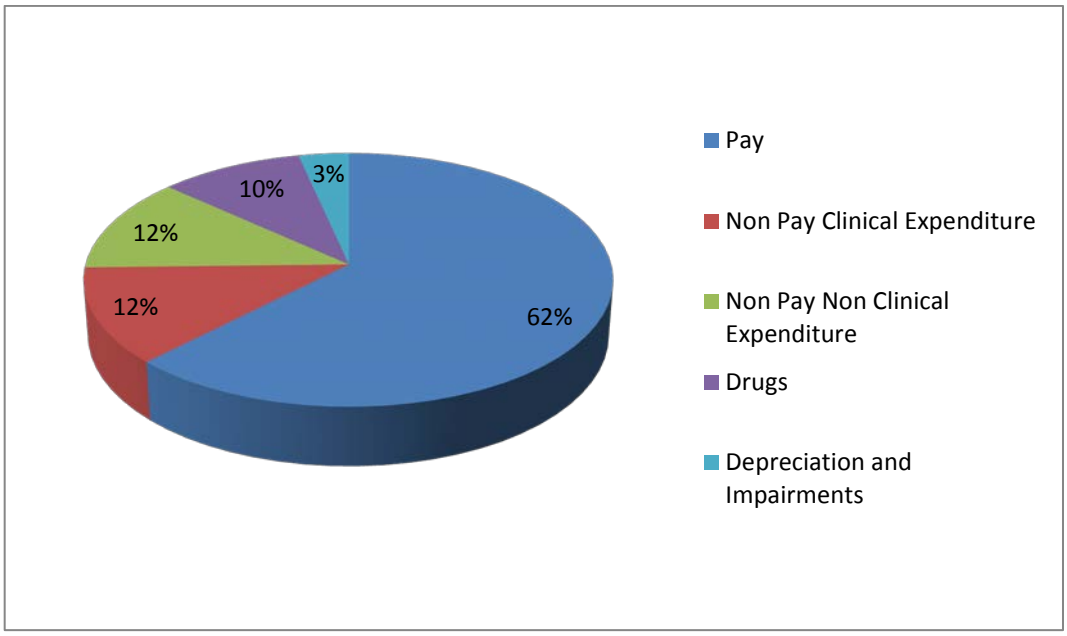
Expenditure

Operating expenditure (excluding impairments) was £460m, an increase of 5% on 2014/15. Expenditure was mainly influenced by the service growth referred to above offset by significant cost reductions through number of initiatives across the whole organisation

The organisation achieved productivity and efficiency savings through a number of initiatives across the whole organisation including more efficient purchasing of consumable items and drugs,

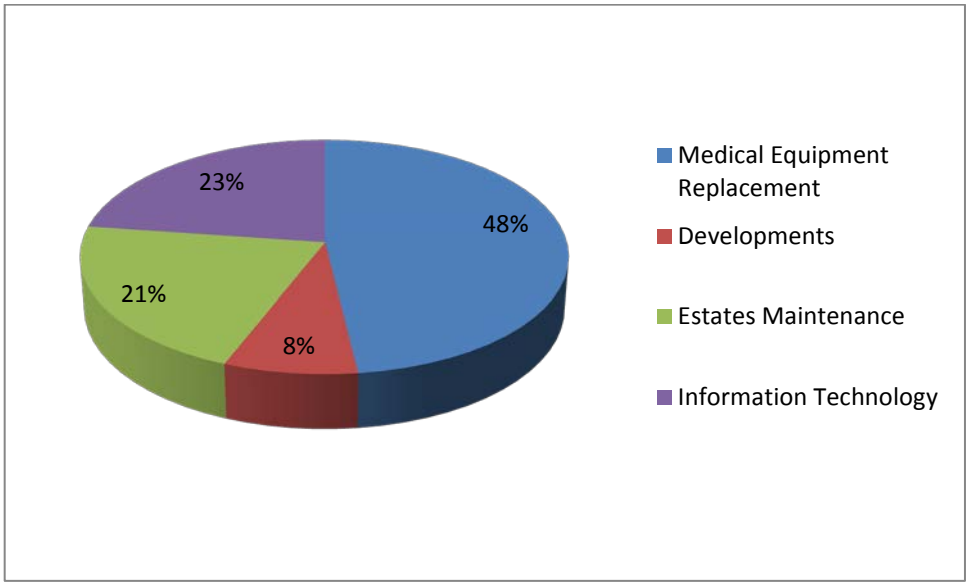
improving processes through the use of technology and efficiently managing the estate and support functions.

Expenditure Analysis



Capital Investment

£21.6m was spent in 2015/16 on maintaining the asset base of the Trust as illustrated in the chart on the next page. 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 2015/16 we paid 93% of invoices to this timescale.

Being a Good Corporate Citizen

The Trust has a multiple approach to the physical impact it has on the environment and surrounding neighbourhoods. With respect to the physical impact, over 2015/16 the Trust continues to:

- Maximise the benefits of the Combined Heat and Power plants on its two hospital sites. First installed circa 6 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 has allowed the rust to reduce its energy bill by circa £ 800k per year.

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

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

- Complete an energy efficiency project to reduce the impact of the theatre ventilation – offering an annual recurrent saving of circa £ 36k.

- Introduce increased heating and ventilation controls to several buildings offering recurrent savings of circa £ 20k.

- 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 et al.

- An agreement with the Preston College to lease 155 car park spaces from them in order to relocate staff off the site and increase the visitor parking opportunities.

2015/16 has seen an increase in activity levels and clinical services being escalated in many areas within our Trust and many others across the country. This has resulted in some of the sustainability metrics increasing but the total energy consumed has actually decreased.

Social, community and human rights issues

Our workplace familiarisation programme has historically been provided in partnership with Runshaw and Cardinal Newman Colleges with 24 of their students with learning disabilities attending the programme to enable them to experience the world of work through a taught programme and work experience placements. Many students have gained work experience in a range of departments such as portering, catering and domestic services, and some have gone on to employment or volunteering. We are delighted that following the extension of the programme to include Preston College and Sir Tom Finney Community High School, a further 24 students were able to access the programme this year.

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.

Our commitment to apprenticeships has continued this year and we have been able to extend the programme considerably. We currently have 101 apprentices within the Trust and during the year 25 have gone on to secure employment with us. In February we held an awards ceremony to celebrate the achievement of our apprentices and promote how they support the values of the Trust.

A new development this year has been the introduction of a preparation for nursing programme. We invited applications from students in their second year of the health and social care programmes at Preston, Runshaw and Cardinal Newman Colleges to join the programme which runs for 7 weeks and includes a range of activities to help the students make an 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. 27 students took part in this programme.

We have continued to offer the Preston Widening Access Programme which supports young people to access a career as a doctor. In November 2014 we had 55 students from Cardinal Newman College, Runshaw College and Fulwood Academy Sixth form apply for the programme. Following shortlisting and an interview process, 28 places were awarded. 23 students completed the programme successfully in 2015 and of these, 17 applied for Manchester Medical School, 15 were made an offer pending A Level results. The next programme is well under way and we currently have 29 students taking part.

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 was 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. Plans are already underway for 2017.

As part of our commitment to social and community engagement, in 2015 we partnered on a project with a local charity called Integrate. Integrate is a charity that enables adults and young people with learning disabilities and others in need in the community to participate in full and valued lives within the local community. This is achieved by engaging them in work based projects supplied by local employers, fully supervised by tutors and professionals. The Integrate project undertaken at the Trust saw a large fence erected to separate the car park from the Medical rehabilitation unit to provide an outside space for patients and visitors. This not only provided valuable work experience for the team from Integrate but also improved our patients' privacy.

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.

In addition to the educational opportunities the Trust has worked closely with its neighbours to improve relationships relating to the impact of parking in the local streets.

This includes:

- Developing strong relationships with local and LCC Counsellors
- Regular attendance at community surgeries
- Regular meetings with local community groups
- The development of a quarterly electronic newsletter advising on the different activities designed to reduce parking, local engagement etc
- Attendance at Local Authority Committees to debate how we can reduce the impact on local streets
- Attendance at local police liaison committees to address local concerns

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

This is a board sub-committee. This committee receives all aspects of non-clinical health and safety information – primarily associated with the physical environment.

During the last twelve months, we have developed 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 strategic Risk Register to the Trust Risk Management Committee (TRMC) 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 TRCM and 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 communication exercise was run in 2014. This enabled the Trust to demonstrate the effectiveness of its communications procedure should a major incident take place and staff were required to be mobilised out of normal working hours.

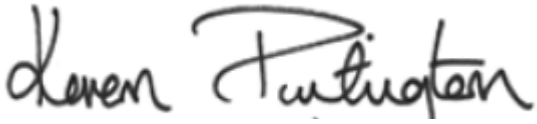
- The Trust continues to assess itself against core standards, emergency planning resilience and response (EPRR). The findings of this capacity assessment highlighted the need for an additional evacuation plan, which reflected the evacuation of the Trust premises in circumstances not relating to fire evacuation. This plan is currently in the final stages of development and is expected to be complete by May 2015

During 2015/16, regulatory authorities have audited the Trust against legal compliance and core standards. These included:

- Lancashire Fire and Rescue Service. Regulatory Reform (fire safety) Order 2005
- Health and Safety Executive. Health and Safety at Work Act 1974
- Environment Agency Controlled Waste Procedure

The Trust has been successful in achieving full compliance in each area of inspection by the regulating authorities and has received no prohibition or enforcement notices.

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



Karen Partington
Chief Executive
26 May 2016

ACCOUNTABILITY REPORT
2015/16

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.

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

Stuart Heys, Chairman (I)
Appointment: 3 Jan 2008 to 2 Jan 2017

Stuart retired from his role as Managing Director of Leyland Trucks after a 35-year career. During his time at the company, Stuart was keen to show the company as modern, innovative and caring. He has also mentored local school children and worked with local prisons to help newly-released offenders. He was appointed as HRH The Prince of Wales' Business in the Community Ambassador for the North West in 2003. Stuart is also Vice-Chair of Myerscough College. He has no significant commitments, other than his chairmanship of Lancashire Teaching Hospitals NHS Foundation Trust.

Stephen Ashley, non-executive director (I)
Appointment: 1 Aug 2013 to 31 Jul 2016

Stephen retired from the police after having served as a police officer for 30 years. During his career, he held a number of senior positions. Most recently, he was seconded to HM Inspectorate of Constabulary and as part of that role he was responsible for inspection activity related to all aspects of joint agency inspection and protection of vulnerable persons across all police forces. He has been responsible for producing a number of high profile reports into policing in these areas.

Robert Clarke, vice chairman/chair of audit committee (I)
Appointment: 1 Aug 2008 to 29 February 2016

Robert runs a successful dairy farm business and is director of Farm Plastics Recycling Ltd, which operates across the north of England. From a young age, he has had a strong involvement in

agricultural voluntary youth organisations and developed an interest in agricultural politics and wider business issues which led to a number of representative roles and boardroom positions. Robert's term of office ended on 29 February 2016.

Tony Gatrell, non-executive director (I)
Appointment: 1 Feb 2014 to 31 Jan 2017

Tony is an academic who has worked at Lancaster University since 1984. From 2008 he has been 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.

Christine Hedley, senior independent director (I)
Appointment: 1 Jul 2012 to 30 Jun 2015

Christine is a retired nurse and health visitor. She had a lengthy career in the NHS which included working in clinical practice and management in child and maternal health, mental health and preventative medicine. Christine has done this in hospital, community and primary care based settings. Christine is also a magistrate in the adult and family courts and an independent member of a local authority adoption panel. Christine's term of office ended on 30 June 2015.

Shamim Mahomed, non-executive director (I)
Appointment: 1 Aug 2009 to 31 Jul 2016

Shamim is a qualified accountant with over 20 years' experience and is responsible for the establishment of SKM Chartered Accountants, a successful accountancy firm. Her previous roles have included serving as the President of the North West Society of Chartered Accountants.

Michael Welsh, non-executive director (I)
Appointment: 1 May 2013 to 30 April 2016

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.

Alastair Campbell, non-executive director (I)
Appointment: 1 November 2015 to 31 October 2018

Dr Campbell 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. Dr Campbell 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 now chairs our Patient Safety and Quality Committee.

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.

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.

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 (from 1 March 2015)

Mark was appointed Medical Director in March 2015. He 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.

Sue Reed, Nursing Director/Deputy Chief Executive
Permanent post (retired on 31 March 2016)

Appointed in December 2003, Sue has over 40 years' experience of working as a nurse in Yorkshire and Lancashire. During this time, she has held a range of clinical and managerial posts and has been an executive Nursing Director since 1999. Sue retired from her post on 31 March 2016.

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.

During 2015/16 the board was also supported in its work by two additional executive directors. Although not voting members of the board, these directors were members of the executive team and provided director-level leadership within their individual portfolios:

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 18 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.

Miles Timperley, Director of Facilities and Services
Permanent post (up to 30 April 2015)

Miles has worked for over 30 years in the NHS, holding a range of posts across the North in facilities and the delivery of major hospital developments. Miles is responsible for the strategic leadership and management of all Facilities and Services departments (for example catering, domestics, portering) and the management of our buildings. Miles retired from his post on 30 April 2015.

On 1 April 2016 a new non-executive director, Tim Watkinson, who has considerable audit experience will be joining the Trust board and he will be appointed as the Chair of the audit committee with effect from 1 July 2016. Tim has been acting as an associate non-executive director from 1 November 2015 until 31 March 2016 during which time he was invited to attend board meetings as an observer (but he was not counted for quorum purposes nor was he able to vote on any board resolution) and he was not bound by the same general legal responsibilities to the Trust as the board of directors save for confidentiality undertakings.

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 consecutive years, in line with the Trust's constitution.

During 2015/16, the chairman commenced his ninth and final year as chairman of this organisation. Before a decision on his reappointment was made, the council of governors took account of his most recent appraisal, which had involved both directors and governors, as well as historical appraisals from previous years. In extending his appointment, the need for strong and consistent leadership was acknowledged in the face of challenges and pressures in the NHS locally and nationally.

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
Stuart Heys, Chairman	13	12	92%
Karen Partington, Chief Executive	13	10	77%
Sue Reed	13	10	77%
Suzanne Hargreaves	13	11	85%
Paul Havey	13	11	85%
Carole Spencer	13	13	100%
Mark Pugh	13	12	92%
Stephen Ashley	13	9	69%
Robert Clarke	12	11	92%
Tony Gatrell	13	12	92%
Michael Welsh	13	12	92%
Shamim Mahomed	13	12	92%
Christine Hedley	3	3	100%

Name of director	A	B	Percentage of meetings attended
Alastair Campbell	6	6	100%
Miles Timperley	1	1	100%

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. During 2015-16 the board had a workshop in October to consider and evaluate its progress against the recommendations to ensure that they are embedded within the organisation and such review is now part of the board's annual cycle of business. Furthermore, the Risk Management Committee evaluates and monitors such progress on a quarterly basis. Each board sub-committee is also carrying out an effectiveness review during Quarter 4 2015/16 and Quarter 1 2016/17.

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. All these reports are submitted to the appointments, remuneration and terms of employment committee.

The Chairman undertakes the performance review of non-executive directors using our non-executive director competency framework and the outcomes of these appraisals are reported to the council of governors. During 2015/16, as in previous years, the performance review of the Chairman was led by the senior independent director in accordance with a process agreed by the council of governors. The outcome was then reported to the council by the senior independent director.

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 2015/16 we have focused on developing the relationship between the board and governors through a number of ways: (i) we encouraged the attendance of governors at board meetings by introducing a rota system, (ii) we held two governor workshops during 2015 where non-executive directors were specifically invited to attend and present to governors their professional background and contribution to the Trust, (iii) we have arranged joint governor/non-executive director meetings every other month to give governors a further opportunity to share their views and those of members with non-executive directors, and (iv) as part of the Trust's forward planning process, the board and the council of governors had a joint interactive workshop on 16 March 2016 where board members and governors reviewed the Trust's priorities for 2016/17 and governors provided feedback from members and the wider public on such priorities.

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.

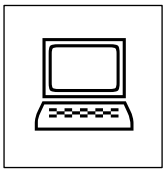
Although the Trust is not formally subject to the disclosure obligations under the Act, it recognises the importance of these issues for all its stakeholders.

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 105 and more information on quality governance is provided within our annual governance statement on page 71.

Major service developments

Together with our CCGs, we were successful in a bid to participate in the Early Adopter Communities of Practice for 7-day working during 2015-16. Following an initial assessment against the 10 clinical standards, a number of different initiatives were established to facilitate moving towards a full 7-day service, including;

- Expansion of consultant team in trauma & orthopaedics supporting 7-day rota for ward rounds and theatres
- Expansion of access to emergency theatres 7-days a week
- 24h access to 'pacing service' for cardiology
- 7-day consultant rota to review & request endoscopy intervention
- Acutely ill patients in the majority of high dependency areas (surgery, critical care, high dependency units) receive twice daily consultant review as part of on-going care
- Expansion of prescribing pharmacist roles to improve the discharge process – resulting in improved patient flow, patient safety & improved information provided to GPs on transfer (medicines started, stopped or changed during the admission)

During 2015/16 our major service developments included:

- Completing the transfer of major vascular services in the region to the centre at Royal Preston Hospital so now patients who need complex vascular surgery can be treated by experts in our new state of the art operating theatre, and cared for by a specialist team in our new vascular ward.

- Opening a dedicated Major Trauma Ward, which is the final development in establishing our Major Trauma Centre and means people who experience a life or limb threatening injury can receive specialist care from the point of admission, through surgery and post-operative care in a specialist setting, to immediate and ongoing rehabilitation and therapy.

- Opening our new Surgical Simulation and Technical Skills Centre. The Skills Centre presents opportunities to expand skills and deliver high quality training to multiple surgical specialities both within and outside the Trust.

- Working with our local health economy to developing the 'Our Health Our Care' transformation programme that is one of our most critical priorities for 2016/17. We have also been working on a Lancashire and South Cumbria footprint through the Healthier Lancashire programme. This programme seeks to set a clear vision for the health and care system across Lancashire and South Cumbria, and support it to develop solutions to deliver against a substantial financial gap.

- Introducing Critical Care Electronic Patient Records via an integrated and responsive electronic patient record system.

- Completing a joint Clinical Research Facility on the Royal Preston Hospital site.

- Extending the opening hours of the Chemotherapy Day Unit and additional nurse led blood clinics have been established on bank holidays to minimise waiting times for patients.

- Signing up to John's Campaign demonstrating our commitment to providing dementia friendly care. Our dementia friendly ward refurbishment programme has continued throughout the year.

- Introducing a Therapy Trauma Clinic which has reduced the number of musculoskeletal patients seen in the Emergency Department, freeing up the Emergency Department physios to see other patients, reducing the number of unnecessary fracture clinic reviews and reducing the patient journey ensuring they are seen in the right place at the right time by the right person:-

- Developing our partnership with The University of Bolton via our innovative undergraduate nursing degree course designed to develop more nurses for the future. The first 25-student course intake began the course in February 2015; they will be the first nursing students in England to fund their studies through the student loan system.

- Adapting patient wristbands for patients with dementia in the Royal Preston Hospital Emergency Department. This initiative promotes person-centred care and informs health professionals around the Trust that extra and appropriate support has been instigated.

- Working with health economy colleagues on discharge from the hospital through a joint post that is leading the introduction of an Integrated Discharge team. To complement this piece of work the Trust is also participating in a national DToC improvement programme which commenced in March 2016.

- Completion of the building works for the Urgent Care Centre at Chorley and South Ribble Hospital.

- Our Widening Participation Team has supported an increase in the numbers of apprentices recruited to the Trust, from 6 to 99 in just 2½ years.

Research

2015/16 has been an exciting year for research and innovation at the Trust. Over 2855 patients have taken part in clinical research this year which is an increase in participation of over 5% from the previous year. Over 2000 participants consented to take part in NIHR portfolio studies of which there are currently 150 actively recruiting studies and many more supporting patients through follow up. This year we issued NHS Permission to an additional 56 studies and achieved the Department of Health benchmark for issuing NHS Permission within 15 days 100% of the time. We also vastly improved on our performance in recruiting the first patient on to newly opened trials within 70 days of receiving a valid application, raising our adjusted average from 76% to 99%. The Trust continues to balance its research portfolio across interventional and observational studies, with a growing focus on delivering a strong portfolio of experimental medicine studies particularly within cancer and neurosciences.

To support the delivery of a new, ambitious Research and Innovation strategy through the next 3 years, the Research team have launched a number of new initiatives. Significantly the formation of a research patient and public engagement and involvement group has already made a strong contribution to a number of key developments. The group – made up of volunteers from Lancashire South and Cumbria – has met regularly to agree a shared set of objectives and critically to develop their own understanding and levels of interest in clinical research.

The Trust has worked with HEI colleagues to develop an Academic Faculty embedded within the research team with the purpose of promoting and supporting leadership in research from professions allied to medicine. This initiative will not only promote peer support and the development of research skills but will also promote the integration of implementation science into research projects demonstrating impact for the staff, their teams and critically – their patients.

In 2015 the Trust's Senior Research Midwife was recognised for the innovative service development she has led in Women's Health research through being awarded the North West Coast Clinical Research Individual of the Year.

The Women's Health team at the Trust have been national leaders in embedding research within practice and promoting a culture of research amongst front line staff.
The year has culminated in the completion of a joint Clinical Research Facility (CRF) on the Royal Preston Hospitals site. The CRF is a partnership between Lancashire Teaching Hospitals, Lancashire Care and Lancaster University and is known as the Lancashire Clinical Research Facility. The facility will support the further development of experimental medicines trials across disease priority areas for both Trusts and the University. It provides a safe and comfortable environment for research participants and their families to participate in clinical research.

Innovation has continued to be a priority for the Trust with the research team supporting a number of devices through early stage development from both its own staff and small/medium sized enterprises (SMEs). As an active member of the North West Coast Academic Health Science Network (AHSN), the Trust has been involved in a number of region wide innovation projects and more widely through its membership of the Northern health Science Alliance (NHSA) the Trust has made international links in the development and implementation of innovation in health care.

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 on pages 87 to 91 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 2015/16, 1820 concerns, raised by patients or their families/carers, were dealt with by the PALS team. Whilst it is difficult to know the precise reason for the 12% increase in the number of recorded concerns, this may well be due to the proactive work that is on-going to rapidly respond to issues that can be resolved in a timely manner without them being escalated to formal concerns. Anecdotal feedback suggests that, in particular, the outreach service established in 2014/15 has been particularly valuable in increasing access to PALS support for patients. Only 33 of the 1820 concerns raised through PALS resulted in formal complaints from patients and their families/carers.

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 2015/16 the Trust received 575 formal complaints, four fewer than in 2014/15. Whilst the reduction in the number of complaints appears modest, within the context of the increase in activity that has occurred over the last year, the rate of complaints per patient contact shows a more marked reduction.

In 2015/16 the Trust received one formal complaint for every 1404 patient episodes. In 2014/15, there was a formal complaint for every 1332 patient episodes. Since 2012-13, the Trust has seen a year-on-year reduction in the rate of complaints as can be seen:

Year	Complaints received (rate)
2012-13	1:1052
2013-14	1:1136
2014-15	1:1332
2015-16	1:1404

The NHS Complaints Regulations determine that all complaints should be acknowledged within three working days of receipt. In 2015-16, 98.8% of complainants received an acknowledgement within that timescale, with seven complaints failing to meet the standard. All delays occurred as a result of an administrative error in the Customer Care department.

Of the 575 complaints received in 2015-16, 462 (80.3%) related to care or services provided at the Royal Preston Hospital (RPH), 107 (18.6%) to care or services provided at Chorley and South Ribble District General Hospital (CDH) and 6 (1.1%) to care or services provided offsite (4 by the Specialist Mobility Rehabilitation Centre, based at Preston Business Centre and 2 by Trust-commissioned transport services).

577 formal complaints were closed during 2015-16. The investigations that were undertaken into those closed complaints concluded that 183 (31.7%) of the complaints had been upheld, 200 (34.7%) were partly upheld and 194 (33.6%) had not been upheld. The percentage of complaints upheld or partly upheld increased marginally this year (from 64% in 2014-15 to 66.4%).

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, the Trust received 54 second letters, 19 less than the number received in the previous financial year. The 26% decrease in the number of second letters received is extremely pleasing and suggests that the efforts of staff to ensure that the complaints are fully answered and that resolution is achieved have been to some extent successful..

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 2014-15, 21 complaints were referred to the PHSO, compared to 32 in the previous year. It is pleasing to note that this reduction was maintained in 2015-16, during which time 18 complaints were referred to the PHSO. In that same period, the PHSO completed their investigations into 22 of the complaints that had been referred to them. Of those, 11complaints were not upheld, 2 complaints were referred back to the Trust for further local resolution (in 1 of those cases because the complainant raised additional concerns with the PHSO that the Trust had not previously had an opportunity to answer), whilst 1 case was closed prior to a final report being issued as the complainant failed to comment on the draft report (which indicated that the complaint would not be upheld). In 8 cases the complaint was upheld or partly upheld by the PHSO.

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 2015-16 to further improve the quality of our services. These include:

- The development of a theatre escort nurse role to improve communication for patients awaiting plastic surgery as day-cases;

- The development of a clear protocol for the Frenulotomy Clinic to ensure that appropriate checking processes are undertaken;
- The development and implementation of a pathway for the onward management of skin cancer patients referred to oncology from dermatology who have been deemed unsuitable for radiotherapy;
- The strengthening of processes to ensure the review of outlying patients by a senior physician on a daily basis. An additional consultant team has been recruited to support this process;
- The provision of Mental Capacity Act and best interests training sessions for relevant staff;
- The development and introduction of an orthopaedic handover to support communication and care relating to orthopaedic patients transferred from RPH to CDH when surgery is required. The purpose of the document is to ensure that a surgical management plan is documented and that the expected date of surgery is included in that plan;
- The rostering of Trauma Co-ordinators 7 days a week to work closely with the clinicians to ensure that patients are added to the appropriate theatre list and speciality. In addition they are also responsible for the monitoring and tracking of patients and the triggering of the escalation process in the event of cancelled surgery or a prolonged wait for surgery;
- The introduction of a daily ward-based consultant surgery to enable relatives to book to meet with a consultant if they have any queries or concerns about a relative's medical care;
- The procurement and availability of small, ladies pyjamas as an alternative to nightdresses or gowns to enhance privacy and dignity
- The amendment of the head injury advice leaflet to include information on management when patients have recently stopped taking Warfarin.
- The installation of auto-soft close cupboard doors in some ward areas to help reduce noise levels at night.

During 2015/16, we introduced a number of innovations, including the following:

- *Implementation of the falls prevention improvement project* which has contributed to a reduction in the number of inpatient falls and falls with harm.
- *Introduction of the Healthcare Assistant Induction Programme and Care Certificate Launch, w*hich has led to the Trust being recognised locally and nationally as a quality provider of HCA training.
- *Redesign of the medicines management aspects of the discharge process,* improving the timeliness of hospital discharge by introducing prescribing pharmacist roles to support the preparation of discharge prescriptions and the provision of a satellite pharmacy to enable medicines to be dispensed.
- *The renal transplant team* doubled the number of renal transplants performed on Lancashire teaching hospitals patients. The team are solely responsible for preparing the patients for transplant from patient education through medical assessment and referral to transplant surgeons as well as maintaining the waiting list once the patients are transplant listed.
- *The development of the Surgical Simulation and Technical Skills Centre.* The Skills Centre presents opportunities to expand skills and deliver high quality training to multiple surgical specialities both within and outside the Trust.
- *The adaptation of patient wristbands for patients with dementia* in the Royal Preston Hospital Emergency Department. This initiative promotes person-centred care and informs health professionals around the Trust that extra and appropriate support has been instigated.
- *The introduction of patient monthly afternoon tea parties* for patients on the oncology ward. Patients enjoy socialising at these parties and are able to try small amounts of finger food

independently in a relaxed non-clinical area. Excellent feedback has been received from patients, families and staff.

- *The development of a Critical Care Electronic Patient Record* by Critical care staff, providing an integrated and responsive electronic patient record.
- *The Widening Participation Team* has supported an increase in the numbers of apprentices recruited to the Trust, from 6 to 99 in just 2½ years.
- The introduction of a Therapy Trauma Clinic reduced the number of musculoskeletal patients seen in the Emergency Department, freeing up the Emergency Department physios to see other patients, reducing the number of unnecessary fracture clinic reviews and reducing the patient journey ensuring they are seen in the right place at the right time by the right person.
- The provision of specialised services across Lancashire that support the transition of care of children with epilepsy and complex neuro-disability.
- The opening hours of the Chemotherapy Day Unit have been increased and additional nurse led blood clinics established on bank holidays, to minimise waiting times for patients.
- The Car Park Team have been awarded the Safer Parking Scheme Award for the seventh year in succession and in 2015 were the first trust in England to achieve the British Parking Association Professionalism in Parking Accreditation Award.

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. 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 and day case patients. The Trust currently generates over 4000 responses per month through the FFT programme. In view of the obvious duplication of utilising two similar systems, the Trust decommissioned the previous programme and now utilise friends and family feedback as the primary patient experience indicator

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. Use of the devices and feedback obtained through bedside handovers continue to help to focus staff attention on issues that are important to patients.

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.

During 2015/16 the Trust established a framework for ward/departmental review of patient experience feedback utilising FFT data, complaints, compliments, PALS data, and survey, patient website feedback to monitor patient satisfaction and key areas for action and improvement as they are identified by patients and their carers through the feedback they provide. Further information on performance and improvements can be found in the Quality Report included in this document.

Unfortunately the national patient survey results have not been published in time for this report. During 2015/16, the Care Quality Commission did commission a Maternity survey. The survey was reported in three sections:

- antenatal,
- labour and birth, and
- postnatal care

The antenatal care report shows better than expected performance relating to choice of where to have the baby but worse than expected related to midwife awareness of medical history at antenatal check. Actions have been taken during the year to address this issue.

The labour and birth report indicates strong performance with all questions scoring as expected but with significant improvement on the 2013 survey in respect of 6 questions

In the postnatal report questions related to care at home after birth were all rated ‘as expected’, and there was significant improvement in performance related to emotional support is particularly pleasing

Compliments

The Trust receives many formal and informal compliments from patients and their families in relation to their experience of care. During 2015-16, a total of 8,365 compliments and thank you cards were received. Whilst this does, once again reflect a significant increase on the number received during the previous year, when 6,193 compliments were received, it is recognised that the number may still be under reported and that the figure does not include the many compliments received through the friends and family test, the EQIP programme and through NHS Choices and Patient Opinion websites.

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 current strategy will be reviewed in 2016/17.

During 2015/16, we engaged with approximately eighty service users, relatives, carers and expert organisations to formalise involvement and engagement with our local learning disability community, their carers and external organisations. The purpose of this was to consult on the services we currently offer and gather feedback on how we could improve. It also gave an opportunity to provide health promotion and allow health checks for this community. We have also developed a productive working group with the local deaf community, who are continuing to work with us to ensure their needs are met in relation to communication.

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, there is a volunteer representative on our Council of Governors. Until recently there was also a representative from the local Council for Voluntary Services. Following the transfer of voluntary services into the Workforce and Education Directorate, we will be developing a new strategy to further strengthen the contribution of our volunteers over the next 12 months. The new Dining Companion volunteer role has been a success in supporting our nursing staff and our patients. We have also worked in Partnership with the RVS to develop a new volunteer Dementia Support role and have just agreed a further 2 year Service Level Agreement with the RVS to continue to support this initiative. Our volunteer strategy will continue to focus on the development of new volunteer roles to support the strategic aims and objectives of the Trust.

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. In 2015/16 there were no service changes that required formal consultations with local groups and organisations including the overview and scrutiny committees of local authorities.

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 2015/16. This is the transformational change programme that will develop new models of care for the central Lancashire health and care economy, which will make us clinically and financially sustainable in the long term. Work has been undertaken during the past year to mobilise this programme with our partners. In particular, we have undertaken work as a Trust to feed into this programme by;

- Developing a Clinical Service Strategy. This strategy sets out our principles as to how we want to work as an acute provider in the future, and separates our models of care into planned, unplanned and transitional care. This strategy was approved by the Board in October 2015 and was developed with staff and governors.
- Worked with our staff and governors through 'masterplanning' events to consider how we could deliver the Clinical Service Strategy, and what impact it may have on our sites. This led to the development of a Feasibility Study which indicated that radical changes to the way we deliver our models of care could help assure clinical and financial sustainability.
- Developing a health economy wide transformation programme. During the final part of 2015/2016, we built on the internal work undertaken though the Clinical Service Strategy and the Masterplanning process to take it to our wider partners and set up a Joint Programme Board to take this forward. The programme will now consider what new models of care we need to develop across the health and care economy to make sure we are clinically and financially sustainable for the future. It is clinically led, and we are working with our Clinical Commissioning Groups, NHS England, Specialised Commissioning, Community Services and local authorities.

As well as working with our local health economy through the Our Health Our Care programme, we have also been working on a Lancashire and South Cumbria footprint through the Healthier Lancashire programme. This programme seeks to set a clear vision for the health and care system across Lancashire and South Cumbria, and support it to develop solutions to deliver against a substantial financial gap. We have supported the development of the Alignment of the Plans work, which has set out the gaps in services and finances across the patch and has helped to develop appropriate interventions. We continue to support and be engaged in the change programme at both a pan Lancashire level as well as the local level through the Our Health Our Care Programme.

One way that we are doing this is through the Lancashire Group of Hospitals; the five main provider trusts in Lancashire have agreed to form a collaborative group. A vanguard bid was submitted to

signal our interest but unfortunately this was unsuccessful. Undeterred the Chief Executives and Chairs of all five organisations have agreed to establish a programme of work with 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.

There has already been a significant amount of scoping work started, with benefits already flowing through because of better purchasing power. We expect projects to develop over the next few years in clinical services as well as support services, and we intend the provider group to support the purpose and objectives of the Healthier Lancashire programme.

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 Monitor 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 appointments, remuneration and terms of employment committee, as a committee of the board of directors, 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 or a nominated non-executive director will attend), three elected governors and one appointed governor. Each elected governor also has a nominated deputy who attends in their place if they are unable to attend themselves. 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	6	6	100%
Brian Atkinson, public governor	7	6	85.7%
Ken Jones, public governor	7	6	85.7%
Nicola Leahey, public governor	7	7	100%
Peter Yates, appointed governor	7	6	85.7%
Christine Hedley, senior independent director (up to 30 June 2015)	1	1	100%
Michael Welsh, senior independent director (from 1 July 2015)	3	3	100%
Robert Clarke, vice chair (up to 29 February 2016)	1	1	100%

A = maximum number of meetings the member could have attended

B = number of meetings the member actually attended

Work of the committee

During 2015/16, the committee has met on seven occasions. In April 2015 discussions took place on the arrangements for the Chairman's appraisal and it was agreed that the committee would provide a recommendation to the council of governors for the Chairman's reappointment for an additional year from January 2016, subject to satisfactory appraisal; and the committee also considered the arrangements for the recruitment of two non-executive director posts and the appointment of Michael Welsh as the new Senior Independent Director (to replace Christine Hedley with effect from 1 July 2015).

In July 2015, the committee met (with Michael Welsh chairing the meeting in his role as Senior Independent Director) to discuss the outcomes of the Chairman's 2014/15 appraisal and to consider the Chairman's objectives for 2015/16.

In August 2015 the committee met to provide feedback in respect of the non-executive director interviews for the two vacant posts and it was agreed that the appointment of Dr Alastair Campbell as the non-executive director for clinical proficiency be recommended to the Council of Governors, and the appointment of Tim Watkinson as the non-executive director for financial proficiency be recommended to the Council of Governors. At the Council of Governors' meeting on 20 October 2015 the Council of Governors approved such appointments in light of the committee's recommendations.

In November 2015 the committee met twice to consider the Chair recruitment plan (in light of the Chairman's term of office coming to an end in January 2017) and also to discuss the outcomes of the non-executive director appraisals for 2014/15.

In January 2016, the committee met to consider whether the Trust should instruct a recruitment agency in relation to the appointment of a new Chair and for this meeting Robert Clarke (as Vice Chairman) chaired the meeting in line with the committee's terms of reference. A further meeting in March 2016 was held in order to review progress to date with respect to the appointment of a new Chair and the newly appointed recruitment agency was invited to provide a verbal update. The committee also considered recruitment plans with respect to the current non-executive director vacancy following Robert Clarke's term of office coming to an end on 29 February 2016.

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	2	2	100%
Stephen Ashley	2	1	50%

Robert Clarke	2	2	100%
Tony Gatrell	2	1	50%
Shamim Mahomed	2	1	50%
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 2015/16, the committee met on two occasions which enabled it to:

- consider appraisal outcomes for the senior executives
- review the remuneration of senior executives
- approve the recruitment to the post of nursing director

When reviewing the remuneration of senior executives for 2015/16 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 will be having an effectiveness review facilitated by the Trust's internal auditors, MIAA, on 5th April 2016 whereat the committee's terms of reference will be reviewed. As with the Trust's other board committees, this committee effectiveness review (including the review and refresh of its terms of reference) will form part of the ARTE committee's annual cycle of business.

One executive director appointment was made during 2015-16.

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 February 2015 the committee approved the adoption of the Senior Managers' Remuneration Policy and proposed the introduction of a floor and ceiling limit for each senior staff post; this proposal was formally ratified in April 2016.

During 2015/16, there were no changes made to the remuneration of senior executives.

Stuart Heys
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 director/deputy chief executive
- 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 40 to 41 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.

The committee decided in 2010/11 that it would mirror the two-year agenda for change pay freeze which had been applied to the majority of our staff, and no pay increases were provided to senior executives in 2011-12 or 2012/13. In 2013/14, increases were only paid to two directors, who had taken on additional responsibilities as part of a reorganisation of executive portfolios. In 2014/15, the committee continued with this approach and, with the exception of one post, no pay increases – such as cost of living increases –were provided. In 2014/15 following an annual benchmarking exercise, the remuneration paid to one director was found to be significantly below that of comparable NHS organisations and therefore the committee amended the remuneration accordingly. In 2015/16 following an annual benchmarking exercise, there were no changes made to the remuneration of senior executives.

Each year, I undertake appraisals for each of the senior executives, and the chairman undertakes my appraisal. The results of these appraisals are presented to the committee and they are used to inform the committee's discussions. During 2015-16 we implemented a system of performance-related pay. Prior to this, the committee considered 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 2015-16 are included on pages 19 to 22. Details of our Council of Governors are included on pages 89 to 93, together with information on expenses paid to them in 2015/16.

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:

	2014-15	**2015-16**
Total number of directors in office as at 31 March:	15	13*

Number of directors receiving expenses:	5	5
Aggregate sum of expenses paid to directors (£00s):	£33	£26

*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 6.4 to 6.7 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

	2014-15				2015-16			
	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
Stuart Heys Chairman	40-45	0	0	43	40-45	5	0	43
Stephen Ashley Non-executive director	10-15	0	0	12	10-15	0	0	12
Tony Gatrell Non-executive director	10-15	0	0	12	10-15	0	0	12
Alastair Campbell (from 1 November 2015)	-	-	-	-	5 - 10	0	0	5
Shamim Mahomed Non-executive director	10-15	0	0	12	10-15	0	0	12
Michael Welsh Non-executive director	10-15	0	0	12	10-15	0	0	12
NON-EXECUTIVE DIRECTORS NOT IN POST AS AT 31 MARCH 2016								
Robert Clarke (up to 29 February 2016) Vice-Chairman	15-20	0	0	15	10-15	0	0	14
Christine Hedley (up to 30 June 2015)	10-15	0	0	12	0-5	0	0	4

Income disclosures: senior executives

	2014-15				2015-16			
	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	2	-22.5 – -20.0	155 - 160	170 - 175	1	2.5 – 5.0	175 - 180
Suzanne Hargreaves Operations Director	110 - 115	4	57.5 - 60	165 - 170	120 - 125	0	172.5 – 175	295 – 300
Paul Havey Finance Director/Deputy Chief Executive	145 -150	27	10 – 12.5	165 - 170	145 - 150	21	2.5 – 5.0	155 – 160
Phebe Hemmings Company Secretary (from 4 August 2015)	-	-	-	-	40 - 45	0	5.0 – 7.5	45 – 50
Mark Pugh* Medical Director	10 - 15	2	-2.5 - 0	10 - 15	160 - 165	0	152.5 – 155	180 – 185
Sue Reed Nursing Director/Deputy Chief Executive (part-time from 1 January 2015	105 - 110	30	0	110 -115	60 - 65	38	0 – 2.5	60-65
Carole Spencer Strategy and Development Director	120 - 125	4	70 – 72.5	195 - 200	120 - 125	5	5.0 – 7.5	130-135
Karen Swindley Director of Workforce and Education	100 - 105	0	0 – 2.5	105 - 110	100 - 105	0	-22.5 – -20.0	80 - 85
SENIOR EXECUTIVES NOT IN POST AS AT 31 MARCH 2016								
Miles Timperley Director of Facilities and Services	80 - 85	1	-10 – -7.5	75 - 80	5 - 10	0	0 – 2.5	5 - 10
Paul Howard Trust Secretary	55 - 60	1	2.5 - 5	60 - 65	-	-	-	-

**Professor Mark Pugh's remuneration includes £130k, (2014/15 £11k), 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.

On 16 March 2016, the Chancellor of the Exchequer announced a change in the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate from 3.0% to 2.8%. This rate affects the calculation of CETV figures in this report. Due to the lead time required to perform calculations and prepare annual reports, the CETV figures quoted in this report for members of the NHS Pension scheme are based on the previous discount rate and have not been recalculated.

	Value of lump sum at age 60 on 31 March 2016 (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 2016 (bands of £5,000) £000	Real increase in pension (bands of £2,500) £000	Cash equivalent transfer value at 31 March 2016 (to the nearest £1,000) £000	Cash equivalent transfer value as at 31 March 2015 (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	230 – 235	2.5 - 5	75 - 80	0 – 2.5	1,475	1,417	41	0
Suzanne Hargreaves Operations Director	130 – 135	25 – 27.5	40 - 45	7.5 - 10	785	623	154	0
Paul Havey Finance Director/Deputy CEO	185 – 190	2.5 - 5	60 - 65	0 – 2.5	1,350	1,296	38	0
Phebe Hemmings Company Secretary	0 - 5	0 – 2.5	0.5	0 – 2.5	5	0	3	0
Mark Pugh Medical Director	120 – 125	0 – 2.5	40 - 45	5 – 7.5	659	513	12	0
Carole Spencer Strategy and Development Director	90 – 95	2.5 – 5	30 -35	0 – 2.5	612	578	27	0
Karen Swindley Director of Workforce and Education	75 – 80	-2.5 - 0	25 - 30	-2.5 - 0	453	450	(1)	0
Miles Timperley Director of Facilities and Services (up to 30/04/2015)	100 - 105	0 – 2.5	30 - 35	0 – 2.5	0	713	0	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.

On 1 April 2016 a new non-executive director, Tim Watkinson, will be joining the Trust board. Tim has been acting as an associate non-executive director from 1 November 2015 until 31 March 2016 during which time he was invited to attend board meetings as an observer (but he was not counted for quorum purposes nor was he able to vote on any board resolution) and he was not bound by the same general legal responsibilities to the Trust as the board of directors save for confidentiality undertakings. As an associate non-executive director Tim was not entitled to remuneration save for expenses only.

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 2015-16 was £175,000-£180,000, this includes taxable benefits (2014-15 £175,000 - £180,000). This was 7.5 times (2014-15, 7.5) the median remuneration of the workforce, which was £23,445 (2014-15 £23,674).

In 2015-16, and also in 2014-15 and 2013-14, no employees received remuneration in excess of the highest-paid director. In 2015-16 remuneration ranged from £6,453 for modern apprentices to £175,000 (in 2014-15 the range was from £5,338 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
26 May 2016

STAFF REPORT

Our people

At the end of 2015/16, we employed 7,390 people. This number is broken down as follows:

Staff Group	Headcount
Additional professional scientific and technical	227
Additional clinical services	1405
Administrative and clerical	1468
Allied health professionals	472
Estates and ancillary	788
Healthcare scientists	235
Medical and dental	565
Nursing and midwifery registered	2198
Students	32
Total	**7390**

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

	2013-14	%	2014-15	%	2015-16	%
Age						
<17	3	0.04%	1	0.01%	0	0.00%
17-21	134	1.76%	107	1.44%	105	1.42%
>21	7471	98.20%	7301	98.54%	7285	98.58%
Ethnicity						
White	6420	84.38%	6254	84.41%	6203	83.94%
Mixed	82	1.08%	85	1.15%	88	1.19%
Asian or Asian British	786	10.33%	781	10.54%	820	11.10%
Black or Black British	86	1.13%	83	1.12%	81	1.10%
Other	142	1.87%	101	1.36%	103	1.39%
Not stated	92	1.20%	105	1.42%	95	1.29%
Gender						
Male	1712	22.50%	1597	21.55%	1598	21.62%
Female	5896	77.50%	5812	78.45%	5792	78.38%
Recorded Disability	183	2.40%	196	2.65%	199	2.69%

As at 31 March 2016, our board of directors was seven male and seven female. Our senior executives, as defined by the appointments, remuneration and terms of employment committee, were five female and two male.

Attendance management

The rolling 12 month sickness absence rate has decreased over the year from 5.25% to 5.21%. Following the launch of the sickness absence management strategy in March 2015, a reduction in absence was achieved over six consecutive months, although absence rates increased again over the period October 2015 to January 2016.

The reporting of workforce data in relation to absence trends has developed with more detailed information being provided through organisational and divisional reports. This has enabled the creation of action plans for areas of concern, which link to wider workforce priorities such as staff engagement.

Throughout the year there has been a sustained focus on early intervention in managing long term absence and as a result the incidence of long term absence beyond six months has significantly fallen. Work is continuing to embed absence management standards
and over 400 managers have been trained to ensure that they have the skills and confidence to support employees and promote attendance.

The health and wellbeing strategy has also been revisited and a three year action plan (2015/18) agreed. A monthly calendar of health promotion events has been launched and employees have been encouraged to participate in events such as Workout At Work Day and Dry January. A key achievement is the opening of a Health and Wellbeing Centre at Royal Preston Hospital, from which activities including smoking cessation clinics, weight management classes and complementary therapies have started to be delivered.

Equality and diversity

Since the Equality Strategy was approved by board in January 2015, significant progress has been made in implementation of the action plan.

From a workforce perspective, achievements include:

- Further expansion of the apprenticeship programme
- Continuation of the Skills For Health programme, aimed at supporting people with disabilities back into the workplace
- Continuation of the Workforce Familiarisation programme aimed at supporting young people with learning disabilities to understand the world of work and provide opportunities for job carving

Equality impact assessments have been undertaken in respect of access to training and development opportunities and participation in the Talent Management programme. Strategies to increase access to under-represented groups are being developed.

Further developments planned include the engagement of employee equality champions and the review of equality, diversity and inclusion training.

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
- Held the inaugural ‘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
- Consulted with young people in relation to transitioning from child to adult health
- Revised the Hospital Passport to ensure it meets the requirements of all patients
- Standardised Translation and Interpreter services across the organisation

Future developments planned for 2016/17 include:

- Development of NHS England's Accessible Information Standard
- Development of Easy Read Information for specific services
- Exploration of the use of video sign language for the deaf community
- Production and publication of information regarding access to services in sign language via social media
- Re-establishment of a disabled service users group to carry out Equality Impact Analysis of existing and proposed services

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.

It builds upon significant activity over the past two years, recognising that culture change and improving staff engagement is a long term process. In addition to corporate level engagement initiatives, the 2016/18 plan introduces a number of new elements:

- Enable team engagement through the development and utilisation of a team level diagnostic and interventions
- A whole systems approach to the staff survey
- Developing a sense of 'Team LTH' through corporate level engagement events
- Using multimedia as a way to reach out to staff and educate and engage with them
- Creating new ways in which we can celebrate staffs achievements and demonstrate how we reward and value all contributions.

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 2015 show that staff engagement levels have been maintained from the 2014 results which is pleasing to note. Within 'engagement' there is a positive increase in terms of 'enthusiasm' with 72% of staff reporting they are enthusiastic about their job, compared with 69% last year. 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 look forward to coming to work and time passes quickly whilst at work.

However, only 54% of staff would recommend the organisation as a place to work, in comparison to 62% last year. Areas which have seen a reduction include staff reporting they feel less able to show initiative in their role or make improvements happen in their area of work. These results are disappointing and are the focus of the staff engagement plan, the actions being designed to bring about tangible improvement in engagement levels and bring about cultural change to enhance staff experience of the workplace.

Staff Survey

Following the publication in February 2016 of the 2015 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 2015 survey was completed with a response rate of 35.3% which, disappointingly, is a decrease on the previous year's response rate. This may be partly due to a change in process which has meant that for the first year every member of staff was given the opportunity to complete the survey online only, meaning that staff who do not frequently need to use a computer or access their e mails on a regular basis may not have completed the survey.

We are disappointed to note that there has been a deterioration of scores from the 2014 survey. Compared to the 2014 survey the Trust has scored significantly better on only 3 questions, significantly worse on 12 questions and remained stable on 45 questions. However in the previous year's survey we scored significantly better on 29 questions, worse on only 3 questions and showed no significant difference on 53 questions.

In the previous year's survey we scored better than average on seven of the 91 questions and worse on 25, whereas in 2014 we scored better than average on 26 questions and worse on only 10.

The areas which have improved in 2015 include the level of staff reporting harassment, bullying or abuse from patients, relatives or the public in the last twelve months. This has continued to decrease and is better than the national average for acute trusts, equally staff reporting experiencing physical violence from staff, patients, relatives or the public has also remained below the national average. There have been further improvements in staff reporting that they feel pressured to come into work whilst feeling unwell and staff feeling they do not have to work extra hours.

Areas which have worsened in the last 12 months include staff feeling increasingly dissatisfied with the quality of work and care they are able to deliver, they report experiencing higher levels of stress, feel less cared for by the organisation and less motivated at work.

The tables below show the response rates and the top and bottom ranking scores in the annual NHS Staff Survey 2014 in comparison to 2013.

Top 5: *(L) = Lower score better, (H) = Higher score better*	**2015**		**2014**	
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	**11%**	14%	**12%**	14%
(L) % of staff experiencing harassment, bullying or abuse from patients, relatives or the public in the last 12 months	**25%**	25%	**23%**	29%
(L) % of staff feeling pressured in the last 3 months to attend work when feeling unwell	**55%**	59%	**54%**	unknown
(L) % of staff experiencing physical violence from staff in the last 12 months	**1%**	2%	**2%**	3%
(L) % of staff working extra hours	**70%**	72%	**71%**	71%

Bottom 5: *(L) = Lower score better, (H) = Higher score better*	**2015**		**2014**	
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	**3.81 out of 5**	3.93 out of 5	**N/A**	N/A
(H) % of staff suffering work related stress in the last 12 months	**40%**	36%	**39%**	37%
(H) Organisation and management interest in, and action on health and wellbeing	**3.47 out of 5**	39.7 out of 5	**N/A**	N/A
(H) Staff motivation at work	**3.89 out of 5**	3.94 out of 5	**3.86**	3.86
(H) Effective team working	**3.70 out of 5**	3.73 out of 5	**3.73**	3.74

Further analysis has been undertaken to identify the themes from both the survey ratings and free-text comments. These themes were 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 were:

Positive Themes	Negative Themes
1. Job enthusiasm 2. Support to receive learning 3. Managers taking a positive interest in health and wellbeing	1. Managers involvement and communication 2. Raising concerns about clinical practice 3. Feeling valued and recognised

The high level actions which are incorporated within the staff engagement action plan detail how we plan 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 Senior Leaders Development Programme has been delivered to 3 cohorts in the last 12 months to staff Bands 8a and above. This twelve month programme is endorsed by the Institute of Leadership and Management at Level 7. Increasing emphasis is being given towards talent management in the Trust, with nearly 60 staff completing the 'Rising Stars' career development programme. Management development and clinical leadership development also continues to be a major focus for the team, with approximately 250 leaders completing a leadership development programme annually.

Compliance with our mandatory training target has increased by 3% (71% total) compared with March 2014. Mandatory training via e-learning is now established and 1728 members of staff have completed their mandatory training using this method over the past twelve months. This is an increase of 18% on last year. Saturday and evening mandatory training sessions continued to be scheduled throughout the year to afford staff maximum access. The risk management training team has been working closely with directorates to help improve their mandatory training performance. Monthly meetings have focused on scheduling individual staff members with mandatory training dates.

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 continue to be recruited via centralised recruitment assessment centres and have a specialised induction training programme to prepare them for their role before commencing on the clinical areas. The number of these staff recruited and inducted this year has doubled to over two hundred new starters.

- A career development programme is in place to ensure health care assistants have a structured development pathway, with opportunities for progression to assistant practitioner posts and some funded widening access opportunities into nurse training. The team are preparing for the introduction of the care certificate for all new band 2 health care assistants to the Trust.

- The staff nurse development pathway continues via the preceptor-ship programme, the current issues in acute care programme, the clinical skills framework and the preparing to lead course.

- The acute illness management (AIM) course delivery has increased to eighteen courses over the past twelve months from thirteen last year. This course is for multi-professional staff

including all foundation year 1 doctors and a new AIM for health care assistants is now running 4-6 times a year.

- The structured cascade system for electrocardiograph (ECG) training and assessment continues and the new trauma support course for patients once they leave the emergency department through to rehabilitation has been delivered four times this year. A new vascular nursing programme is being developed and is due to commence in September.

- Fortnightly doctors' assessments and twice yearly clinical skill assessments for new foundation doctors ensures all new medical staff have the range of essential skills

- The realignment of the educational teams has provided a great opportunity for the different clinical skills teams to unite and start working together, sharing expertise and resources.

- The simulation team continue to expand the range of courses offered and have widened opportunities for multi-professional staff to use the simulation facilities including the provision of simulated scenarios for the third year student nurses.

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. The rota not EWTD complaint is under review currently.

Directorates continue to review the efficiency of rotas, whilst at the same time ensuring that training needs are appropriately delivered alongside service developments. Significant challenge 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

2015/16 was a year of growth and positive financial returns for the Occupational Health joint venture with two other local Trusts. A number of commercial contracts are in place and reductions in overall running costs have been achieved. There have been challenges, particularly in recruiting to vacant posts and the standardisation of systems and processes. It has been agreed that a period of consolidation is now required to enable the service to focus on the development of clinical models, workforce review and standard operating procedures. Future plans for the joint venture include the development of an Occupational Health research unit and a consolidated estates strategy.

A full range of occupational health services continue to be provided for our employees and this includes physiotherapy and counselling. Proactive interventions are planned, including a formal research study relating to reducing musculo-skeletal injury and the implementation of a Mindfulness programme, which will enhance the psychological wellbeing support available for employees.

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 2016, for more than £220 per day and that last for longer than six months:

Number of existing engagements as of 31 March 2016	14
Of which:	
Number that have existed for less than one year at time of reporting	10
Number that have existed for between one and two years at time of reporting	2
Number that have existed for between two and three years at time of reporting	2

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 2015 and 31 March 2016, 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 2015 and 31 March 2016	11
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	11
Number for whom assurance has been requested	8
Of which:	
Number for whom assurance has been received	1
Number for whom assurance has not been received	7
Number that have been terminated as a result of assurance not being received	0

Of the 7 workers for whom assurance has not been received, 3 workers are within the deadlines set. 4 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 2015 and 31 March 2016:

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.	0

Staff exit packages

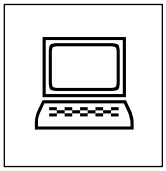
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
<£10,000	1	13	14
£10,000 - £25,000	0	9	9
£25,001 - £50,000	1	3	4
£50,001 - £100,000	0	3	3
£100,001 - £150,000	1	0	1
£150,001 - £200,000	0	0	0
Total number of exit packages by type	3	0	3
Total resource cost	£179,188	£557,406	£736,594

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	28	£557,406
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	28	£557,406

Values of special severance payments approved by Monitor

Minimum value	£2,147
Maximum value	£85,000
Median value	£10,867



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

NHS FOUNDATION TRUST CODE OF GOVERNANCE AND OTHER DISCLOSURES

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.	5, 22 – 24, 90
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.	19 – 23, 39 – 41, 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.	90, 91
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.	90, 91
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.	19, 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.	19 – 22, 24
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	19, 20, 22
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.	39 - 41
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.	40
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.	19
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.	24, 90
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, 41, 43, 44, 82, 103

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).	25, 76 – 78, 84, 85
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.	87, 88
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.	102
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.	99 - 103
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.	24, 90 - 92
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.	94 - 98
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, 93
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.	94 - 98
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.	22, 90

"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;	53, 54
The foundation trust's policies in relation to disabled employees and equal opportunities;	52, 53, 83
Information on health and safety performance and occupational health;	15, 16, 57
Information on policies and procedures with respect to countering fraud and corruption;	102
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	12
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;	7, 36, 37, 86, 87
Consultation with local groups and organisations, including the overview and scrutiny committees of local authorities covering the membership areas	36
Any other public and patient involvement activities.	36
The number of, and average additional pension liabilities for, individuals who retired early on ill-health grounds during the year.	Note 6.3 to the accounts
Detailed disclosures in relation to "other income" where "other income" in the notes to the accounts is significant.	Note 4 to the accounts
A statement that the NHS foundation trust has complied with the cost allocation and charging guidance issued by HM Treasury	12
Sickness absence data	52
Details of serious incidents involving data loss or confidentiality breach	82, 83

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
Equality reporting	52, 53, 83
Slavery and human trafficking statement (Modern Slavery Act 2015)	25

REGULATORY RATINGS

Monitor

Since 1 April 2013 all NHS foundation trusts need a licence from Monitor stipulating specific conditions that they must meet to operate, including financial sustainability and governance requirements. The risk assessment framework sets out the Monitor approach to overseeing NHS foundation trusts' compliance with these requirements.

The aim of a Monitor assessment under the risk assessment framework is to show when there is:

- a significant risk to the financial sustainability of a provider of key NHS services which endangers the continuity of those services and/or
- poor governance at an NHS foundation trust.

In our annual plan 2015/16, we identified risks in relation to the delivery of targets for accident and emergency and 62 day cancer waits. Details of performance against targets in year and the action taken to respond to areas of concern are set out on pages 10, 77 and 78, with additional information in the Quality Report.

During 2014/15, the Trust has been regulated using Monitor's risk assessment framework. Two risk ratings are published for each NHS foundation trust:

- **Financial Sustainability Risk Rating (FSRR)**
  The Trust has a FSRR of 2. Using the scale 1,2,2*, 3 and 4 (where 1 represents the highest risk), the rating compares key financial metrics consistently across all NHS foundation trusts and reflects the likelihood of a financial breach of an NHS foundation trust's provider licence conditions.

- **Governance risk rating**
  The Trust has a "red" governance risk rating. Under the risk assessment framework, a "green" risk rating means that there are no evident concerns, and a "red" rating means that Monitor is taking enforcement action. Where Monitor has identified a concern within a foundation trust but not yet taken action, a narrative description is provided which states the issue at hand and the action it is considering.

  In June 2015, Monitor took regulatory action by imposing an additional licence condition on the Trust. We provided a number of enforcement undertakings to Monitor, which sought to address the concerns they had raised, including:
  (i) the development of a short term recovery plan,
  (ii) the development of a longer term sustainability plan, and
  (iii) improving our corporate governance and financial management standards.
  Further details of the enforcement undertakings and the Trust's progress in fulfilling them are set out in the '*Financial governance*' section of the Annual Governance Statement.

Care Quality Commission Inspection

The Care Quality Commission (CQC) inspection in July 2014 highlighted many positives for the organisation, including good quality, caring, effective services. They identified some outstanding practice and innovation, for example, medical review in accident and emergency, the Trust's dementia friendly environment, our proactive elderly care team, the work of the alcohol liaison service, speech therapy input into our neonatal service, end of life care and innovations in pain relief for patients with

neck of femur injuries. However, the CQC also shared our concerns about the impact of demand on services, identifying risks associated with the high levels of patient numbers, often with complex health problems, that we were experiencing. The Trust continues to work closely with commissioning colleagues and partner organisations in the community to put in place meaningful and sustainable solutions. The Trust completed the action plan in March 2015 and is awaiting a re-inspection.

Overall, the Trust was rated as 'good' in three areas and 'requiring improvement' in two areas, and was noted as having some areas of outstanding practice and innovation.

Inspection Area	Rating
Safe	 Requires Improvement
Effective	 Good
Caring	 Good
Responsive	 Requires Improvement
Well Led	 Good

Achievement of performance targets

Overall, during 2015/16 the organisation achieved compliance against a range of performance standards including referral from GP cancer waiting times, cancer treatment started within one month of decision to treat and infection prevention standards.

However, the Trust has failed to achieve its objectives in relation to accident and emergency waiting times, the 18 week Referral To Treatment incomplete target and, 62 day cancer treatment. This was largely due to significant emergency demand experienced throughout 2014/15 that adversely impacted on compliance with access standards and the Trusts elective care programme.

Access Standards

4-hour wait standard

Non-compliance in relation to the four hour wait target resulted from significant and sustained non elective pressures experienced throughout 2015/16. The Trust was non-compliant from Quarter 3 2015/16 onwards.

In the first two quarters of 2015/16 the four hour wait standard was achieved due to the hard work of all staff and the introduction of additional beds within the spiral and beechwood units.

In quarter three, the Trust dipped below the ED standard and then in quarter four, a surge of ED attendances (January 2016 as up by 13% on January 2015) caused a rapid deterioration in ED performance. Across the local health economy, the seasonal resilience plan included the following initiatives which were expected to impact on the level of acute non-elective demand and the flow of patients through the non-elective care pathway:

- Access to step-up/step-down facilities with the implementation of services with a maximum capacity of 48 beds. These beds were made available through a staged deployment into Q1 2015/16 and significantly improved ED performance within quarters one and two.
- An additional Intensive Home Support scheme creating a virtual ward in the community came on line during Q4 2014/15.
- Additional crisis hours have been made available in the Emergency Department
- The Urgent Care Centre at Chorley and South Ribble Hospital continued to be developed and the CCG started a procurement exercise for Urgent Care services. The Trust is part of a coordinated bid for this reconfiguration.

18 week aggregate referral-to-treatment standard for patients requiring admission
Elective Cancelled Operations

The level and acuity of non-elective demand during 2014/15 impacted upon our capacity to deliver the elective care programme. This resulted in a steady growth in the number of patients waiting over 18 weeks for admitted care treatment from July 2014 onwards. The Trust, utilising independent sector capacity in quarter 4 of 2014/15, put a plan in place to deliver a reduction in the backlog level, however this has resulted in overall non-compliance in relation to the 18 week admit target during quarter 4 2014/15.

As a consequence of the capacity pressures experienced during 2014/15 the level of cancelled elective operations rose in quarter 3 and quarter 4 of 2014/15, mainly as a result of bed capacity constraints. This resulted in a larger than expected number of cancelled patients that could not be rescheduled within 28 days.

Cancer targets

We have maintained compliance against all of the cancer standards for each quarter in the year with the following exceptions:

- 62-day wait from urgent GP referral for suspected cancer

  Performance against this standard has improved throughout the year (Quarter 1 – 77.6%, Quarter 2 - 80.4%, Quarter 3 - 82.1%) as a result of embedding cancer specific pathways for all tumour sites and utilising the accompanying CancerTrack monitoring tool.

- 62-day wait from referral from a National Screening Service for suspected cancer

  Very small numbers of patients are referred to the Trust via the national screening services (including breast, bowel, and cervical) therefore a very small number of breaches can significantly affect compliance. There were eight breaches during quarters 3 and 4 that resulted in overall non-compliance. The patients tended to have complex conditions and co-morbidities that required more complex treatment planning and interventions. This has led to irregular performance throughout the year.

Emergency planning

Under the Civil Contingencies Act 2004, we are a category one responder to major incidents with specific responsibilities and we are required to be able to respond to emergency situations. We are a key member of a number of established committees to coordinate the local and regional response, including the Lancashire Resilience Forum. We work closely with key partners, such as Lancashire Constabulary, Lancashire Fire and Rescue Service, North West Ambulance Service, Lancashire

County Council and the Government News Network to ensure the major incident response is appropriate, rapid and coordinated.

Locally, the emergency planning committee meets quarterly and is responsible for developing responsive plans and processes to meet major external incidents such as those which will produce mass casualties. An important part of this work is to prepare business continuity plans so that, in the event of a major incident, our provision of acute care is maintained as far as is reasonably practicable.

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
26 May 2016

ANNUAL GOVERNANCE STATEMENT 2015-16

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 2016 and up to the date of approval of the annual report and accounts.

The responsible leads

As Accounting Officer, I have overall responsibility for risk management within the Trust. This responsibility is incorporated within the risk management strategy, which identifies the following senior managers as accountable to me, but having lead responsibility for the following:

Overall corporate risk (Board Assurance Framework):	Company Secretary
Clinical governance:	Medical Director working with Nursing Director
Health, Safety and environmental governance:	Divisional Director of Estates and Facilities
Financial risk:	Finance Director
Compliance with Monitor regulatory framework:	Finance Director
Compliance with CQC regulatory framework:	Nursing Director
Information risk:	Finance Director (as Senior Information Risk Owner)

Workforce: Director of Workforce and Education

The Associate Director Patient Safety and Governance has responsibility for leading and co-ordinating the development and implementation of the risk register and risk management policies and the delivery of the risk management strategy in order to comply with the Trust's Provider Licence and Care Quality Commission regulatory frameworks.

The Company Secretary has responsibility for coordinating the development of the board assurance framework to ensure it 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 Divisional Director of Estates and Facilities advises on health and safety, security, fire safety, environmental management, medical devices management and all aspects of emergency planning and business continuity.

Each Division/Directorate has its own local risk management strategy, which reflects that of the organisation. All levels of management understand and implement the risk management strategy and ensure that relevant documentation is disseminated to all staff.

Risk management forms part of the daily duties of all staff. Risk management training is provided to a level that enables staff to fulfil their responsibilities in protecting themselves, others and the organisation from risk. The requirement for risk management training is identified in a 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. All staff are encouraged to report risks and potential risks through incident reporting systems. Policies and procedures based on best practice are available to all staff.

Overview of our risk and control framework

The board has approved the risk management strategy, and it is reviewed by the risk management committee and the board 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.

The risk management committee is a committee of the Board which meets on a bi-monthly basis. A systematic process for assessing and identifying risk is conducted at departmental level. The risk assessments are rated and this information is utilised to populate the risk register via our sophisticated online Datix system. Divisions and directorates are responsible for mitigation and monitoring of all minor and moderate risks. Significant and major risks are escalated by way of reporting by Divisions to the risk management committee. 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.

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 system resilience group which provides strategic leadership to the development and delivery of a health economy commissioning strategy. We would elevate relevant risks relating to emergency care, urgent care, long term conditions for discussion at this forum. In particular, the Trust's significant risks relating to staffing shortages within the Emergency Department at our Chorley site have been escalated to the system resilience group for urgent review and consideration.

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 2015/16 was 81% and was graded as satisfactory (green) with Level 2 being achieved. This demonstrates an achievement for the IG Team, as both analysts were new in post and shows a strong commitment by the team in maintaining standards in accordance with last year's position of 82% being achieved, with achievement of the minimum level two compliance in 25 out of 45 requirements and achievements of Level three compliance in a further 19, with one requirement not relevant to the Trust.

Board assurance framework

Each risk on the board assurance framework is aligned to a dedicated committee, which reviews all risks assigned to it at each meeting. Additionally, the board reviews the entire board assurance framework at each meeting.

The Trust uses a 5x5 matrix to assess and rate risks, which are categorised and reported as detailed below:

High risks (score 15-25)	All new and existing high risks are reviewed at the risk management committee bi-monthly, where actions to mitigate risk and address controls, gaps and assurances are reviewed
Significant risks (score 8-12)	All new and existing significant risks are reviewed by the risk management committee bi-monthly.
Moderate risks (score 4-6)	Directorates and divisions are responsible for reviewing any new and existing moderate risks in conjunction with responsible officers. Treatment plans are developed and monitored.

Low risks (score 1-3)	Directorates and divisions are responsible for reviewing any new and existing low risks, in conjunction with responsible officers. Treatment plans are developed and monitored if appropriate.

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;
- the risk management committee and sub-committees;
- the operational risk register;
- the board assurance framework;
- the incident reporting system;
- risk management training for staff, including induction training, statutory and mandatory training

There is evidence of an open and accountable reporting culture and staff are encouraged to identify and report risk issues. This is monitored through incident reporting trends.

The board assurance framework covers all the Trust's main activities and is directly linked to the Trust's objectives as set out in the annual plan. The assurance framework identifies how the Trust obtains internal and external assurances in respect of the various 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.

The Company Secretary coordinates the process by which risks on the board assurance framework are reviewed, monitored and mitigated. The executive team evaluate the board assurance framework on a monthly basis, and individual risks are aligned to the board sub-committees and are subject to review at each sub-committee meeting. Additionally, the board reviews the entire board assurance framework at each meeting. The board assurance framework is time bound in line with board reporting timelines however we produce an accompanying executive summary, which is a 'live' document detailing any key developments since the reporting date of the board assurance framework.

The major risks for the Trust, as identified within the board assurance framework for 2015-16, 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. introduction of the agency caps by Monitor;
6. the inability to recruit and retain the required number of nurses;
7. continuing difficulties in recruiting to key divisional posts;
8. the strike action by junior doctors; and
9. the current configuration of our EPR system.

The board assurance framework has evolved in terms of structure and format. Additional risks associated with the financial pressures facing health and social care services and the consequences of these have been included during the course of the year. This is a dynamic process responding to national funding strategies.

Major risks for 2015-16

The major risks for the Trust, as identified within the Board Assurance Framework for 2015-16, include:

1. *The supply of consultants and doctors in training in specialised roles may be insufficient to implement plans for service concentration and growth.* The workforce shortages are particularly severe for middle grade doctors within Emergency Medicine. Key controls include workforce plan, medical workforce strategy developed and implemented, recruitment and selection strategy developed and enacted, monitoring of staff vacancies on-going, procedures for the use of agency staffing in place, medical vacancies monitored, guidance on recruitment options and employment models developed to aid fill, engagement with HEEN in Commissioning plan and medical workforce planning, and managed medical locum service in place.

2. *If our financial plan is not sustainable and we do not deliver on our undertakings to Monitor, the resulting impact is a reduction in our financial sustainability risk rating of 2, there may be a detrimental impact on patient care, staff morale and the Trust's reputation and the Trust may incur further regulatory action as a result.* Key controls include organisation-wide financial plan, contingency arrangements and risk analysis, Monitor financial regime and financial risk ratings, productivity and savings schemes information available Trust-wide to share schemes, risks, progress and achievements; Transformation and business delivery team implemented to support the delivery of PET schemes; ePMO system implemented; Joint Financial Recovery Board with the clinical commissioning groups (CCGs) established to improve openness and transparency, and Finance and Investment Group with the CCGs established to support the delivery of the Our Health Our Care transformation programme. Further details of how we have sought to strengthen our financial governance arrangements and ensure we have a viable financial plan can be found in the '*Financial governance*' section below.

3. *If we are not able to deliver against the targets and indicators set within the Regulation and Compliance frameworks (including Monitor, Care Quality Commission (CQC)), this may lead to poor patient experience, outcomes and regulatory action*. Key controls include clear executive director accountability, board cycle of business ensuring scrutiny of review, CQC and Monitor compliance reporting. Monitor, CQC and clinical commissioning group (CCG) requirements (subject to weekly, monthly, quarterly and annual monitoring), CQC Compliance framework developed and updated quarterly including divisional inspections, action plans being developed; external review of governance commissioned (March 2014), evidence compiled as a self-assessment resulted in amber/green assessment, quarterly analysis of provider licence conditions by the Board.

4. *Sub-optimal patient experience as a consequence of high levels of bed escalation, occupancy and patient cancellation.* Key controls include clinical review of patients who have had frequent ward moves or been in hospital for more than 21 days, change for the future work programmes, improvements in patient pathways, flexible demand led bed modelling tool, winter and escalation plans, external consultancy work, implementation of Delayed Transfers of Care improvement programme, staffing reviews, implementation of an integrated discharge team, discharge to assess model and frailty service.

5. *Introduction of the agency cap by Monitor may lead to the inability to fill key posts which may impact on patient safety, delivery of key targets and continuity of services (capacity and finance activity).* Key controls include workforce plan, medical workforce strategy developed and implemented, recruitment and selection strategy developed and enacted, monitoring of staff vacancies on-going, procedures for the use of agency staffing in place, medical

vacancies monitored, guidance on recruitment options and employment models developed to aid fill, engagement with HEEN in Commissioning plan and medical workforce planning, and managed medical locum service in place.

6. *If we are unable to recruit and retain the required number of nurses, it will impact on the delivery of quality services, patient and staff experience of care.* Key controls include organisation wide recruitment strategy with a rolling monthly recruitment for health care assistants and registered nurse posts, overseas recruitment as an intermediate measure, daily staffing meetings with each division to ensure appropriate organisation and deployment of available workforce, and to maximise retention speciality specific strategies for service change are supported by workforce plans.

7. *Inability to recruit to key divisional posts (at Divisional Director and Clinical Director level) may lead to a failure to effectively manage and implement organisational priorities.* Key controls include utilisation of senior managers to support roles; support of the business transformation unit; Heads of Nursing in post in all three divisions; Operations Director and Divisional Director for specialist services supporting the chairing of the Divisional boards in surgery and medicine; Operations Director, head of transformation and Divisional Director for specialist services meet with all the Divisional teams weekly; appointments of an interim performance director and an interim Divisional Director for Medicine; implementation of a divisional restructure; weekly reporting to Executive Team; and regular meetings with the Operations Director, general managers and operational management team to monitor the risk.

8. *Strike action of junior doctors which would lead to delays in clinical decision making and may impact on patient safety (as a result of reduced staffing levels) and delivery of national targets resulting in a loss of income for the Trust.* Key controls include business continuity plan, discussions with unions, assessment of continuing care requirements, scope of services and staffing levels retained through consultant cover.

9. *Current configuration of EPR system limits our clinical pathway functionality and does not have an ability to run multiple clock stops and starts through clinical pathways. This presents a risk to our ability to report accurately against national targets and presents a patient safety risk.* Key controls include manual data validation, PTL reporting management, RTT task group established, robust action plan developed, interim lead for RTT transformation appointed, external assurance sought.

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

Our regulatory environment

With respect to Care Quality Commission (CQC) compliance, the last CQC inspection was in July 2014 and, overall, the Trust was rated as ‘good’ in three areas and ‘requiring improvement’ in two areas, and was noted as having some areas of outstanding practice and innovation. The Trust completed the action plan in March 2015 and is awaiting a re-inspection. The organisation is fully compliant with the registration requirements of the Care Quality Commission and CQC reports are provided to the board and the risk management committee on a quarterly basis.

With respect to the Risk Assessment Framework, reports on the quality governance framework underpin the quarterly submissions to Monitor and the board formally reviews compliance against our provider licence conditions by way of a ‘provider licence compliance report’ on a quarterly basis; section A of this report sets out a self-assessment of our compliance at the end of the relevant quarter against our provider licence and section B of this report sets out a self-assessment of our

compliance at the end of the relevant quarter against the additional licence condition imposed by Monitor on 18th June 2015. Further details of the additional licence condition, our enforcement undertakings in relation to it and our progress in fulfilling the enforcement undertakings, are set out in the '*Financial governance*' section of this annual governance statement.

By having regard to our compliance against the CQC standards and Monitor's quality governance framework on a regular basis, we are able to continually evaluate the overall performance of the Trust.

FT governance condition

The principal risks to compliance with condition FT4 of the Trust's provider licence ("the FT governance condition") are as follows:

- performance against the 18-week referral-to-treatment incomplete standard (RTT) is anticipated to fail until quarter four of 2016-17 due to an increase in the elective and non-elective activity in 2015/16; and
- performance against the 4-hour emergency department waiting time was achieved in quarter 1 and quarter 2 but failed in quarter 3 and quarter 4 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 seek 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.

During November 2015, a risk to delivery of the 92% RTT standard was identified, that triggered a review of the RTT waiting list. As discussed with Monitor and our local clinical commissioning groups, the review identified a cohort of patients that had not been monitored, treated and reported in line with RTT guidance and identified a number of over 52 week waiters. The Trust is currently prioritising the over 52-week waiters. This finding has exacerbated the ability of the Trust to deliver the 92% incomplete RTT target. The Trust has an active RTT team in place which is currently working with the EPR supplier to improve the recording of multiple RTT periods within a clinical pathway and will then move onto a comprehensive review of all clinical pathways and an improvement of the system to ensure that recording clinical pathways and RTT periods is straightforward and easy to maintain. It is anticipated that performance for the Trust will get worse in quarter one 2016/17 and this will be followed by a stabilisation period before a rapid improvement in the final quarter of the financial year.

With respect to demand and capacity modelling, the Trust has been working in partnership with IST for all service delivery areas which have been used to create recovery action plans which are jointly owned with CCG. It has been highlighted in quarter four that demand management is going to be a key element in the recovery of the RTT position in 2016/17. Alongside this the CCG are building plans to deflect referrals to other providers where possible and reduce referrals for procedures of limited clinical value.

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. The severe staffing issues arose for a number of reasons: there is a national shortage of emergency medicine doctors; we have not been allocated enough doctors in training who help us staff our rotas; and the application of the national agency cap has affected our ability to secure locums to fill gaps in the rota. Risk assessments have been shared with the System Resilience Group (being the group which oversees urgent care in the local area comprising Chorley & South Ribble CCG, Greater Preston CCG, Lancashire County Council, Lancashire Care and North West Ambulance Service), NHS England and Monitor and a temporary

service change to the emergency department at Chorley and South Ribble Hospital was implemented on 18th April 2016 and the System Resilience Group continue to meet on a weekly basis to review the risk assessments and the minimum requirements for reinstating the emergency department.

The specific actions we have taken to support improved patient flow are:

- Internally the Trust has continued to embed the principles of the Perfect 365, and has continued to work with the ECIST team throughout the year. A specific piece of work focussed on patient flow across the medical specialties has commenced with the support of an external consultancy (FourEyes).
- The Trust is working with health economy colleagues on discharge from the hospital through a joint post that is leading the introduction of an Integrated Discharge team. To complement this piece of work the Trust is also participating in a national DToC improvement programme which commenced in March 2016.
- The completion of the building works for the urgent care centre at Chorley and South Ribble Hospital. A tender process for the urgent care service has also been commenced by the CCG and is expected to be implemented in September 2016. The Trust has temporary mobilised the service provision established in its joint bid with Lancashire Care FT and GP partners to support the ED staffing crisis.
- Continued review and service development of the step up/step down facilitates which were implemented during 2015/16 which has included a CCG service needs review that is expected to have been completed in Quarter 1 2016/17.

The Trust continues to experience high levels of escalation, medical outliers and compromised patient flow, despite these actions being taken. The longevity of system resilience is dependent on all stakeholders across the local health economy and whilst we are fully engaged in the 'Better Care Fund' ambitions recent experience would indicate a gap between strategic aim and tangible operational delivery. We therefore anticipate that there will be continued operational and subsequent compliance issues against key access targets during 2016-17.

The Trust is intending to validate all parts of the clinical pathway through the organisation to ensure that consistency is applied in processes and reporting. This will include working closely with CCG colleagues to control referral demand.

The Trust is required under licence condition FT4(8)(b) to submit a corporate governance statement to 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 Monitor 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.

Financial governance

In June 2014 the Trust's five year strategic plan identified a deteriorating financial position requiring external financial support from 2016/17. Consequently the Trust has been working on a regular basis with Monitor. In addition it has invested in a business delivery unit to support services achieving efficiency targets. The Trust is also undertaking a review of its sites with a view to maximising its ability to achieve further internal efficiencies. We are also taking the initiative within the local health economy to support service change, and within the wider health economy we play a significant role to support the 'Healthier Lancashire' campaign.

The most significant influence on the Trust's finances were the continued and significant resource and efficiency requirements driven by the national financial and quality initiatives. During 2014/15 we had a worsening operational environment resulting in an accelerating requirement for financial

support into 2015/16. As a consequence, in March 2015 Monitor opened an investigation into the Trust's compliance with its licence due to financial sustainability concerns.

In June 2015, 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 its 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.

As a result, on 18th June 2015 Monitor imposed an additional licence condition on the Trust pursuant to Monitor's powers under section 111 of the Health and Social Care Act 2012; the additional licence condition imposed additional governance requirements on the Trust. The Trust provided enforcement undertakings, which were accepted by Monitor, pursuant to Monitor's powers under section 106 of the Health and Social Care Act 2012. The enforcement undertakings seek to address the concerns raised by Monitor, which included reported forecast deficit and final cash balance for 2015/16, plans to request additional funding from the Department of Health, plans to recover the financial position and concerns over the financial governance arrangements and operational capacity to deliver the improvement required.

The enforcement undertakings we provided were as follows:

Financial Sustainability and Financial Governance

(i) The Trust will take all reasonable steps to deliver its services on a financially sustainable basis. As part of this, the Trust will take all reasonable steps to achieve an understanding of its drivers of deficit, improve its financial position and minimise its external funding requirement.

(ii) The Trust will engage with a financial improvement director and the Trust must provide access to such resources and support as is necessary and reasonable for the fulfilment of their role.

(iii) The Trust will work with Monitor and the financial improvement director to diagnose the drivers of deficit and a report on the drivers of deficit is to be submitted to Monitor.

(iv) The Trust will develop and submit a revised operational plan to reduce the planned deficit and funding requirement by 24 July 2015, or later as agreed with Monitor.

(v) The Trust will develop its cost improvement plans and a recovery plan for the 2015/16 financial year (the "Short Term Recovery Plan") by 18 September 2015 or later as agreed with Monitor, and the Trust must deliver the Short Term Recovery Plan.

(vi) The Trust must develop and demonstrate it can deliver a realistic and robust sustainability plan ("the Sustainability Plan") to deliver its services on a sustainable basis. In doing so the Trust must have a clear understanding of its service line reporting and the financial impact of each service.

(vii) The Short Term Recovery Plan and Sustainability Plan must include metrics and Key Performance Indicators (KPIs) that are necessary to monitor implementation of the plans.

(viii) The Trust must ensure it has adequate capacity and capability to develop and deliver the revised operational plan, the Short Terms Recovery Plan and the Sustainability Plan.

(ix) If the Trust does not have adequate internal capacity and capability to develop and deliver the Short Term Recovery Plan and Sustainability Plan it will obtain external support from a source and according to a scope and timing to be agreed with Monitor. If requested by Monitor, the Trust will commission an external assurance review of the Short Term recovery Plan and/or the Sustainability Plan.

(x) The Trust will keep the Short Term Recovery Plan and the Sustainability Plan under review.

Distressed funding

(i) Where financing is provided by the Secretary of State for Health (distressed funding), the Trust will comply with any terms and conditions attached to the financing.

(ii) The Trust will comply with any reporting requests made by Monitor in relation to such distressed funding.

(iii) Where such distressed funding is provided, the Trust will comply with any spending approvals processes that are deemed necessary by Monitor.

In summary, the above undertakings relate to three key areas:

- the development of a short term recovery plan,
- the development of a longer term sustainability plan, and
- improving our corporate governance and financial management standards.

Our progress against the undertakings

We monitor our progress against the above undertakings on a quarterly basis at Board level.

We issued our Short Term Recovery Plan to Monitor on 18th September 2015 in line with our enforcement undertakings, and we are currently developing a 5-year sustainability plan (STP) for Lancashire and a 5-year local delivery plan (LDP) for Central Lancashire, with our partners.

With respect to delivering our services on a sustainable basis, we are making significant progress with respect to mobilising the 'Our Health Our Care' transformation programme. Further details on the 'Our Health Our Care' transformation programme are contained in the '*Engaging with our partners and wider stakeholders*' section of this annual governance statement.

With respect to strengthening our governance arrangements, in August 2015 we refocused the scope of our Finance and Investment Committee and disbanded the Finance Subcommittee in order to strengthen our financial governance. In October 2015 we established a Joint Financial Recovery Board with the CCG to improve openness and transparency and to improve our wider financial governance and meetings are well underway. In 2014/15 we commissioned an external review of our board governance arrangements, following which we implemented an action plan during 2014/15 and 2015/16 with respect to the recommendations arising from the review. Our next externally commissioned well-led review will take place during 2017/18 and, in preparation for this, we have been self-assessing our board governance arrangements on a quarterly basis at the Risk Management Committee, and on an annual basis at Board level. We have also undertaken effectiveness reviews for each of our board subcommittees during Q4 in 2015/16 and Q1 in 2016/17.

We have had the benefit of a Finance Improvement Director from Monitor to provide scrutiny and challenge over our financial governance arrangements. In December 2015 Monitor moved the Finance Improvement Director to support another trust in financial distress. She was with us for only six months and her move was testament to the progress we have made.

We have gained a detailed understanding of our drivers of deficit; a paper was presented to our Finance and Investment Committee in March 2016 and to the Joint Financial Recovery Board with the CCGs in March 2016. This paper has also been shared with NHS Improvement. We have also gained a clear understanding of our service line reporting and the financial impact of each service; a paper on Service Line Management was presented to the Finance and Investment Committee in November 2015 and we aim to carry out a service line review for every service by October 2016.

We have developed KPIs for each of our key delivery strategies that will help us monitor implementation of our plans; the KPIs were included within our final Operational Plan which was submitted to Monitor on 18th April 2016.

With respect to our financial performance, 2014/15 was a challenging year for our finances and 2015/16 proved even more challenging due to the continued significant efficiency requirements as a result of the wider economic climate and the diminishing opportunities available. Despite this, we delivered our challenging CIP target for 2015/16 of £24.7m and we are developing a challenging £24.5m PET programme for 2016/17. Our Financial Recovery Board monitors delivery of the PET target and takes corrective action where appropriate. To mitigate risk to patient safety, we have in place a 'Quality Impact Assessment' and governance systems that requires clinical approval of all CIP schemes. We continue to maintain a financial sustainability risk rating of at least 2 for the next 12 months.

With respect to our external funding requirements, as a consequence of both the deteriorating position in 2014/15 and the 2015/16 position being even more challenging, the requirement for financial support has continued through 2015/16 into 2016/17. We requested funding from the Department of Health and on 1 December 2015 a final draft Interim Revenue Support Loan Agreement was issued by the Department of Health, as distressed funding. On 9th December 2015 the Board approved the terms of the £20.5m Interim Revenue Support Loan Agreement, which is repayable on 18 March 2018 and the purpose of which is to support the Trust's working capital position. The Trust has now fully drawn down the interim revenue support loan of £20.5m; this is shown as a long term liability on the balance sheet. For good governance, the Finance and Investment Committee routinely confirms compliance with the terms and conditions of the Loan Agreement and with the Additional Terms and Conditions in Schedule 8 of the Loan Agreement at every meeting. We are seeking to minimise our external funding requirement in 2016/17.

At the end of 2015/16, the Trust has made significant progress in fulfilling the enforcement undertakings, however the enforcement undertakings and the additional licence condition remain in place at the date of this report. We are currently working with our partners to develop a long term sustainability plan, and the financial standing for 2016-17 is based upon additional draw down of emergency funding, utilisation of the working capital facility and the Trust is yet to formally agree a proposed additional term loan for 2016-17.

Corporate governance

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 Monitor, the sector regulator for healthcare, 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. Contracts for non-executive and executive directors, and for director-equivalents, were updated last year to reflect revised statutory provisions.

The committee structure within the organisation has been amended in-year to allow for additional scrutiny of workforce issues. By establishing a Workforce Committee the board is confident that sufficient attention is given to this key area and the attendance of senior managers at this meeting provides the opportunity for in-depth discussion and challenge.

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

As referred to above, during 2015-16 we commenced effectiveness reviews for all 7 board sub-committees which are due to complete during Q1 of 2016/17, facilitated by our internal auditors. 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 will be refreshed.

In light of our enforcement undertakings, during 2015/16 there has been particular focus on strengthening our financial governance arrangements; in particular, redefining the scope of the finance and investment committee. All board members are members of this committee, which demonstrates its importance within our corporate governance arrangements. The committee oversees the delivery of cost improvements on behalf of the board and divisional directors continue to attend the committee on a rotational basis to account for their performance. We have also established a Financial Recovery Board which closely monitors the Trust's PET programme.

Information governance

We recognise that information and the associated processes, systems and networks are valuable assets and that the management of data has important implications for individuals and the organisation. Through our security policy, associated procedures and standards, we facilitate the secure and uninterrupted flow of information; both within the organisation and in external communications. Non-compliance with these policies, procedures and standards may result in disciplinary action and, where appropriate, legal proceedings. The policies and procedures include policies for and monitoring of internet use, encryption of sensitive data, access control and password management procedures, safe haven procedures for incoming and outgoing communications of a confidential nature, portable equipment security and physical environmental security.

The Trust's policy incorporates a documented mechanism for the immediate reporting and investigation of actual or suspected information security breaches and potential vulnerabilities or weaknesses within the organisation. We are also continually reviewing our processes for the transfer of data. Public awareness of risk management is addressed through presentations at public board meetings, as well as inclusion of specific references within the annual report. The risk management strategy is available on the Trust's internet site and hard copies are available on request.

During 2015-16 there were two serious incidents relating to information governance:

1. On 6 August 2015 blood samples were found to have not arrived at their intended location. Transportation and delivery of blood spot samples for newborn babies to the laboratory is undertaken by a third party. Due to confusion around payment to the third party, the third party withheld sending the tests to the laboratory and omitted to inform the Trust. The Trust was first made aware of this incident through its failsafe systems. Upon investigation it was identified that the relevant payment was received by the third party but it was against the incorrect account number. In order to prevent a re-occurrence of this, a bulk surcharge account has been activated. Measures have been put into place to prevent loss of any further samples. This incident has been resolved and closed.

2. On 1 March 2016 a member of staff emailed a spreadsheet which contained patient information to one of the patients contained within the spreadsheet in error. This incident was investigated locally and highlighted to the SIRO and Caldicott Guardian who agreed that this should be reported to the Information Commissioner's Office via the HSCIC serious incident reporting tool. The ICO has launched its investigation and we await the outcome.

Compliance with legislation

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.

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 2015 to March 2016
- papers relating to quality reported to the board over the period April 2015 to March 2016
- the Trust's complaints report published under Regulation 18 of the Local Authority Social Services and NHS Complaints Regulations 2009
- the 2015 maternity survey
- the 2015 national 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 2015-16, 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, divisional and directorate 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. Updates are provided on a quarterly basis to the board to support the Monitor submission.

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 2015/16 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 2015/16, the Trust declared compliance against the CQC fundamental standards. In July 2014, a routine inspection of the organisation was undertaken by the Care Quality Commission, and the Trust was found to be non-compliant in the following areas:

- Regulation 22 HSCA 2008 (Regulated Activities) Regulations 2010 Staffing:
  People who use services and others were not protected at all times against the risk associated with unsafe or unsuitable staffing due to vacancies within both nursing, midwifery and medical staff establishments particularly within the medical division and out-patients.
- Regulation 23 HSCA 2008 (Regulated Activities) Regulations 2010 Supporting Staff:

All staff were not appropriately supported to receive appropriate mandatory training updates particularly within child health services including training in advanced paediatric life support.

- Regulation 9 HSCA 2008 (Regulated Activities) Regulations 2010 Care and Welfare of service users:
  People who use the service are not always protected against the risk of receiving care or treatment that is inappropriate or unsafe as patient flow throughout the hospital meant some patients had a number of bed moves and an extended length of stay particularly in the medical division. There was a raised level of cancelled appointments and clinics were often cancelled at short notice and failed to run on time particularly within Ophthalmology outpatients. The admission and referral pathways to the High Dependency Unit were not clearly communicated and understood by all staff in order that patients received timely and responsive care and treatment.

In providing feedback, the Care Quality Commission acknowledged the requirement for a health economy solution to resolve the pressures on patient flows. In response, the Trust action plan reflected the range of health economy actions which were coordinated by the local area team and involved clinical commissioning group community service and social service providers as well as the internal action plan. The Trust confirmed delivery of the action plan in March 2015 confirming that health economy services would need time to mature and embed. The Trust is awaiting a re-inspection but no date has been identified by the Care Quality Commission.

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 directorates and divisions through the budgetary control system and weekly benchmarking system;
- periodic performance management of directorates and divisions by the Executive Team covering performance on key areas;
- periodic reporting to Monitor 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.

Engaging with our partners and wider stakeholders

We recognise that sustainable financial balance needs to come through engagement with the wider health economy requiring 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. We will work with Monitor and our stakeholders to achieve this objective. In particular, we are working with our partners to develop a sustainability and transformation plan for the whole of Lancashire and a local delivery plan for Central Lancashire.

We have made some great strides during this year in 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 2015/16. This is the transformational change programme that will develop new models of care for the central Lancashire health and care economy, which will make us clinically and financially sustainable in the long term. Work has been undertaken during the past year to mobilise this programme with our partners. In particular, we have undertaken work as a Trust to feed into this programme by;

- Developing a Clinical Service Strategy. This strategy sets out our principles as to how we want to work as an acute provider in the future, and separates our models of care into planned, unplanned and transitional care. This strategy was approved by the Board in October 2015 and was developed with staff and governors.
- Worked with our staff and governors through 'masterplanning' events to consider how we could deliver the Clinical Service Strategy, and what impact it may have on our sites. This led to the development of a Feasibility Study which indicated that radical changes to the way we deliver our models of care could help assure clinical and financial sustainability.
- Developing a health economy wide transformation programme. During the final part of 2015/2016, we built on the internal work undertaken though the Clinical Service Strategy and the Masterplanning process to take it to our wider partners and set up a Joint Programme Board to take this forward. The programme will now consider what new models of care we need to develop across the health and care economy to make sure we are clinically and financially sustainable for the future. It is clinically led, and we are working with our Clinical Commissioning Groups, NHS England, Specialised Commissioning, Community Services and local authorities.

As well as working with our local health economy through the Our Health Our Care programme, we have also been working on a Lancashire and South Cumbria footprint through the Healthier Lancashire programme. This programme seeks to set a clear vision for the health and care system across Lancashire and South Cumbria, and support it to develop solutions to deliver against a substantial financial gap. We have supported the development of the Alignment of the Plans work, which has set out the gaps in services and finances across the patch and has helped to develop

appropriate interventions. We continue to support and be engaged in the change programme at both a pan Lancashire level as well as the local level through the Our Health Our Care Programme.

One way that we are doing this is through the Lancashire Group of Hospitals; the five main provider trusts in Lancashire have agreed to form a collaborative group. A vanguard bid was submitted to signal our interest but unfortunately this was unsuccessful. Undeterred the Chief Executives and Chairs of all five organisations have agreed to establish a programme of work with 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.

There has already been a significant amount of scoping work started, with benefits already flowing through because of better purchasing power. We expect projects to develop over the next few years in clinical services as well as support services, and we intend the provider group to support the purpose and objectives of the Healthier Lancashire programme.

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 examples 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 executive directors compiled and scored the board assurance framework and undertake monthly reviews of assurance received or gaps identified;
- 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 assurance framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objective have been reviewed.

Conclusion

There were no significant internal control issues or gaps in control identified in 2015-16.

Mersey Internal Audit Agency, the Trust's internal auditors, provided an overall opinion of significant assurance, based on their work during 2015/16.

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

Karen Partington
Chief Executive
26 May 2016

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 2015/16, the council consisted of 27 governors, of which: 17 were elected governors who represent the public constituency (there was one vacancy as there can be up to 18 public governors at any given time); 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 two were appointed by local authorities (being Lancashire County Council and Preston City Council, with two vacancies remaining for Chorley Borough Council and South Ribble Borough Council, as there can be up to four local authority appointed governors).

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 2015, the terms of office of three public governors and one existing staff governor came to an end, which resulted in a contested election process. 1992 votes were cast in the public election and 72 in the staff election. This represents a turnout of 14.6% and 14.7% respectively.

At the end of March 2016, the terms of office of 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.

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 40. 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.

Board and council communications

As the chairman chairs both the board of directors and the council of governors, he 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 introducing 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 this is currently held by Nicola Leahey, public governor.

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 2015/16, four of which were quarterly meetings (April 2015, July 2015, October 2015 and January 2016) and a further extraordinary council meeting was held in August 2015. 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	4	80%
Cathy Ainsworth	01/04/14 – 31/03/17	Public	5	5	100%
Rebecca Allcock	26/06/14 – 31/03/17	Staff: other health professionals	5	3	60%
Brian Atkinson	01/04/15 – 31/03/18	Public	5	4	80%

Name of governor	Term of office	Type of governor	A	B	Percentage of meetings attended (%)
Maureen Bamber	01/04/13 – 31/03/16	Public	5	5	100%
Helen Bradley	01/04/11 – 31/04/17	Staff: nurses and midwives	5	4	80%
Vanita Brookes	13/06/12 – 12/06/18	Staff: doctors and dentists	5	4	80%
Tricia Calderbank	01/04/13 – 31/03/16	Staff: administrative and clerical	5	3	60%
Paul Caldwell*	01/04/13 – 25/01/16	Public	5	2	40%
Melville Coombes**	01/04/14 – 20/08/15	Public	1	1	100%
StJohn Crean	29/04/14 – 03/08/15	Appointed	2	0	0%
Catherine Jackson	04/08/15 – 31/05/18	Appointed	2	1	50%
Lynne Lynch	01/04/15 – 31/03/18	Public	5	5	100%
Vivianne Culshaw	01/04/14 – 31/03/17	Public	5	5	100%
John Daglish	15/07/11 – 31/03/17	Public	5	5	100%
Faruk Desai	10/11/11 – 09/11/15	Appointed	4	1	25%
Gurvinder Sahota***	10/11/15 – 09/11/18	Appointed	0	0	-
Stephen Edwards	01/04/11 – 31/03/17	Public	5	4	80%
Margaret Forrester	01/04/14 – 31/03/17	Public	5	5	100%
Sheena Keskin	01/04/15 – 31/03/18	Public	5	5	100%
Dylis Hayton	01/04/14 – 31/03/17	Public	5	4	80%
Ken Jones	01/04/11 – 31/03/17	Public	5	5	100%
Nicola Leahey	01/04/11 – 31/03/17	Public	5	5	100%
June McGuire	01/04/10 – 31/03/16	Public	5	5	100%
Jennifer Mein	07/08/13 – 31/07/16	Appointed	5	3	60%
Alan Morrow	01/04/10 – 31/03/16	Public	5	3	60%
David Williams	01/04/10 – 31/03/16	Public	5	5	100%
Peter Yates	06/10/09 – 31/03/17	Appointed	5	5	100%
Stephanie Tufft	12/08/15 – 11/08/18	Appointed	2	1	50%

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

**Paul Caldwell's original term of office was until 31 March 2016 however he stepped down on 25 January 2016 due to health reasons which was also the reason for his absence from three of the council meetings.*
***Melville Coombes' original term of office was until 31 March 2017 however his right to remain on the Council ended in August 2015.*
****Gurvinder Sahota's term took effect from 10 November 2015 however his appointment was confirmed later on 5 February 2016.*

Director attendance at council of governors meetings

The following directors have attended council meetings during 2015-16:

Stuart Heys, Chairman (attended 5 meetings)
Karen Partington, Chief Executive (attended 4 meetings)
Paul Havey, Finance Director / Deputy Chief Executive (attended 3 meetings)
Suzanne Hargreaves, Operations Director (attended 1 meeting)
Carole Spencer, Strategy and Development Director (attended 2 meetings)
Karen Swindley, Workforce Director (attended 2 meetings)
Shamim Mahomed, non-executive director (attended 1 meeting)
Robert Clarke, non-executive director (attended 3 meetings)
Tony Gatrell, non-executive director (attended 1 meeting)
Michael Welsh, non-executive director (attended 4 meetings)

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.

In addition, eight governor workshop sessions are held each year that form a key part of the development process, the topics of which are largely governor-led. The opportunity is also taken at workshops for updates on operational performance, communications with Monitor and topical issues affecting the Trust. During 2015/16, our governors have participated in a number of workshops, including the following topics:

- The Trust's forward planning process: we held workshops in May 2015 and March 2016 on the Trust's operational plan for 2015/16 and 2016/17, respectively.
- Governor development and training: the Workforce Director facilitated a session on governor training needs which resulted in the development of a structured training programme for governors.
- Workforce: governors requested information on the Trust's staffing issues, which was presented by the Workforce Director.
- Bereavement Service and Donations: governors requested further information about this particular Trust service, which was presented by the Bereavement and Donation coordinator.
- Non-executive director presentations: non-executive directors, Stephen Ashley, Shamim Mahomed and Tony Gatrell were invited to present to governors on their professional backgrounds and respective contributions to the Trust.
- Council effectiveness: governors requested to review their effectiveness as a Council so an evaluation session was held, which was largely led by governors themselves.
- Evaluation of Council meetings: governors requested to evaluate how Council meetings are conducted and so we held a discussion session in light of specific governor feedback.
- Role of the governor (staff, appointed and public) and their engagement strategy: governors wanted to better understand how fellow governors engaged with their respective constituents/appointed organisations to share learning and improve understanding. This session was largely led by governors themselves.
- Improving pathways and access for patients with learning disabilities: this topic was proposed by governors and the session included presentations by our Patient and Public Involvement Lead, a Consultant Clinical Biochemist, the Pathology team and a Diabetes Consultant.
- Masterplan process (since rebranded to 'Our Health Our Care'): governors have received a number of updates on our transformation programme delivered by the Strategy and Development Director.
- Monitor: the Chief Executive provides regular updates on our relationship with the regulator and our financial position.

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 in October 2015 (on 'Learning from Investigations – the Role of the Foundation Trust Governor') and in May 2016 (on 'Understanding Mortality Data') of which a number of governors attended. Furthermore, a governor (on behalf of the council) attended the NHS Providers' Governor Focus Conference 2016 on 20 April.

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 2015/16, 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.

During 2016/17 we will be implementing a more structured training programme for governors to enable them to fulfil their statutory role as effectively as possible. A bespoke governor training session with MIAA on 'holding to account' will take place at the end of May 2016.

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, the following expenses were claimed by our governors

	2014-15	2015-16
Total number of governors in office (as at 31 March)	27	27
Total number claiming expenses:	14	16
Aggregate sum of expenses (£00):	£39	£42

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

We revised our constitution in November 2015 and a key amendment, amongst others, was to expand the area of our Trust to include all of the component electoral wards in the North West, as detailed above. Widening our membership area reflects the Trust's position as a regional specialist centre for Major Trauma, Cancer, Renal, Vascular, Neurosurgery, Neurology, Plastic Surgery and Disablement services.

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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	13,026	13,723	- 697	- 5.08%
Staff	6,899	6,897	+ 2	+ 0.029%
Total Membership	**19,925**	**20,620**	**- 695**	**- 3.49%**

During 2015/16 regular data cleansing was carried out to ensure that records are 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 5% reduction in the number of public members during 2015/16 compared with membership figures for 2014/15. 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, with many members updating their contact 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 2015/16

The members' area of our website is regularly updated to provide information about opportunities for engagement and to demonstrate how feedback has influenced change. Whilst the website is our primary means of communicating with members, 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 information on governors' engagement activities and how members have influenced decision-making and service development.

Our annual members' meeting was held during September 2015 and provided members with a summary of the highlights of our performance, and set out our plan for the year ahead.

In partnership with the communications department, social media has continued to prove a useful tool throughout the year to promote events and 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 2015/16:

- The 14th consecutive Health Mela was held in Preston at the University of Central Lancashire's Foster Building in April 2015. Many of our staff, along with governors supported the event in order to promote and share information about our services.

- In May 2015, we held two listening events as part of the Our Health Our Care programme. We asked members to tell us their views on how our services and hospital estates should be developed to meet the future demand locally and regionally. Members were also asked to tell us what is important to them to help us achieve our aims i.e. deliver safe and effective patient care, provide a good patient experience, make sure our hospital sites are organised in the best way to deliver health services, provide an excellent environment and work effectively and efficient. We received over 350 individual comments.

  Since the events we have continued to engage with a wide range of stakeholders including GPs, Clinical Commissioning Groups and local Councils who are also providing us with their views on how our services and hospital estates should be developed to meet the future demand locally and regionally.

- Estates & Facilities Division provided a forum in September 2015; members were invited along so that the departments could share some of their recent and future service initiatives. Topics covered bed making services, medical engineering, healthy eating and PLACE (Patient Led Assessment of the Care Environment).

- Members were invited to become involved with research; two events were held in October 2015 which provided a lot of lively discussion based upon peoples' perceptions of NHS research in general, and thoughts about becoming involved in this on a local level. Overall, people are passionate about the NHS and understand the importance of healthcare research. There is a desire to have a say about how to improve healthcare and a motivation to be involved in the process which is encouraging and inspiring to those of us involved in delivering healthcare and healthcare research. Feedback from both events revealed that whilst people have different motivations for becoming engaged in healthcare research, the main reasons appear to be a desire to give something back to the NHS, the opportunity to shape how things are done in the future and make services better for future patients.

- We held a Focus on Orthopaedics event in March 2016, to inform our membership about our services. Orthopaedics was selected as the topic for the event as the orthopaedics team wants to promote its services, and aims to repatriate some activity from the private sector. We piloted a new 'speed dating' marketplace format to provide more opportunities to promote each of the services to the maximum number of delegates, and to facilitate discussion and engagement. 75 delegates attended, and the feedback they provided was

exceptionally positive. The orthopaedics team confirmed that the event met its objective in that it provided opportunities to promote services both to the delegates who attended, and more widely to people who were reached via social media activity.

- In March 2016, a team of midwives held a 'pop up shop' to share information about our maternity services. All members with an email address were advised that midwives would be available to speak to women and their families about the services that they offer, share a range of advice about babies and antenatal care, how to get involved in research and the opportunity to ask any questions that they may have.

- An urgent care service focus group was held, March 2016. We asked local people to come along and tell us what they want from an urgent care service and how they would like it to work, in order to help us improve and develop a service that will meet their needs effectively.

Our governors gain the opinion of foundation trust members and the wider public at events and facilities for governor surgeries have been arranged during 2015/16 to further support this. Our events are intended to seek the views of members and the public on our services, and are 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 2015/16 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 will then take such views into account in developing and finalising our plans for 2016/17.

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 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.

Given the size and representation of our membership, we are not actively seeking to recruit members and mainly concentrating on engaging existing members, which is a better use of the membership team's resources. One section of the membership where there is under-representation is young people and for 2016/17 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 2014/15 our MEP focused on improving engagement with our staff members and the main theme for our 2015/16 MEP was 'Your Hospitals, Your Health' (since renamed 'Our Health Our Care'), a transformation programme that is one of our most critical priorities. In addition, during 2015/16 we offered numerous and wide ranging

opportunities for members to directly affect the planning and development of our services, as detailed on pages 96 and 97 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 2015-16. 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 2015/16 the three members were: Stephen Ashley, Robert Clarke and myself, each of whom have been selected on the basis of our individual skills and attributes. Stephen Ashley has had significant experience in public sector assurance and investigation. My background is a qualified and practising accountant, with a range of relevant financial knowledge and experience. Robert Clarke's background is as a successful business owner with significant senior-level leadership experience. Robert Clarke was the Chair of the committee up until 29 February 2016 when his term as a non-executive director of the Trust ended. From 1 March 2016 I was appointed to act as the Chair of the committee for an interim period until 30 June 2016. On 1 April 2016 a new non-executive director, Tim Watkinson, who has considerable audit experience will be joining the Trust and he will be appointed as the Chair of the committee with effect from 1 July 2016.

The audit committee has met four times between 1 April 2015 and 31 March 2016 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 2015/16 annual financial statements and has discussed with management the reasons for the main changes compared to the financial statements for 2014/15.

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 2015/16 highlighted the valuation of land and buildings as a significant audit opinion risk (a significant risk which has carried through from 2014/15). At the meeting on 21 January 2016, the committee discussed the approach taken by the Trust in the valuation of land and buildings and it was confirmed that the external auditor's valuation of property plans and equipment would continue into 2015/16 to ensure that valuation on the balance sheet was correct and any impairment is correctly accounted for in the financial year. In addition, the external audit plan was enhanced this year on payroll costs through the use of data analytics and on inventories (by physically attending stock takes for material stock balances as a result of external regulatory review). The external auditors also identified a significant risk in relation to Sustainable Resource Deployment.

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);
ii. PET schemes and slippage on the PET programme; and
iii. reference costs (to provide assurance that there are robust arrangements in place for producing accurate reference costs to inform the reference cost submission);

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.

Operations

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) bed management and discharge (assessing the systems and processes in place for managing safe, effective and efficient use of bed management and discharge planning);
(ii) physical risk management (to ensure that there were robust systems and processes for identifying, handling, reporting and closing of Serious Incidents within the Physical Risk Department, as well as communicating and disseminating the lessons learned across the

Trust); the physical risk report was referred by the committee to the risk management committee for further monitoring along with presentation of the structure and proposals for the physical risk team;

(iii) electronic staff record/HR and payroll arrangements;

(iv) infection control targets (to ensure that there were adequate systems and controls in place for the reporting of the Trust's infection control targets); and

(v) monitoring nurse staffing levels (to evaluate the systems and processes for gaining assurance on the management, monitoring and reporting of nurse staffing levels from frontline to board).

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.

Compliance

Towards the end of quarter 4 of the 2014/15 financial year Monitor, the sector regulator, 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 of the investigation and compliance with the additional licence condition. 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 is advised of any Limited Opinion internal audit reports and any significant issues arising out of such reports are escalated by the committee to the Board. The committee's activity plan for 2016/17 includes internal audit work on the organisation's systems for achieving activity targets and regulatory compliance. During 2014/15 the board assurance framework and information governance toolkit were reviewed and a significant assurance given by the internal auditors; a further review of the IG Toolkit was undertaken during 2015/16 of which there were no significant issues, and the next review of the board assurance framework will be undertaken by the internal auditors in 2016/17.

Our external auditors

For the 2015/16 financial year KPMG LLP was paid £82,080, as shown in note 5.1 to the accounts. This is a decrease of £12,720 (including VAT) on the sum in 2014/15.

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.

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.

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.

The Director of internal audit has provided an overall opinion of significant assurance, based on their work during 2015-16.

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 Services and they deliver the service in line with NHS Protect standards. In 2015/16 the anti-fraud specialist has carried out numerous anti-fraud awareness events across both hospital sites, an online anti-fraud staff survey, anti-fraud training for staff and an anti-fraud benchmarking exercise by researching and compiling a number of statistics relating to NHS fraud referrals and investigations for the period 1 April to 30 November 2015 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 2015 to 31 March 2016

Name of Committee member	A	B	Percentage of meetings attended (%)
Robert Clarke, Chair until 29 February 2016	4	3	75%
Stephen Ashley	4	3	75%
Shamim Mahomed, Chair from 1 March 2016	4	4	100%

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 17 November 2015, 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. From this, we have developed a robust development plan with key timelines to implement the areas for improvement. 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.

Shamim Mahomed
Audit Committee Chair

26 May 2016

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

Karen Partington
Chief Executive
26 May 2016

Lancashire Teaching Hospitals NHS Foundation Trust

QUALITY REPORT
2015/16

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 2015 to March 2016.

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 2015-2016 against the key ambitions, as we move into the final year of the current strategy in 2016/17.

We continue to find ourselves in challenging times and 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 patients, staff, governors and members in supporting quality improvement activities at the Trust.

As in 2014-2015, 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 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. 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 2016/17. In spite of these pressures the reader will see through this report, evidence of real achievements and improvements in patient safety, clinical outcomes and the experiences of our patients.

Our staff continue to receive national recognition for their efforts to provide high quality innovative care and treatment to our patients. This year's awards include:

- **North West Coast Research and Innovation Awards 2015 -** Katrina Rigby, Senior Research Midwife, won 'Clinical research individual of the year' award.
- **iNetwork Effective Information Sharing & Security (EISS) award –** the information governance (IG) Gateway group won for the Information Sharing Gateway tool.
- **NHS Leadership Academy Elizabeth Garrett Anderson MSC -** Catherine Taurozzi was awarded her Degree with Distinction
- **HENWE Gold Award** was awarded to the practice education facilitation team for outcome monitoring
- Manchester Medical School Teaching Awards **- Dr Shiva Tripathi**, consultant anaesthetist, won the award for best consultant teacher. Best non-teacher was won by **Claire Weston**, Year 3 coordinator.
- Nightingales of the North Awards **-** 3 awards were won by **Denise Brooks**, nurse consultant, **Janine Vivers**, senior dental nurse, and **Paula Portoles-Isla**, staff nurse, orthopaedics.
- Medical Management Leadership Category at The Junior Doctor's Advisory Team's Value-Based Leadership Conference was won by the **Junior Doctor Engagement Team**
- The Royal College of Radiologists' Edinburgh EAR Congress Research Prize 2015 was won by **Alfred So** (Year 3 medical student)
- Preston College's Science Apprentice of the Year 2015 was won by **Lydia Miller** (Pathology)
- ATPUK Awards 2015 – **Diane Taylor** won the Outstanding Contribution Award and Pharmacy Technician of the Year, while **Amanda Cooper** was highly commended in the Patient Safety Category.

In addition to the teams and individuals mentioned here, I am once again proud to share within this account some excellent examples of the innovation, commitment and achievements our staff have demonstrated during 2015-2016. That commitment is reflected in the engagement of staff year-on-year in our quality awards:

- The **patient safety team** won the safe category for their work in falls prevention that has contributed to a numbers of falls and falls with harm
- The **renal transplant team** won in the effective category for their work in doubling the number of renal patients who had renal transplants during the year
- **Allyson Rigby**, a healthcare assistant in the emergency department, won the caring category for the adaptation of patient wristbands for patients with dementia
- The **critical care paperlight team** and **nursing and care developments team** won in the responsive category for creating a Critical Care Electronic Patient Record.
- **Christian de Goede and the paediatric neurology teams** won in the working together category for their collaboration in deliver high quality services in respect of children with epilepsy and complex neuro-disability
- Finally, **Robert Evans**, a volunteer won the Governors Special Award for his support of children with complex needs in the paediatric unit

This year's Quality Awards saw over 70 innovative quality improvement projects submitted by staff, over 20 more than in 2014-2015; a fantastic achievement.

In summary, I am pleased to present the 2015-2016 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 2015-2016 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.

This account provides details of performance in relation to these goals over the life of the strategy and specifically during 2015-2016. 2016/17 marks the final year of the current strategy and as such, a major priority will be to achieve the ambitions described above, as described in *Safe, Reliable and Compassionate*.

The Trust, led by the Nursing and Midwifery, and Medical Directors, will build on progress made against the priorities identified within the 2014 strategy, taking into account national quality standards and expectations and evolving national and local systems for monitoring and evaluation of performance.

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 been positive throughout 2015-2016 with overall performance standing at 98.15%. The focus for the coming year will be on maintaining this level of performance

At the beginning of 2015 the Hospital standardised mortality ratio for the previous 12 months was 106.6. The latest 12-month performance (January 2015 – December 2015) is 96.65 before rebasing of the current years data, an improvement of 9.3%.

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 has now been amended to use the FFT recommended score as the patient experience objective retaining the figure of 90% as the ambition. This has been achieved in respect of inpatient feedback. Comparison with last year's performance is inappropriate, given the underlying difference in the two indicators.

The goals will be achieved through a framework of safety and quality programmes utilising NHS improvement methodologies and the plan, do, study, act (PDSA) model for improvement. The framework will be underpinned by evidence-based standards and research investment in effective

clinical leadership, development of a skilled and competent workforce and clear systems of governance and accountability

Analysis and response to in-year performance will drive progress and sustainability in respect of the key priorities and will be informed by internal and external benchmarks. The Trust will also continue to ensure that values and standards are consistent with the Care Quality Commission's (CQC) fundamental standards through the continuance of internal monitoring through CQC-style inspections.

The Trust will continue the harm-free care programme as outlined in *Safe, Reliable and Compassionate*. Our growing network of Patient Safety, Learning Disability and Dementia Champions provide local leadership and drive improvements in patient safety and improved patient experience, supported by the Patient Safety and Nursing Care and Development teams who act as liaison between wards and departments and the corporate team. In addition, we will evaluate tasks, jobs, products, environments and systems in order to make them compatible with the needs, abilities and limitations of staff and patients, positively influencing staff behaviours through the development and implementation of a human factors strategy to be implemented across the Trust, with the intention of reducing hazards and harm.

In conjunction with the strategic objective to achieve and maintain 98% harm-free care, we will, during 2016/17, also focus on the achievement of in-year objectives identified as part of the *Sign up to safety* campaign 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

The adverse incident reporting policy and associated practices will emphasise collaborative working and there will be particular focus on and improvement of the quality of investigations and action plans and subsequent assurance. The Trusts Datix system for the reporting of risks and incidents has been extensively updated and reporting standards will be embedded throughout the Trust through education and training.

Performance is monitored and reported through the Trust Safety and Quality Subcommittee, with progress against identified improvement plans facilitated, monitored and reported through divisional governance arrangements, the Trusts Infection Control Committee, harm free care group, effectiveness improvement group and patient experience improvement groups.

We will continue to provide high quality clinical treatment and care and improve clinical outcomes through implementation of the clinical effectiveness strategy, with a focus on effective leadership and accountability, utilisation of best practice and research, investment in skills development, and development of clinical and operational pathways that ensure delivery of the right care in the right place at the right time.

We will ensure that each patient's care and treatment is coordinated through an individual named clinician, taking overall responsibility for their care within a framework of multidisciplinary team working.

A capable, competent and committed workforce is of course our key asset in providing excellent care with compassion. In 2015/16 we continued to work closely with the University of Bolton to support the innovative undergraduate nursing degree course we developed in partnership. We recognise the importance of good leadership and remain committed to investment in our clinical leaders through the Consultant stretch programme, nursing and managerial leadership development programmes.

The recently introduced revised divisional operational management arrangements and the introduction of clinical business units will strengthen the impact and voice of clinical leaders and will

be supported by effective governance systems. Clinical business units will be supported by divisional and corporate teams in identifying, understanding and responding to quality risk issues through the provision of accessible information and intelligence about themes and trends in relation to complaints, incidents, coroner's inquests, risks and safeguarding alerts

We recognise the fundamental impact of a good patient experience on a person's outcome, and ongoing engagement and participation in treatment. We will 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 delivery of the Trusts quality improvement plans is dependent on the management of some key risk areas, for example:

- High levels of bed escalation and occupancy
- Recruitment and retention of nursing staff
- Consultant and trainee numbers in specialised roles and the impact of the agency cap

As in previous years capacity pressures remain a significant barrier to the delivery of safe and reliable care. In response, improvement programmes established to address barriers to timely access and patient flow will continue during 2016/17, in order to ensure that, wherever possible that patients receive excellent care with compassion in the appropriate place. Improved access to services, efficient delivery of care and management of discharge processes all facilitate effective patient flow and reduce bottlenecks. Local commissioners, primary and social care providers, and third sector organisations are actively supporting efforts to improve patient flow with an extensive range of actions to support preferred place of care for patients, admission avoidance and early supported discharge.

In addition to the priorities identified above, our quality improvement plan for 2016/17 includes the following key objectives:

- The provision of effective safeguarding for vulnerable adults and children, delivered by knowledgeable and capable staff
- Ongoing compliance with NICE dementia care standards
- Strengthened arrangements for the care and treatment of patients with learning disabilities

As acknowledged above, 2016/17 marks the final year of the current strategy. Over the coming year, a series of consultation events and meetings will be arranged to inform the development of the next strategy. The focus on safe, reliable and compassionate care and treatment remains highly relevant and it is expected that these will continue to provide the mains pillars of the strategy. The new strategy will support and be supported by the other Trust key delivery strategies; Workforce and organisational development, information technology and capacity planning.

Statements of Assurance from the Board

During 2015-2016 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 2015-2016 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 2015-2016.

PART 3

Participation in Clinical Audits

During 2015-2016 thirty seven 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 97% of national clinical audits and 100% of national confidential enquiries[2] 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 2015-2016 are as follows:

Clinical Audit
National Clinical Audit
Acute Coronary Syndrome or Acute Myocardial Infarction (MINAP)
Adult Bronchiectasis Audit
Bowel cancer (NBOCAP)
Case Mix Programme (CMP)
Child health clinical outcome review programme (NCEPOD)
Diabetes (Adult) Foot care Audit
Diabetes (Adult) Pregnancy in Diabetes Audit
Diabetes (Adult) Inpatient Audit
Diabetes (Adult)
Diabetes (Paediatric) (NPDA)
Elective surgery (National PROMs Programme)
Emergency Use of Oxygen
Falls and Fragility Fractures Audit Programme (FFFAP)
Inflammatory Bowel Disease (IBD) programme
Lung cancer (NLCA)
Major Trauma: The Trauma Audit & Research Network (TARN)
Maternal, New-born 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

[1] List of national clinical audits as per specification provided by the DH cited on the HQIP website (http://www.hqip.org.uk/national-clinical-audits-for-inclusion-in-quality-accounts/).
[2] The Trust did not participate in the one national audit Diabetes (Adult) due to incompatibilities with IT systems.

National Comparative Audit of Blood Transfusion programme
National Emergency Laparotomy Audit (NELA)
National Heart Failure Audit
National Joint Registry (NJR)
National Ophthalmology Audit
National Prostate Cancer Audit
National Vascular Registry
Neonatal Intensive and Special Care (NNAP)
Oesophago-gastric cancer (NAOGC)
Paediatric Asthma
Renal replacement therapy (Renal Registry)
Procedural Sedation in Adults (care in emergency departments)
Sentinel Stroke National Audit Programme (SSNAP)
UK Cystic Fibrosis Registry
UK Parkinson's Audit (previously known as National Parkinson's Audit)
Vital signs in Children (care in emergency departments)
VTE risk in lower limb immobilisation (care in emergency departments)

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
Medical and Surgical programme: National Confidential Enquiry into Patient Outcome and Death NCEPOD: **Studies collecting data during 2015 - 2016** Gastrointestinal Haemorrhage Sepsis Acute Pancreatitis Mental Health

The national clinical audits and national confidential enquiries that Lancashire Teaching Hospitals NHS Foundation Trust participated in during 2015-2016 are as follows:

Clinical Audit	Trust Participated
National Clinical Audit	
Acute Coronary Syndrome or Acute Myocardial Infarction (MINAP)	Yes
Adult Bronchiectasis Audit	Yes
Bowel cancer (NBOCAP)	Yes
Case Mix Programme (CMP)	Yes
Child health clinical outcome review programme (NCEPOD)	Yes
Diabetes (Adult) Footcare Audit	Yes
Diabetes (Adult) Pregnancy in Diabetes Audit	Yes
Diabetes (Adult) Inpatient Audit	Yes
Diabetes (Adult)	No
Diabetes (Paediatric) (NPDA)	Yes
Elective surgery (National PROMs Programme)	Yes
Emergency Use of Oxygen	Yes
Falls and Fragility Fractures Audit Programme (FFFAP)	Yes
Inflammatory Bowel Disease (IBD) programme	Yes
Lung cancer (NLCA)	Yes
Major Trauma: The Trauma Audit & Research Network (TARN)	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	Yes
National Emergency Laparotomy Audit (NELA)	Yes
National Heart Failure Audit	Yes
National Joint Registry (NJR)	Yes
National Ophthalmology Audit	We are awaiting approval of the funds so that the software can be implemented
National Prostate Cancer Audit	Yes
National Vascular Registry	Yes

Neonatal Intensive and Special Care (NNAP)	Yes
Oesophago-gastric cancer (NAOGC)	Yes
Paediatric Asthma	Yes
Renal replacement therapy (Renal Registry)	Yes
Procedural Sedation in Adults (care in emergency departments)	Yes
Sentinel Stroke National Audit Programme (SSNAP)	Yes
UK Cystic Fibrosis Registry	Yes
UK Parkinson's Audit (previously known as National Parkinson's Audit)	Yes
Vital signs in Children (care in emergency departments)	Yes
VTE risk in lower limb immobilisation (care in emergency departments)	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 2015–2016, 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 – patients admitted with NSTEMI	RPH 60 CDH 93
Adult Bronchiectasis Audit	Data not collected during 2015-2016	
Bowel cancer (NBOCAP)	273 Cases identified in HES	211 (77%)
Case Mix Programme (CMP) (ICNARC)	Rolling - no set number, as met criteria	1481 (2013/14 submissions)
Diabetes (Adult) Footcare Audit	Patients who attended the first assessment of their foot ulcer between 14 July 2014 and 10 April 2015	92
Diabetes (Adult) Pregnancy in Diabetes Audit	No set number of questionnaires for completion, as patients met criteria	22
Diabetes (Adult) Inpatient Audit	All diabetic inpatients on day of audit	RPH 86 CDH 27
Diabetes (Paediatric) (NPDA)	No set number of questionnaires for completion, as patients met criteria	198
Elective surgery (National PROMs Programme)	No set number of questionnaires for completion, as patients met criteria	Data from the April 2015 – September 2015 (published March 2016) 1448 eligible hospital episodes, 1049 pre-op questionnaires returned, participation rate 72.4%. Of the 1021 post op questionnaires sent out 696 have been returned, response rate 68.2%
Emergency Use of Oxygen	No set number, as met criteria	RPH 172 CDH 97

Falls and Fragility Fractures Audit Programme (FFFAP)	30	30
Inflammatory Bowel Disease (IBD) programme	Patients newly started on biologics within the time frame	23 (100%)
Lung cancer (NLCA)	>=75% expected number	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. We have complied with all the deadlines for submission to all the cancer clinical audits.
Major Trauma: The Trauma Audit & Research Network (TARN)	Rolling - no set number, as met criteria	985
National Cardiac Arrest Audit (NCAA)	Rolling - no set number, as met criteria	RPH 56 CDH 28
National Chronic Obstructive Pulmonary Disease (COPD) Audit Programme	No audit data collection required during 2015-16	No audit data collection required during 2015-16
National Comparative Audit of Blood Transfusion programme	No set number, as met criteria	31 (100%)
National Emergency Laparotomy Audit (NELA)	Estimated 15 cases per month from HES figures	RPH 154 cases admitted RPH 139 cases locked
National Heart Failure Audit	Rolling - at least 20 cases per month	RPH – 401 CDH 210
National Joint Registry (NJR)	Rolling - no set number, as met criteria	April 14 – March 2015 851 cases
National Ophthalmology Audit	We are awaiting approval of the funds so that the software can be implemented	

National Prostate Cancer Audit	Data collected from all men with newly diagnosed prostate cancer. And data collected from all men who have undergone radical prostatectomy	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. We have complied with all the deadlines for submission to all the cancer clinical audits.
National Vascular Registry	AAA repair (based on AAA repairs carried out in 2014) Estimated cases from HES 38 Carotid endarterectomy (based on carotid endarterectomies carried out in 2014) 37	36 cases included (95%) 30 cases included (81%)
Neonatal Intensive and Special Care (NNAP)	Rolling - no set number, as met criteria	No of episodes 529 No of babies 498
Oesophago-gastric cancer (NAOGC)	201-250 expected cases based on HES	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. We have complied with all the deadlines for submission to all the cancer clinical audits.
Paediatric Asthma	Rolling - no set number, as met criteria	RPH 15 CDH 14
Renal replacement therapy (Renal Registry)	Rolling	UKRR data submissions 1 April – 31 December 2015 will not be available until September 2016
Procedural Sedation in Adults (care in emergency departments)	No set number, as met criteria	RPH 85 CDH 45
Sentinel Stroke National Audit Programme (SSNAP)	Rolling - no set number, as met criteria	Latest report Oct-Dec 2015 RPH – 122 cases submitted
UK Cystic Fibrosis Registry	It is not an audit as such. It is a requirement to get CF Tariff and we are doing this	
UK Parkinson's Audit (previously known as National Parkinson's Audit)	20	20

Vital signs in Children (care in emergency departments)	No set number, as met criteria	RPH 212 CDH 87
VTE risk in lower limb immobilisation (care in emergency departments)	No set number, as met criteria	RPH 30 CDH 44

The reports of national clinical audits were reviewed by the provider in 2015 – 2016 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
National Paediatric Diabetes PREM audit	To design newsletters and hand book. To date a pack containing equipment to be given to patients for expressing milk has been given
National COPD Audit	In response to the outcomes of National and Local COPD Audits there have been a range of quality improvement interventions initiated in 2015-2016. COPD Admission and Discharge Bundles are being introduced along the patient pathway across both trust sites. End of Life meetings for COPD patients have been in place for over twelve months which are represented by the Trust, Community & Hospice multidisciplinary teams, improving planning of care and treatment. A Hospice COPD Day Therapy service is being developed by the Hospice Clinical Director and COPD Consultant to support COPD patients at end of life, which will be piloted in 2016
Diabetes (Paediatric) (NPDA)	From participation in this audit on production of the national report it has become apparent that we need to improve submission of data completeness in care processes and continue measuring HbA1c and BMI at all outpatient appointments.
Emergency Use of Oxygen	To raise awareness that if oxygen is administered, a doctor should issue a prescription.
Diabetes (Adult) Pregnancy in Diabetes Audit	To present audit findings to practice nurse meetings to underline need for folic acid and good control To present to local GPs To prevent babies going to Neonatal Unit – hand express from 37 weeks to build up stock of expressed breast milk Neonatologists to consider review thresholds for low blood glucose levels against NICE guideline Review routine use of heated mattresses for babies of diabetic mothers

Study Title	Study Period	Report Publication Date	Feedback Action To Date
Gastrointestinal Haemorrhage	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 at any time during their inpatient stay.	July 2015	Senior clinicians from the medical and surgical divisions have reviewed current arrangements and developing joint proposal to provide appropriately skilled clinical presence and availability on 24/7 basis to ensure care and treatment delivered consistent with evidence based pathways
Sepsis	Patients identified with sepsis that are admitted to critical care (ICU/HDU) or seen by the critical care outreach team (CCOT, or equivalent acute outreach team) during a two-week data collection period. 6th -20th May inclusive (Prospective).	November 2015	Priorities for action and lessons learned include: <u>Early recognition and timely escalation</u> • Child health to establish a pathway in admission and ward areas • Changes to be made to observation charts to reflect national guidance • Further engagement with GP partners and other links in community to develop pre hospital pathway • Review of reporting thresholds to include prompt to alert a senior review or assessment by critical care if lactate level >4. <u>Raise awareness and educate</u> • Plan further awareness events on the success of sepsis September • E learning package for sepsis to be completed with national changes. • Continue to share information with education stakeholders to support on-going education

The reports of over three hundred local clinical audits were reviewed by the provider in 2015 - 2016 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
Elective caesarean section timings: a survey	• Amend proforma for booking of CS cases • Improved scheduling of theatre lists
Audit of supracondylar fractures of the humerus in children	• Create admission pro-forma in conjunction with BlueSpeir® Attend junior doctors teaching and raise awareness by teaching
Evaluation of health visitor referrals to the orthoptic service	• Re-design of referral form from health visitor • Re-design of health visitor referral letter with triage section. Orthoptists reviewing, discussing and creating triage system • Re-audit in 2 years • Add a tick box to the referral form for the parent to tick which clinics are convenient for them to attend
Are opportunities for review of patients' resuscitation status being missed prior to 2222 calls?	• Present Findings with outreach & critical care teams, and oncology directorate meeting • Present findings to trust mortality committee • Following sharing of results with critical outreach team, DNACPR policy to be reviewed as well as in depth case note review being completed
Use of ipilimumab in patients with metastatic melanoma	• Development of specific immunotherapy consent form to alert staff and patients to potential toxicities • Continue to monitor outcomes with immunotherapies - Re-audit Ipilimumab usage • Specific immunotherapy study day planned March 2016 • Development of immunotherapy side effect algorithm
Intravenous fluid therapy in adults in hospital Re-audit	• Continue to ensure all doctors have completed IV fluid prescribing competency training • Continue to encourage all doctors to complete the NICE IV fluids e-learning certificate • Re–audit
Audit of SLT 0-2 years feeding clinic 2014 referrals	• Sessions increased from one to two weekly paediatric outpatient sessions from 1st June 2015 • Continue to work with LTHTR management and relevant clinical staff to implement plans for local video fluoroscopy • Staff member to commence post-graduate training in video fluoroscopy
Postpartum haemorrhage audit	To amend guidelines by adding following items: • To alert consultant obstetrician and anaesthetist in all major PPH • First on call to be in charge of blood product during massive PPH • Discuss measuring total blood loss in all deliveries in guideline group and its implications • Second cannula and coagulation screen to be reminded to all junior staff during study day (Amended guidelines available)

Still birth/other perineal condition	• To implement RCOG small for gestational age guidelines • To implement reduced foetal movement guidelines and information leaflet as per AFFIRM trial • Development of fundal height measurement guidelines and training • Implementation of smoking in pregnancy protocol
Tension-free vaginal tape audit	• To discuss all patients undergoing the surgery in MDT meeting (All patients are now reviewed in MDT meeting before surgery) • Information leaflet amended
Febrile neutropenia	• To add dip stick test to audit proforma • To liaise with microbiologist to improve availability of blood results
Re-audit of transcutaneous bilirubin	• To continue with current practice • Annual audit
Re-audit of botulinum toxin injection (NICE) (initial audit was carried out in 2014)	• To amend assessment form • To encourage all referrals are done through Botox referral form • Re-audit
Audit of primary care PSA requests	Amend pathway to rule out infection and to repeat PSA in 4-6 weeks. • Following this audit the Urologists now hold regular meetings with local GP's to inform them of the current NICE Guidance around PSA referrals
An audit of decision to admit patients attending ED or SAU with acute urinary retention (AUR)	• Urology Consultant-of-the-Week service presently in development • Formal development of an agreement for AUR pathway in SAU & ED to facilitate safe and timely discharge of well, low-risk patients with AUR
A case series review of patients undergoing subtotal cholecystectomy	• Future practice should be prospectively investigated to optimise outcomes for this group of high-risk patients • Optimal pain control methods (most 'open' pts had pain-busters) • Predictive factors for ICU admission • Predictive factors for increased length of stay • Consider if all sub-total cholecystectomy patients require drain placement
Audit of prescribed sodium fluoride toothpaste and sodium fluoride varnish	• All patients over the age of 10 and at high risk of dental caries will be prescribed sodium fluoride toothpaste 2800ppm between the age of 10-16 and 5000ppm over the age of 16 • All patients swill receive information on how to use the prescribed toothpaste • All patients should have sodium fluoride toothpaste applied at least twice a year. General Dental Practices should be informed of the preventive treatment plan and asked to undertake this within their practice if possible • All patients should receive diet advice • All of the above should be documented evidence in the treatment plan that this has been actioned

Management of hyperphosphataemia in chronic kidney disease	• If there is no apparent contraindication, calcium acetate should be prescribed as the first-line phosphate binder in accordance with the NICE hyperphosphataemia in chronic kidney disease guidelines • The reason for prescribing first-line a phosphate binder other than calcium acetate should be clearly documented in the clinic letters and discharge summaries
Diagnostic image quality of sacroiliac joint	• Generally, the imaging quality for sacroiliac joint radiographs is good • Overall, the digital radiography (DR) rooms shows an improvement in image quality • We can validate the use of the DR machine when compared to the previous computed radiography rooms in the use of sacro-iliac imaging
Sensitivity of ultrasound to diagnose soft tissue tumours of the hand	• From our data we have seen that giant cell tumours can be over-estimated and perhaps more differential diagnoses should be considered for these lesions • If clinical findings do not correlate with ultrasound results discuss images with MSK colleagues • Histology samples are essential for definitive diagnoses
Re-audit of: Repeat OGD for gastric ulcer	• Refer patients with unhealed gastric ulcer (GU) to upper GI MDT for further advice. • Creating a tracking system in the gastrointestinal tool to identify patients who have not completed their investigation. • Design a leaflet explaining the relevant information about GU • Include the guidelines in the reports sent to the Endoscopists.
Audit of the use of Flowtrons in the prevention VTE in patients following stroke	Complete VTE assessments in all stroke admissions on arrival – • Pharmacist to prompt doctors if assessment not done when reviewing drug charts • Regular audit of departments VTE assessments • VTE to be reviewed consultant post-take round • Clerking proforma to include a method of reminding clinicians to assess patients for VTE risk Flowtrons prescribed <3 • Staff education • Present findings ward 21 & RWB • Alter admission clerking Pro-forma and include Flowtrons in management Section Re-assess Flowtrons after 30 days • Staff education Improve patient compliance to wear Flowtrons • Staff and patient education to understand why we use Flowtrons and its benefit. • Devise patient information leaflets

Audit of the management of NSTE-ACS at LTHTR against current nice guidelines	• To revise current Trust guidelines/pathways on ‘chest pain’ management • Present results from this audit al local audit meeting. Education of NICE guidelines during grand rounds • Host a workshop to improve knowledge for the use of drugs in acute management of NSTE-ACS • Re-audit in 6 months
Rates of completion and barriers to obtaining urine cultures in medical inpatients at Royal Preston Hospital	• Creation of a coloured urine dipstick sticker that will provide a quick, standardised and easily identified way of documenting urine dipstick results in the clinical notes • Liaise with the microbiology department regarding the possibility of introducing urine collection pads into the medical wards to facilitate obtaining a urine sample in incontinent patients • Re-audit in 3 months
Analysis of burns management at LTHTR and the nature of burn injuries referred to the plastics unit Jan 15 – Dec 15	• Remind ward staff to ensure they are undertaking psychosocial assessments • Establish teaching sessions for staff on psychological management of patients • Involvement of the MDT with all burn injured patients • Continue to maintain records for all burns assessments undertaken at LTHTR • Consultants to have documented management plans in place for all burns admissions

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 2015-2016 that were recruited during that period to participate in research approved by a research ethics committee was 2941.

Recruitment

Lancashire Teaching Hospitals NHS Foundation Trust has recruited 2020 patients to NIHR portfolio adopted studies in 2015-2016. It granted NHS permission for 56 new portfolio studies to commence during that time. The Trust recruited a further 921 to non-portfolio studies. In total there are currently 232 active research studies recruiting patients at the Trust.

Research Governance

In 2015-2016 Lancashire Teaching Hospitals NHS Foundation Trust achieved the Department of Health benchmark of issuing NHS permission within 15 days 100% of the time. The first patient has been recruited on to a trial within 70 days of receipt of a valid application for permission, 98% of the time (NIHR adjusted). The Trust has spent the latter part of 2016 preparing for the full implementation of Health Research Authority (HRA) approval reviewing its current governance and study support structure. This will mean the high levels of performance in initiating and delivering clinical research will continue beyond the introduction of HRA approval.

New Developments in 2015-2016

In April 2016 Lancashire Teaching Hospitals NHS Foundation Trust will open the Lancashire Clinical Research Facility (CRF) in partnership with Lancashire Care Foundation Trust and Lancaster University. The CRF will support the expansion of capability and capacity in the delivery of experimental medicine studies across Lancashire and South Cumbria.

Goals Agreed with Commissioners

Use of the CQUIN payment framework

Lancashire Teaching Hospitals NHS Foundation Trusts income in 2015-2016 was not conditional on achieving quality improvement and innovation goals through the Commissioning for Quality and Innovation payment framework because, under the 2015-2016 National Tariff payment System, the Trust opted for the default tariff arrangement that did not include arrangements for payment aligned to the CQUIN framework.

Lancashire Teaching Hospitals NHS Foundation Trust received income of £9.4 million in 2014-2015 for the achievement of 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

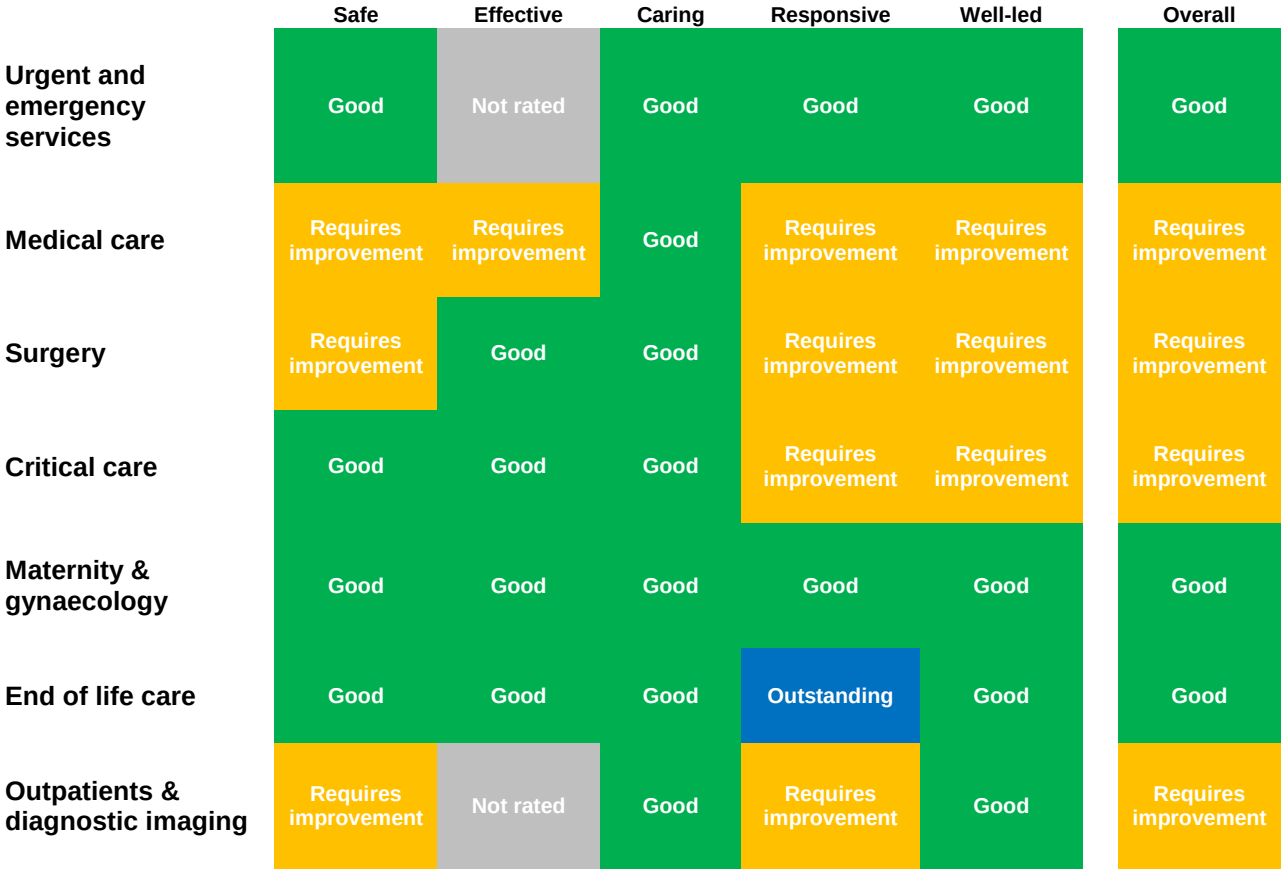
Lancashire Teaching Hospitals NHS Foundation Trust has not participated in any special reviews or investigations by the CQC during the reporting period.

Lancashire Teaching Hospitals NHS Foundation Trust had a planned inspection on 8th-11th July 2014 as part of the new NHS acute hospital inspection programme. 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	Good	Not rated	Good	Good	Good	Good
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	Good	Good	Good	Requires improvement	Good	Good
Maternity & gynaecology	Requires improvement	Good	Good	Good	Good	Good
Children & young people	Requires improvement	Good	Good	Good	Good	Good
End of life care	Good	Good	Good	Outstanding	Good	Good
Outpatients & diagnostic imaging	Requires improvement	Not rated	Good	Requires improvement	Good	Requires improvement

Chorley and South Ribble Hospital



There were four compliance actions:

Regulation 2010	Findings
Staffing	People who use services and others are not protected at all times against the risks associated with unsafe or unsuitable staffing due to the vacancies within both nursing, midwifery and medical staff establishments particularly within the medical division and out-patients.
Supporting workers	All staff were not appropriately supported to receive mandatory training updates particularly within child health services including training in advanced paediatric life support.
Care and welfare of service users	People who use the service are not always protected against the risk of receiving care or treatment that is inappropriate or unsafe as patient flow throughout the hospital meant some patients had a number of bed moves and an extended length of stay particularly in the medical division.
Care and welfare of service users	There was a raised level of cancelled appointments and clinics were often cancelled at short notice and failed to run to time particularly within ophthalmology outpatients. The admission and referral pathways to HDU were not clearly communicated and understood by all staff in order that patients received timely and responsive care and treatment.

Action plans to address concerns were agreed with the CQC and implemented within the required timescales. There has been no formal follow up inspection since that date.

Regulation 2010	Response
Staffing	Actions taken in response resulted in improvements in recruitment of nurses and midwives. Staffing numbers are monitored and reported to the Board of Directors and are made available to the public. Actions are being taken in respect of medical staffing and recruitment to ensure parity with other employers and review of job roles and team structures, utilising alternative recruitment sources. Medical staffing vacancies are monitored through the Workforce Committee.
Supporting workers	Mandatory training needs are established and addressed through staff appraisal processes. There is increased scrutiny and monitoring of attendance, with timely reminders of need to attend.
Care and welfare of service users	A health economy wide action plan has been developed to address barriers to efficient patient flow. Progress with these actions is monitored through the Clinical Senate
Care and welfare of service users	Actions taken in response have led to a significant falls in outpatient appointments cancelled with less than two weeks' notice. Progress with this and all other actions is reported to the Board of Directors

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 2015-2016 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:

- 99.7% for admitted patient care
- 99.8% for outpatient care
- 98.5% 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
- 99.7% for outpatient care
- 99.4% for accident and emergency care

Both sets of indicators are consistent with the national average for 2015-2016.

Lancashire Teaching Hospitals NHS Foundation Trusts Information Governance (IG) Assessment Report overall score for 2015-2016 was 81% and was graded as satisfactory (Green). This demonstrates an improvement on the previous year's position with achievement of the minimum level two compliance in 25 out of 45 requirements and 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 will be taking the following actions to improve data quality:

- Implementation of the agreed Data Quality Assurance Framework including a Data Quality Marker across all data systems and data collections including a forward plan to develop a Trust wide, consistent quality assurance process governing all performance standard reporting. This will be implemented in the first instance in relation to those indicators of performance and quality reported within the Board Performance Report
- 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 and Monitor regarding quality assurance of specific board reporting areas. The Trust has also worked with external partners to complete audits of the quality of data relating to mortality and co-morbidity. 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 2015-2016 by the Audit Commission

During Q3 2015-16 the Trust, using a predictive modelling assessment, identified a risk to delivery of the 92% incomplete referral to treatment (RTT) pathway which triggered an internal review. The

resulting deep dive review identified a cohort of patients that had not been monitored, treated and reported in line with RTT guidance, and as such identified a number of patient waiting over 52 weeks for treatment. The Trust is prioritising these patients for treatment.

An internal task team was established to understand the issues that had arisen to cause this cohort of patients not to be reported in line with RTT guidance and to address any data assurance/data quality issues that arose.

The review identified that the patient administration system had not been designed to facilitate patient pathway management in line with RTT guidance, which resulted in a number of admitted patients being incorrectly reported. An RTT action and recovery plan is in place that has been agreed with the commissioners and shared with Monitor. The Trust is currently working with its EPR provider to resolve the reporting issue - however until this work is concluded the Trust is unable to fully report against all RRT pathways and as such is reporting a position understated by approximately 2742 patients. In total there are currently 53 patients who have waited over 52 weeks.

In addition to the RTT reporting difficulty we have identified an issue with radiology which has been investigated internally and corrective action is being put in place.

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 as defined below but, in respect of safe care, have evolved during the life of the strategy to focus on reduction of avoidable harm and classification of levels of harm associated with adverse incidents:

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:

During 2015-2016 the Trust developed the safety champion programme; through which members of staff undertake to act as a liaison between a ward/department and the Patient Safety Team, with the aim of improving patient safety in their own area of work. There are currently around 50 champions, each with the ability to influence teams and departments, with plans to recruit more in the coming year.

Through facilitated learning and support the safety champions are instrumental in improving patient safety and promoting a positive safety culture by:

- Ensuring that safety is a priority and is at the heart of everything we do supporting the delivery of patient safety initiatives and goals
- Promoting an environment where all individuals are respected and feel able to challenge when they think something may be going wrong
- Providing visible leadership within the team by upholding patient safety principles
- Working with others to identify opportunities to promote and improve patient safety and sharing good practice
- Promoting and supporting others to ensure staff feel safe in reporting patient safety incidents including those that were prevented (near misses) but that carry important lessons
- Promoting the active involvement of patients and their families when something has gone wrong
- Ensuring that safety improvement and monitoring activities are focussed around the needs of patient's, involving them at all times where possible
- Communicating safety issues and learns from the experiences of others (good and bad)
- Contributing to the learning of others by sharing knowledge and sign posting to experts when required
- Committing to continuous improvement through learning and effecting change

Staff receive support to develop skills, confidence and capability to critically review and challenge systems and practice within the Trust and promote patient safety as a priority from the perspective of their own practice and that of colleagues.

The champions utilise the plan, do, study, act (PDSA) model for improvement – a tried and tested method that helps teams plan their chosen intervention, test it on a small scale and then review it before deciding how to proceed. It comprises four steps:

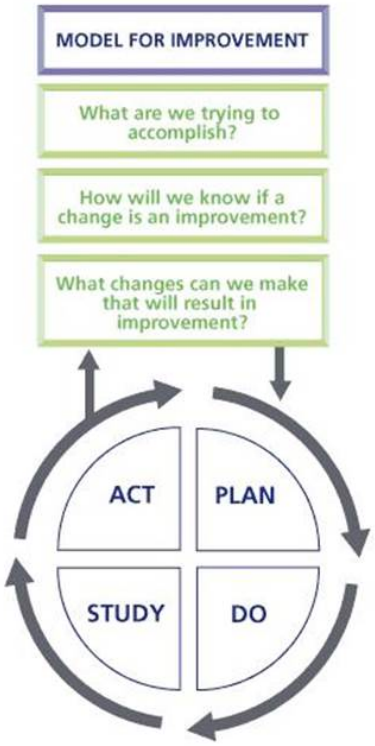
Plan – planning the changes to be put in place and predicting what will happen through the cycle. Detailed work here includes deciding what data will be collected, who will do what, when and where the change will be implemented.

Do – implementing the change, measuring and gathering data as planned.

Study – analysing before-and-after data to see what can be learned.

Act – returning to the start, to plan how to amend the next cycle or, if it is ready, to roll out the change.

This process has been used successfully in the development of a number of improvement programmes including a new patient assessment tool for use by clinical staff.



The Trust has reported a total of 58 *C.difficile* cases against an objective of 66. All cases are subject to review to determine whether the case was linked with a lapse in the quality of care provided to patients and to understand what lessons we are able to learn in order to improve the safety of our patients. Of the 58 cases reported during the year 11 were determined to be avoidable (7 fewer than in 2014-2015). Learning and focus for improvement has related mainly to the timely choice of optimal antimicrobial treatment and the timeliness of environmental cleaning (with hydrogen peroxide vapour).

Harm associated with medication administration errors increased during 2015-2016 although all but one incident were classified as low harm. Following the introduction of a range of improvement measures, the rate of harm associated with inpatient falls has once again reduced. Performance in respect of MRSA bacteraemia deteriorated during 2015-2016 with 3 cases reported during the year, all of which were associated with the same patient.

In addition, 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 98.15% harm-free hospital care in respect of new harm events, comparing very favourably with national performance. Comprehensive detail relating to all aspects of infection prevention and control (IPC) is provided in the IPC annual report which is published separately.

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 2015-2016 the Trust reported 3 Never Events in relation to surgical procedures; detailed action plans and improvement programmes are in place and progress is monitored via the Safety & Quality Sub Committee. The Trust places importance on openness and transparency when reporting incidents and never events and an external review was undertaken by the Royal College of Surgeons as there had been 5 never events in the previous year. External analysis of the never events reported does not show any patterns regarding causation factors however actions in response to recommendations made have been put in place.

Between April and November 2015, the Hospital Standardised Mortality Rate has improved against last year's performance by almost 10%, positioning the trust in the 'as expected' band when previously rated as 'higher than expected'. Overall mortality rates and weekend mortality is also rated 'as expected', with weekend mortality improving by around 16%.

Improving patient experience remains a key priority for the Trust, with the main focus of improvement activity on respect and dignity, involvement and effective communication. 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. As a consequence, the EQIP programme was discontinued in September 2015. During 2016 we also plan to introduce quarterly inpatient surveys that replicate the national patient survey and provide more frequent assurance about standards of care as experienced by our patients.

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 as typified through the Trust's annual Quality Awards referenced in the Chief Executives statement. 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 2015 staff survey, 26% of staff reported experiencing harassment, bullying or abuse from staff in the last 12 months, a proportion consistent with the national average but slightly higher than in 2014.

85% of staff reported that they believed the Trust provides equal opportunities for career progression or promotion. Performance is consistent with 2014 performance but 2% lower than the national average. In response the Trust is reviewing and developing career development resources to support them in consideration of career development options whilst ensuring that discussion takes place with managers as part of appraisal processes.

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.

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, our EQIP programme, friends and family tests and complaints/compliments).

We undertake systematic internal inspections of all ward areas, utilising the CQC's standards. Where significant 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.

During 2015-2016 the Trust commissioned internal audits in respect of a range of services. Specifically the audits concluded that there was significant assurance in respect of nurse staffing levels. There was limited assurance in respect of bed management. Areas for improvement have been identified. Internal audit relating to duty of candour and safeguarding is currently in progress.

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.

The Trust Governors play a major part in supporting quality improvement activities within the Trust. They participate in reviews of standards of care through our internal quality inspections, PLACE visits and as part of their own programme of improvement projects. The Governors patient experience group is a valuable platform for challenge and assurance, whilst they have contributed to significant environmental improvements for patients through use of their charitable funds, purchasing TVs, garden furniture and other items for the comfort of patients across the Trust.

Safe Care

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.

Sign up to Safety

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 is supporting the campaign by committing to reduce avoidable harm by 2017 and specifically:

- Reduce avoidable falls with harm by 50%
- Reduce avoidable grade 3 hospital acquired pressure ulcers by 50% and eliminate grade 4 pressure ulcers
- Reduce the number of patient's admitted to Critical Care with sepsis by 25%
- Reduce avoidable healthcare associated infections (C-Diff) by 50%

Significant progress against all of these objectives has been made.

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

We have continued to develop the sepsis care pathway and the education of staff to improve the timely recognition and treatment of sepsis.

We continue to learn from incidents of pressure ulcers by identifying themes and trends, utilising this information to further educate patients and staff. We continue work with partner organisations to develop a regional safeguarding care pathway.

Through the ongoing education for all staff, we continue to ensure that relevant evidence based policies and guidelines are observed and evidence of this is monitored by the Trusts established clinical audit programme, in particular the essentials of care audit programme (ECAP).

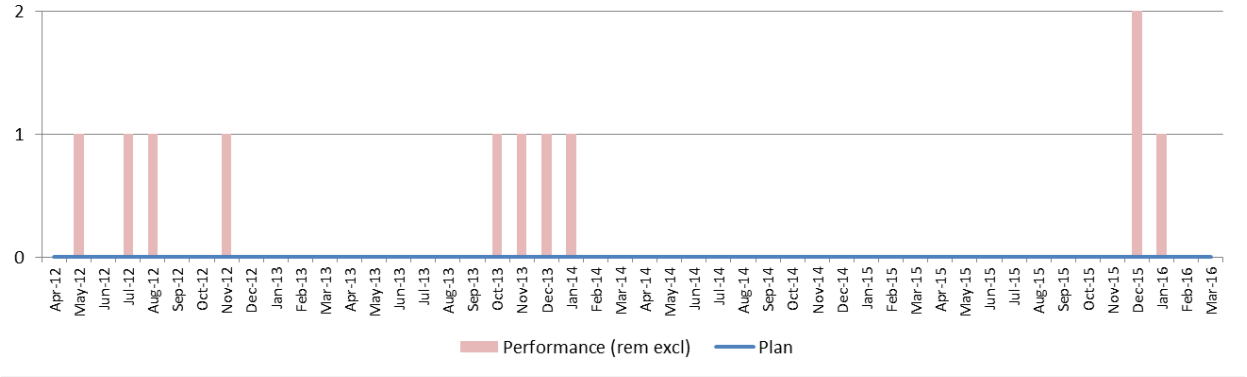
MRSA Bacteraemia

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.

The Trust is extremely disappointed to report that there were a total of 3 incidents of MRSA bacteraemia attributed to the organisation during 2015-2016; all 3 cases related to one patient. Each case of MRSA bacteraemia 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, all 3 of the attributable incidents were 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.



C.difficile Infection

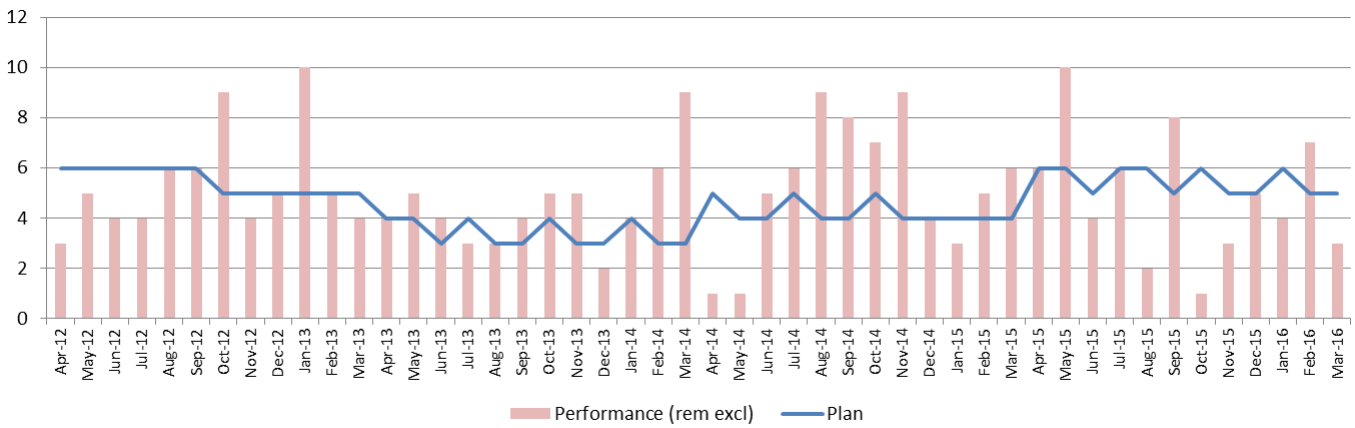
Clostridium difficile infection is the most important cause of hospital-acquired diarrhoea. *Clostridium difficile* is an anaerobic bacterium that is present in the gut of up to 3% of healthy adults and 66% of infants.

As stated above, infection prevention and control remains a key priority for the Trust, and the focus on the prevention of *C.difficile* infection has been maintained throughout the life of *Safe, Reliable and Compassionate* and has been reported in previous Quality Accounts.

During 2015-2016 the Trust performance for *C.difficile* cases was 59 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 58 cases reviewed during 2015-2016, 11 cases (18.96%) were deemed to be avoidable.

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. We found no evidence to suggest cross infection during the year.

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.



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 with 30% of people aged 65 and over and 50 % of people aged 80 and over falling at least once a year (NICE 2013).

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 and, to put this in real terms, since April 2014 the falls improvement programme has benefitted all in- patients and their families carers and falls reduction equates to 235 less inpatient falls and potentially sixty four less patient harms. In achieving this, the falls improvement programme has included:

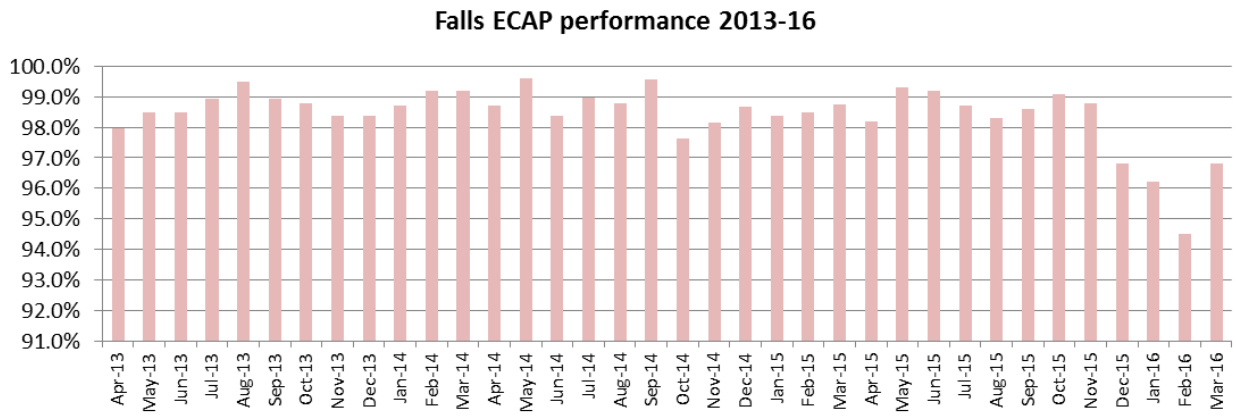
- Sustained strong performance across the Trust in respect of risk assessment and response to risk, including enhanced supervision of ‘at risk’ patients
- Developed and implemented a new falls risk assessment and prevention care plan in line with NICE recommendations which incorporated a robust training 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

During 15/16 we have implemented additional falls prevention improvements across the Trust:

- 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.

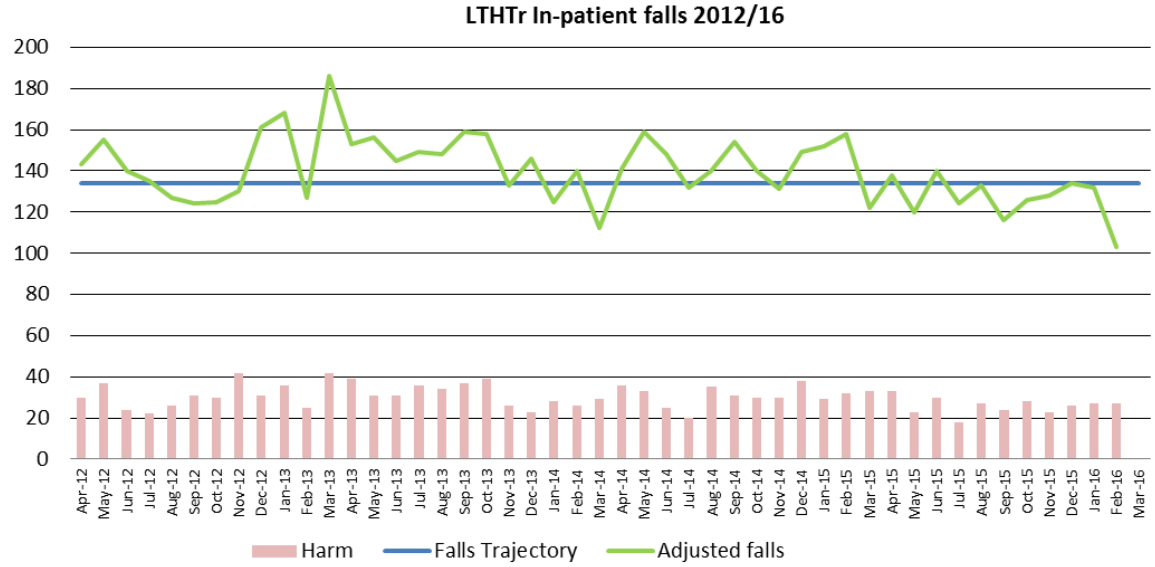
Our monitoring continues to focus on the number of falls, on harm events associated with falls, and on staff compliance with expected standards of assessment and response, as evidenced through the Trusts Essentials of Care Audit Programme (ECAP), which directly measures against the NICE quality standards 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 2015-2016, the number of inpatient falls and harm associated with falls has reduced. There were 1523 reported incidents of patients falling, with 317 incidents where harm occurred. 286 of these were adjudged to be low harm (in 2014-2015 there were 1603 falls incidents with 340 patients experiencing harm). It should be noted that this improved 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.



Source: Datix

Medication Errors

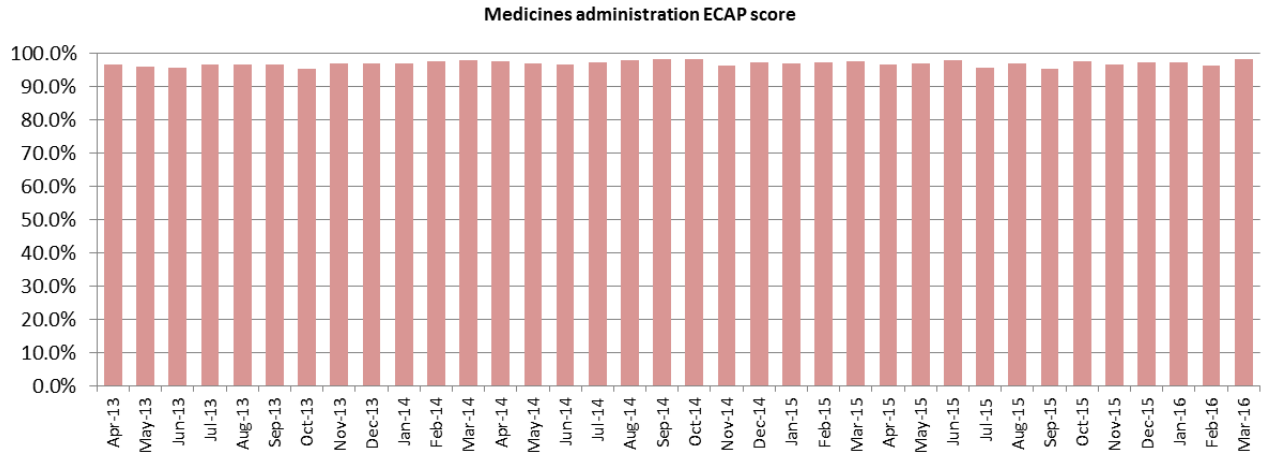
The Essentials of Care Audit Programme (ECAP) continues to provide the most reliable method for monitoring safe practice in respect of medicines prescribing and administration. The Trust has continued to collect data through ECAP on a number of indices which provide further detail on specific aspects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

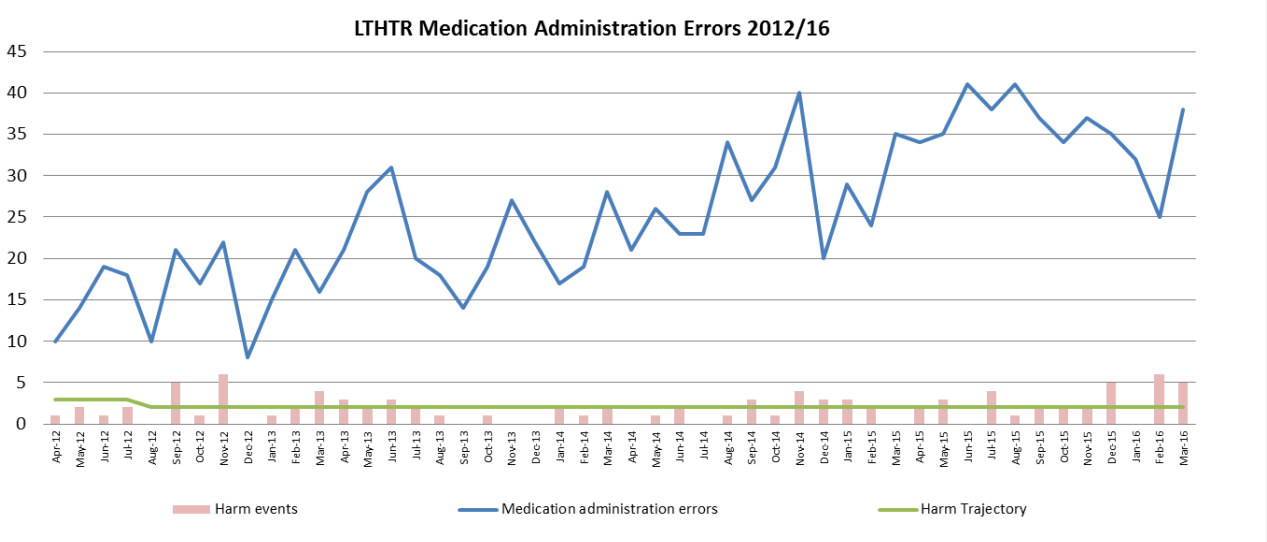
- Patients requiring intravenous antibiotics will be a) clinically reviewed on a daily basis and b) have a defined stop date

During 2015-2016, 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 97% during the year, maintaining the high level of performance reported in 2014-2015.



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 2015-2016, the number of medication administration errors reported within the Trust increased by approximately 28%. This increase could be as a result of efforts to increase the reporting of patient safety incidents. However, harm events have increased from 19 in 2014-2015 to 32 in 2015-2016. With the exception of one incident, all harm events were associated with omitted medicines or incidents that required a review of the prescription and in none of these did the patient experience actual physical harm. However, in one incident a patient was administered incorrect medicine that required the administration of reversal agents. The patient did not suffer any lasting physical harm.



Source: Datix

In order to reduce prescribing and administration error rates, the Trust has introduced a medicines optimisation strategy, which includes a number of key interventions designed to reduce error and associated harm, including:

- The appointment of a Medicines Safety Officer (MSO), who will lead and support key initiatives
- Further increase in reporting of medicines incidents using Trust systems, ensuring appropriate corrective actions are taken and learning is shared across the Trust
- Actions to improve the level of medicines reconciliation on admission beyond 90%
- The introduction of robust and standardised safe storage systems at ward level
- Improved training for medical, nursing and pharmacy staff
- Expansion of the number of highly trained and competent non-medical prescribers
- Implementation of electronic prescribing systems
- A medication error matrix has been developed that will stratify errors and define the relevant and proportionate response to error
- Processes for the management of errors has been clarified to ensure that the necessary training and safeguards around practice are consistently applied

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. In the last year we have applied Duty of Candour on 17 occasions.

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

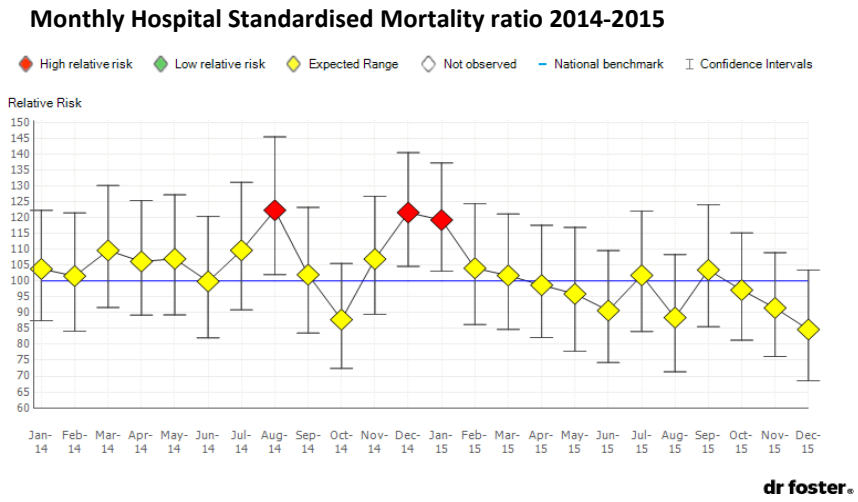
The Hospital Standardised Mortality Rate (HSMR) is derived from routinely collected data based on 56 diagnostic groups that account for 80% of all hospital deaths. The data is adjusted to take into account a range of factors that can affect survival rates but that may be outside of the direct control of the hospital such as age, gender, associated medical conditions and social deprivation.

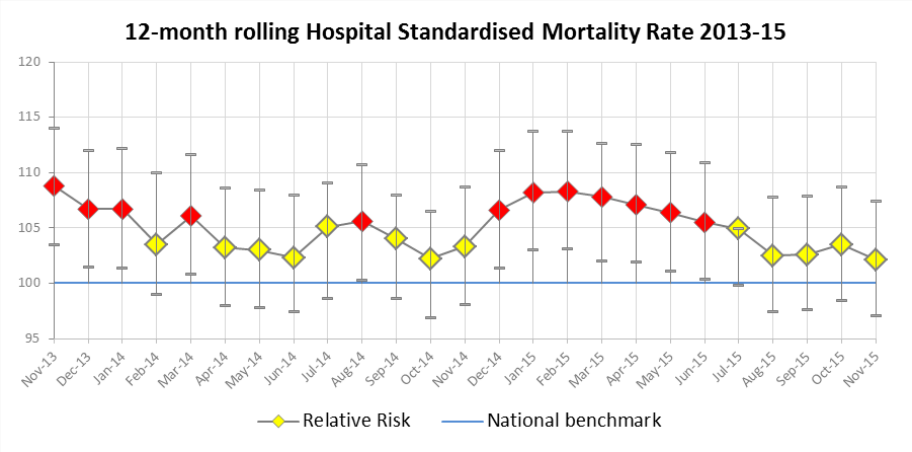
The HSMR is defined as the ratio of observed deaths to expected deaths (based on the sum of the estimated risks of death) multiplied by 100. Thus, a rate greater than 100 indicates a higher than expected mortality rate whilst a rate lower than 100 indicates a lower rate.

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.

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, representing a higher than expected rate and a slight deterioration against the national trend when compared to 2013/14.

However, between April and December 2015, (the most recently available complete data) the HSMR has improved from a 2014-2015 year-end position of 106.6 to 94.8, within the expected range and representing an improvement of 11.8 points, based on the current benchmarked position.



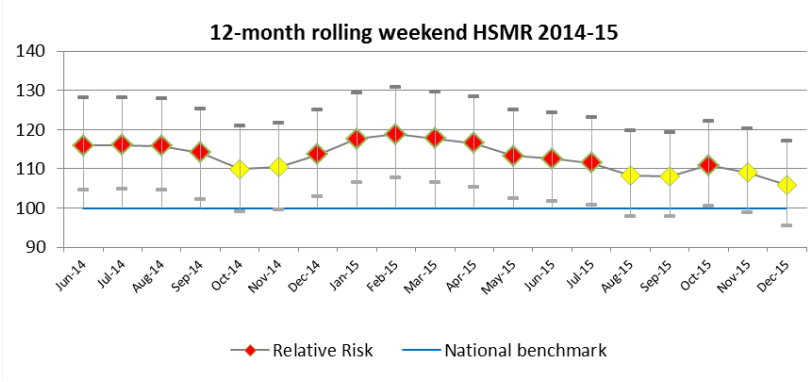


Source: Dr Foster Intelligence

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.

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 2015-2016, no significant trends or themes of substandard care and treatment were identified through this process.

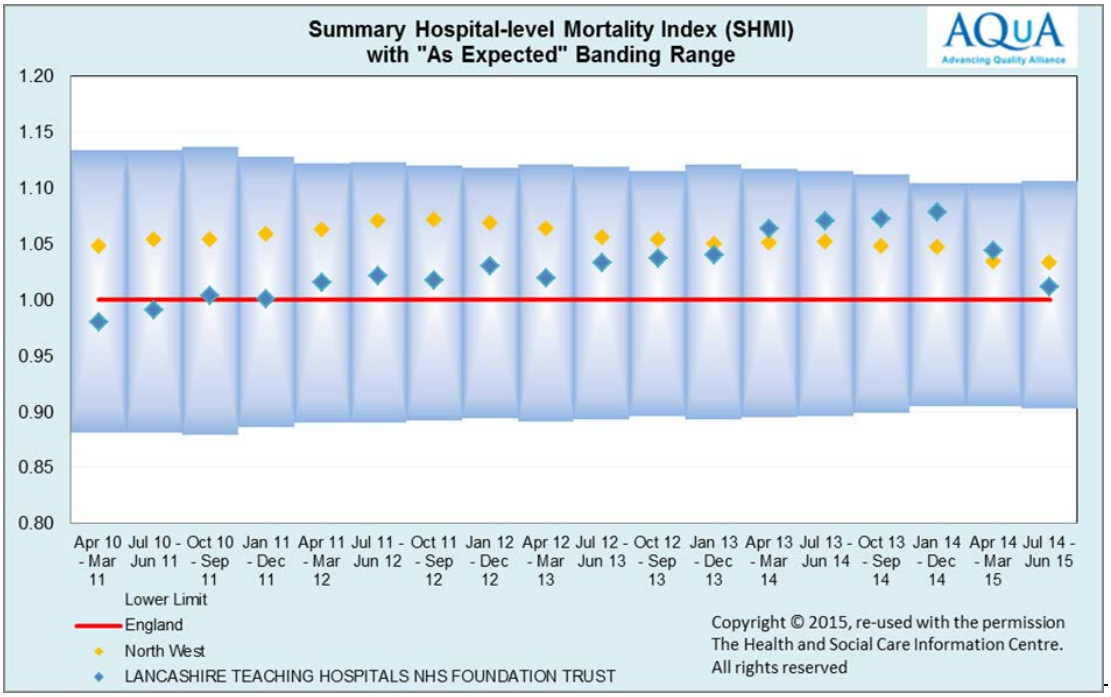
Weekend mortality rates have been a source of national media interest and the Trust started the year in a challenging position with a significantly higher than expected rate of 117.7. However, Trust performance has improved over the course of the year, as demonstrated in the chart below and is now within the expected range of performance.



Source: Dr Foster Intelligence

The Summary Hospital Mortality Indicator (SHMI) provides a further measure of mortality, differing from the HSMR in that it 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. As there is a reliance on both hospital episode statistics (HES) data and Office of National Statistics (ONS) data, results for SHMI are not as timely as for HSMR and results are currently only available to September 2014. The chart below shows Trust performance between April 2010 and June 2015. During this period performance remained within the 'as expected' range.

Performance from October 2014 – September 2015 has improved further to 1.092



Source: Advancing Quality Alliance (AQuA) February 2016

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:

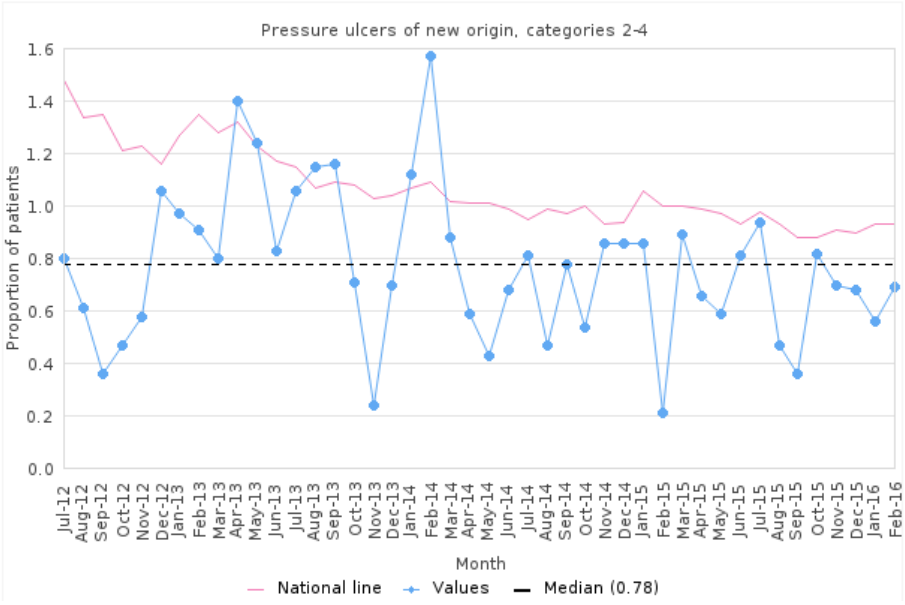
- Mattress, bed frame and seat cushion management. The contract with a commercial supplier allows for immediate availability of pressure relieving devices such as alternating pressure mattresses, for all patients in the Trust as the assessment of their risk dictates. The contract also allows for a yearly 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 Trust has signed up to a national safety initiative called ‘Sign up to Safety’ and as part of this aims to reduce avoidable grade 3 pressure ulcers by 50% and eliminate grade 4 pressure ulcers by December 2017.

In addition during 2015/2016:

- 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
- An additional whole time equivalent Tissue Viability Nurse has been appointed
- Data is now shared with community teams providing geographical representation of where patients with pressure ulcers are admitted from
- The Trust participated in the World Wide Stop the Pressure Ulcer Day' in November 2015
- All ward managers are now able to view photographs of pressure ulcers relating to their ward

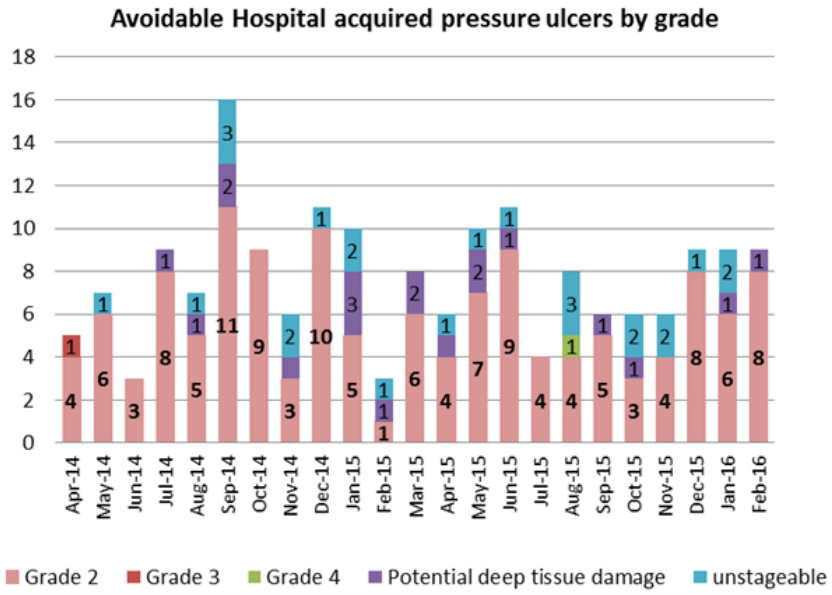
The measures described above have contributed to the reducing trend in acquired pressure ulcers within the Trust. Lancashire Teaching Hospitals NHS Foundation Trust monitors and reports pressure ulcer incidence and prevalence in two ways:

- 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



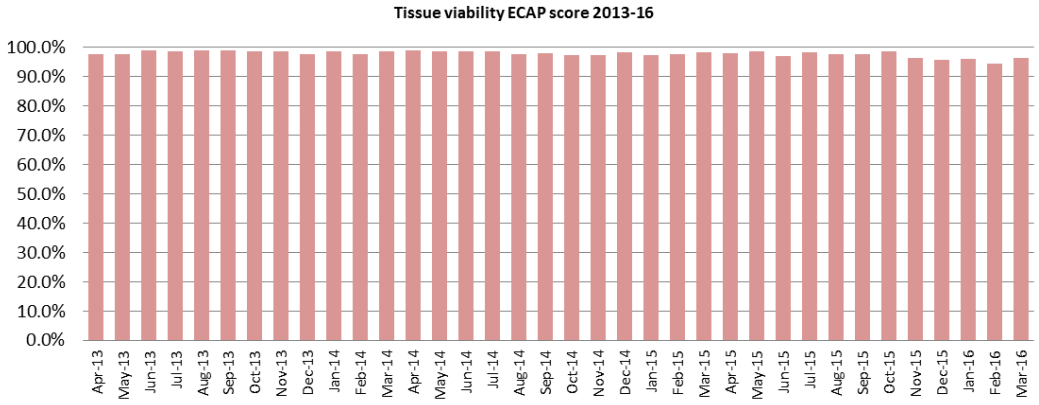
Source: NHS safety Thermometer

- Via incident data - during 2015-2016, 1344 patients were admitted to hospital with pressure ulcers of grade 2 or above. Of these, 216 were confirmed as grade 3 ulcers and 106 as grade 4. These figures represent a slight improvement on 2014-2015 figures where 1369 patients were admitted with pressure ulcers, of which 251 and 140 were confirmed as grades 3 and 4 respectively. In total, 209 patients developed pressure ulcers following admission to hospital. Of these, 94 were deemed to be avoidable. 69 ulcers were grade 2, 1 was grade 4 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 that 92.2% of patients have risk assessments for tissue viability completed within 6 hours of admission or transfer to a ward.

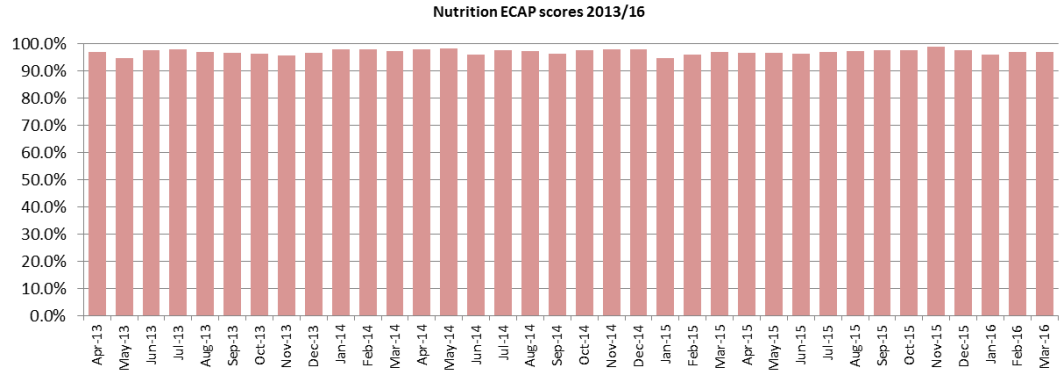


Source: LTHTR ECAP programme

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 2015-2016 96.2% of patients had MUST risk assessments completed within 24 hours of admission or transfer to a ward.



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.

Other initiatives include:

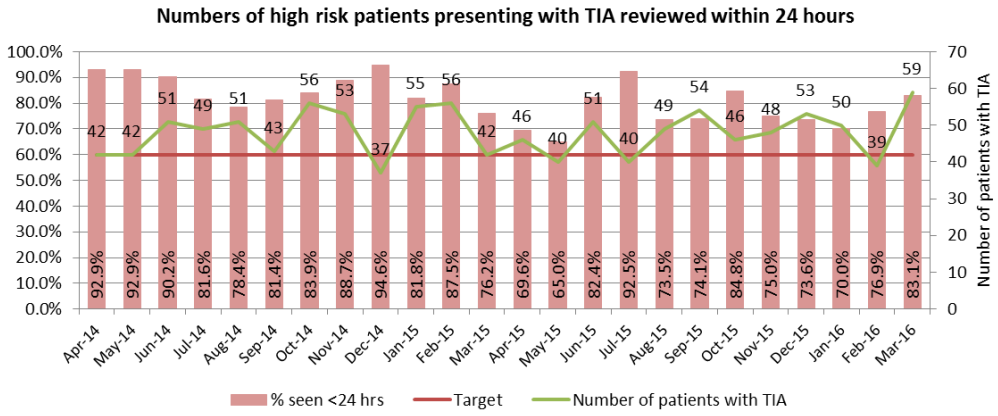
- Support for the elderly care programme. Across both sites a number of wards receive a ‘snack tray’ that offers a range of snacks to support / encourage patients to eat, increase their nutritional intake. This is in addition to the snacks available on the evening menu
- Catering services support the 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.

Transient Ischaemic Attacks (TIA)

Transient Ischaemic Attack (TIA) is an important predictor of subsequent stroke. All patients who have had a suspected TIA should be assessed as soon as possible for their risk of subsequent stroke. Research suggests that 10% of all TIA patients will go on to stroke within the first 7 days. The Trust has established processes defining best practice in relation to the initial assessment and of those at highest risk of stroke, the subsequent referral for specialist assessment and treatment.

All patients presenting with suspected TIA from both primary and secondary care are referred into the TIA Service, where they are reviewed by a member of the stroke team and offered a priority appointment. The standard is for high risk patient to be seen within 24 hours, whilst low risk patients receive an appointment to be seen within 7 days. The service is available for both inpatients and outpatients.

Since April 2014 the Trust has consistently achieved its monthly target of assessing 60% of all patients with TIA who are determined to be at a higher risk of stroke within 24 hours, with performance across 2015-16 averaging 76.7%. There has been a slight dip in the proportion of patients seen within 24 hours due to capacity pressures and a reliance on locum consultant cover but it is anticipated that performance will improve further once substantive consultant appointments are made.



Source: LTHTR stroke service

Further investment in the numbers of stroke specialist has led to increased clinic capacity to assess patients 28 days after treatment.

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. The Dr Foster Patient Experience Trackers (PET) that were initially used for that purpose were replaced with Trust patient feedback (Empowering Quality Improvement for Patients or EQIP) devices in 2011. Throughout the life of the EQIP programme, in excess of 32,000 questionnaires were completed by patients. However, in spite of this considerable response, there was recognition that not all patients, in all settings had an opportunity to provide feedback on their experience. The national implementation of the Friends and Family Test (FFT) in 2013 now provides such coverage across all disciplines and departments. 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. As a consequence, we discontinued the EQIP programme was discontinued in September 2015. During 2016 we also plan to introduce quarterly inpatient surveys that replicate the national patient survey and provide more frequent assurance about standards of care as experienced by our patients.

In addition to local collection of feedback, the Trust participated in the two national patient surveys that were undertaken during 2015-2016.

Inpatient Survey 2015

The national inpatient survey, was informed by 501 responses from patients, an increase of 224 (7%) compared to the 2014 survey. Results are not expected to be published until the 8th June 2016

Maternity Survey 2015

The maternity survey report for 2015 was published in December 2015. 132 women who gave birth at the Trust, or gave birth at home under the care of staff from the Trust during February 2015 responded to the survey, giving a response rate of 40%, which is comparable to the national average of 41%.

The maternity report is split into three parts, each focussing on one distinct aspect of maternity care, namely antenatal, labour and birth, and postnatal. Detailed below is a brief summary of the Trust's performance in each area:

Antenatal

The antenatal care report shows Trust performance to be largely comparable to 2013 results and in line with that of most other Trusts. It is pleasing to note that performance is better than most other Trusts in respect of offering women choice about where to have their babies. However, performance is worse than expected in relation to midwife awareness of medical history at antenatal check.

In response:

- The results of the survey have been shared with all midwives and the importance of full discussion and documentation of medical history at the booking visit and subsequent antenatal check-ups has been reinforced.
- A regular audit programme to confirm documentation of medical history has been initiated.

Labour and birth

The labour and birth report indicates strong performance, with all questions scoring as expected. There is, however, significant improvement compared to the 2013 survey in respect of six questions. Two of these relate to the cleanliness of the room or ward and bathroom facilities, whilst four relate directly to the patients' experience of care, specifically with regard to the quality of explanation and information offered, the opportunity to have skin contact with their baby and the kind and understanding way they were treated by staff.

Postnatal

Performance was once again, largely comparable with that reported in the 2013 survey. Particularly pleasing to note is the significant improvement in performance relating to the emotional support provided to women in the postnatal period.

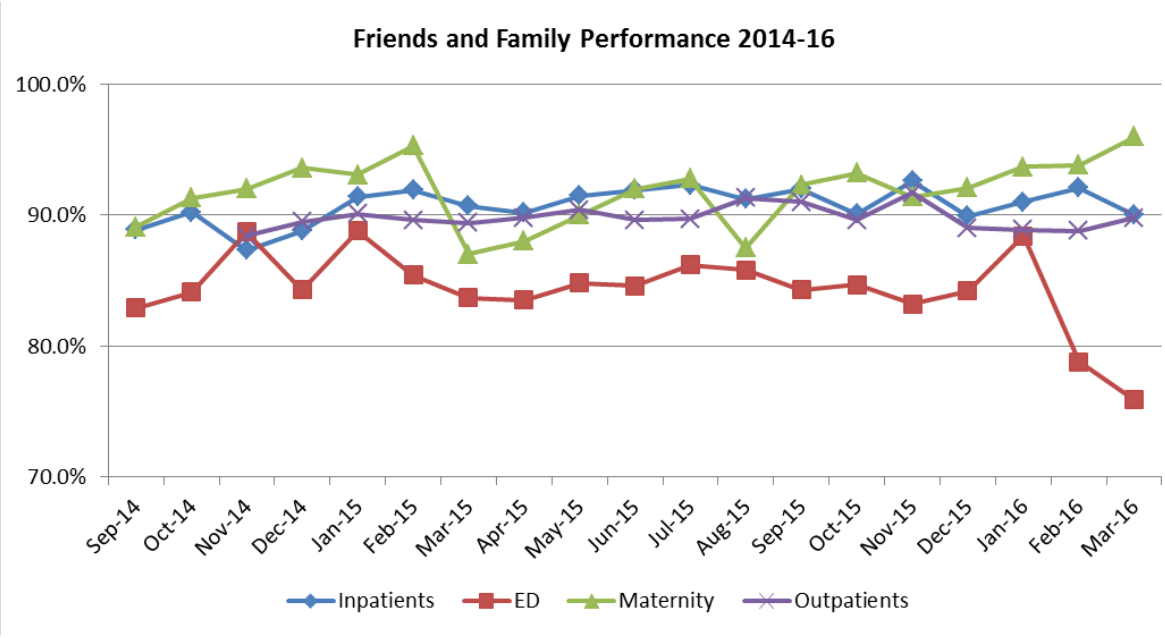
Friends and Family Test (FFT)

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.

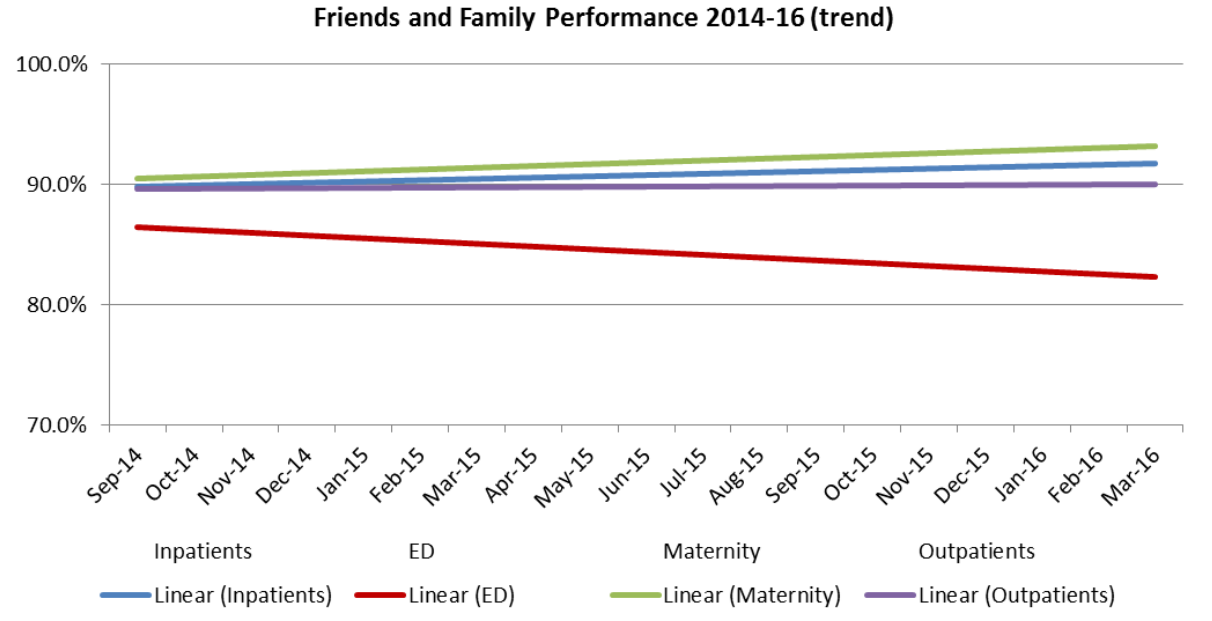
A performance threshold of 90% of patients recommending the ward/department for inpatients and 85% for ED attenders has been established. It is recognised that the score alone provides only a very limited measure of performance and, for that reason, the information is triangulated with other forms of 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

At the end of 2015-2016, it is evident that the positivity of patient feedback has improved in maternity but dipped sharply in respect of Emergency Department (ED) care. A review of patient feedback in the EDs clearly illustrates that the main reason for this is the impact of increased demand and the length of time patients waited to be seen by a doctor.



A review of the trends in friends and family feedback confirms the direction of travel for both EDs and maternity but also shows an improving picture in respect of inpatient feedback with performance currently above the ambition described in *Safe, Reliable and Compassionate*.

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 all available feedback is undertaken with key clinical staff and operational managers for that area in order to specifically confirm what patients and their relatives are identifying as the key areas for improvement. Improvement plans are developed in response and the impact of these improvement actions is measured through an enhanced level of supervision.

Following the introduction of the performance management programme in April 2015, 6 wards/areas were identified as having failed to sustain the defined performance threshold during Quarter 1. Following the initiation of improvement actions, 4 of those areas achieved the agreed standard during Quarter 2. However, 5 further areas failed to achieve a sustained performance during that period and, as a consequence of that, were included in the improvement programme. At the conclusion of the financial year, 6 wards and departments were subject to enhanced supervision and support.

A number of improvement actions have been taken in relation to the feedback provided, which include:

- The introduction of consultant/relative meetings during, or at the end of consultant ward rounds, where relatives can 'book in' to meet with the consultant to discuss their relative's care or to have any queries about that care answered
- Enhanced opportunities for relatives to meet with the ward manager in the evening, or at other times as convenient to discuss concerns
- Improved pain management for patients awaiting review in the emergency department
- Introduction of dedicated theatre/escort nurses in day-case plastic surgery leading to improved communication with patients
- Enhancing visibility and accessibility of triage nurses in the Medical Assessment Unit (MAU)
- Introduction of effective systems of re-triage of patients at risk of a delay in medical review in MAU

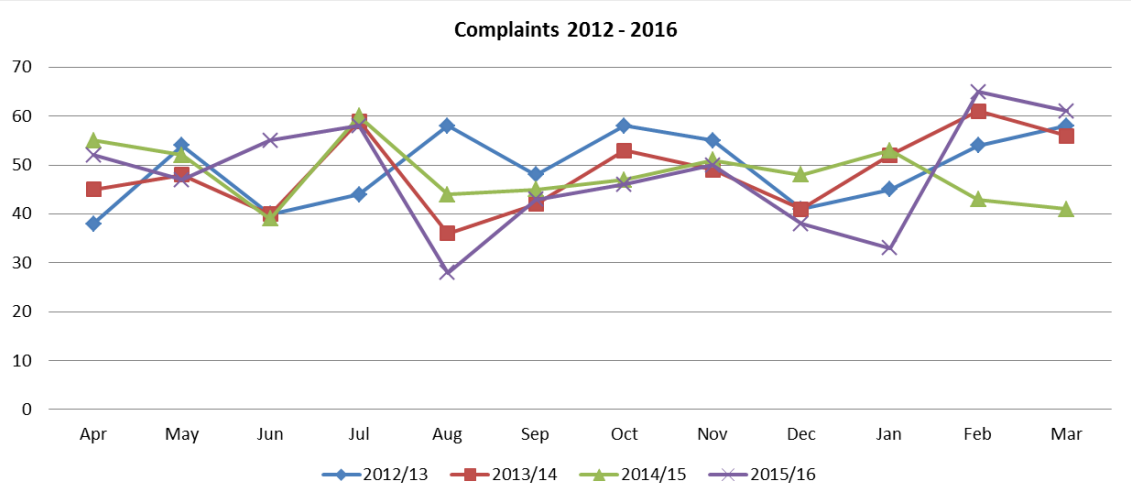
Complaints and concerns

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 2015-2016 the PALS team dealt with 1820 concerns from staff, patients and the public. Of these, only 32 (1.76%) went on to become formal complaints.

We closely monitor formal complaints and informal concerns to identify areas of good practice which, together with areas for improvement, can be shared across the organisation. Whilst significant improvements have been made to the way in which complaints are managed over recent years, we recognise the need to further improve both our communication of the outcomes of complaint investigations to front-line staff in the services affected and ensuring that lessons are learned and improvement actions are not only implemented, but also shared, to enable the opportunities for the implementation of good practices to be optimized.

The number of formal complaints received by the Trust between April 2015 and March 2016 was 575. Whilst the reduction in the number of complaints is modest (4 less than the number received in the previous year), it does demonstrate a continuing trend of the year-on-year reduction in the rate of complaints that has been apparent over the past four years. When considered in terms of the ratio of complaints to patient contact the Trust received one complaint for every 1404 patient episodes (inpatient and outpatient) during 2015-2016, compared to one complaint for every 1332 patient episodes during 2014-2015.



Source: Datix LTHTR

Of the 577 complaints closed during 2015-16 (which included some received during 2014-15), 382 were fully or partially upheld.

The NHS Complaints Regulations determine that all complaints should be acknowledged within three working days of receipt. In the last financial year, 98.8% of complainants received an acknowledgement within that timescale.

One of the major changes made to complaints processes during 2014-15 was intended to improve the level and effectiveness of communication with complainants upon receipt of the complaint and throughout the complaint investigation. The Trust now seeks feedback on both the complaints management process and the quality of the complaint response by sending a satisfaction survey to every complainant with the final response letter. The information obtained through that process has been used to improve the service offered to complainants, specifically in relation to the standard of communication between case managers and complainants. Complainants now almost unanimously report that they were contacted by their case manager to discuss their complaint in person unless they indicated that they did not wish to be contacted by telephone. Over the past eight months, the number of complainants who advised that they felt their complaint had been well or very well handled increased (to 86% in the last reporting period of the financial year period).

The reduction in the number of complaints that were referred to the Parliamentary Health Service Ombudsman (PHSO) during 2014-15 was maintained in 2015-16, during which 18 complaints were referred to the PHSO, compared with 21 the previous year. In that same period, the PHSO completed their investigations into 22 of the complaints that had been referred to them. Of those, 11 were not upheld, 2 were successfully referred back to the Trust for further local resolution, whilst 1 was closed prior to a final report being issued as the complainant failed to comment on the draft report (which indicated that the complaint would not be upheld). In 8 cases the complaint was upheld or partly upheld by the PHSO.

In response to feedback we have received through the complaints procedure, a number of changes have been made during 2015-16 to further improve the quality of our services. These include:

- The rostering of a Trauma Co-ordinator every day to work closely with the clinicians to schedule emergency and trauma orthopaedic surgery
- The establishment of an additional consultant team to ensure and support the daily review of medical outliers by consultant physicians
- The amendment of the ‘Intentional Rounding’ documentation to include the need to record that the patient call bell is easily accessible to the patient
- Improving the nursing handover in the oncology ward to ensure that all key information is shared

- To display information in clinical areas informing patients and relatives of what to do in the event of them having any queries or concerns they wish to discuss with senior nursing or medical staff.

We have also received many formal and informal compliments from patients and their families in relation to their experience of care. During 2015-16, a total of 8365 compliments and thank you cards were directly received. This figure does not include the significant amounts of positive feedback received via the EQIP programme, the FFT and that which is posted on the Patient Opinion and NHS Choices sites.

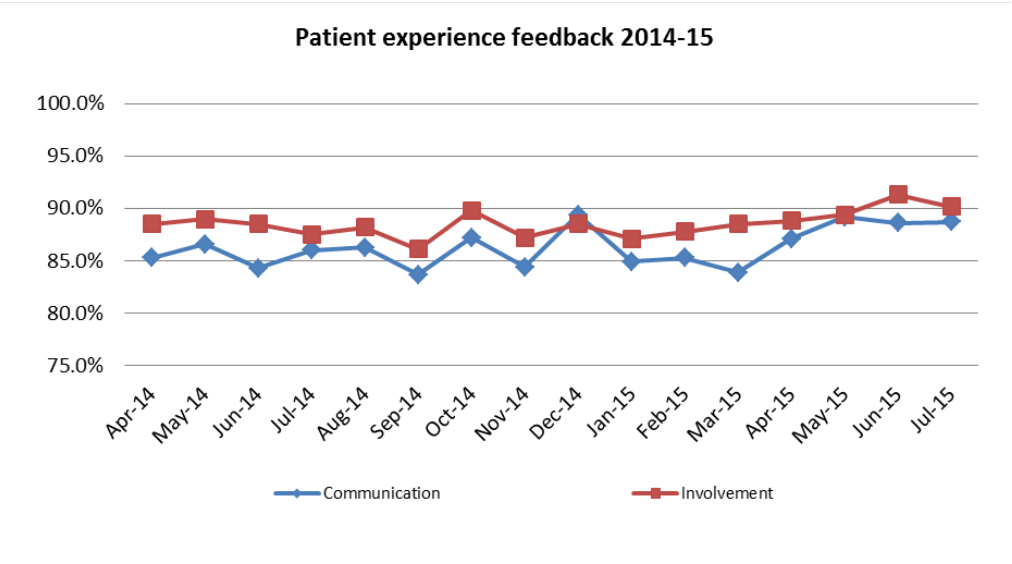
Patient stories

In 2015-16, the Trust introduced the practice of sharing a patient story at each Board of Directors' meeting. This practice has subsequently evolved to the point that a patient is now filmed recounting his or her experience. In addition to showing the short film of the patient story at the Board of Directors meeting and the patient experience improvement group meeting, the film clips are shared with staff and made available on the Trust's intranet site, thus allowing them to be easily accessible for discussion, reflection and to enable any improvement actions to be identified and introduced.

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 and 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.

Until replaced by the friends and family test and revised patient experience reporting framework, patient feedback on how effectively staff communicated with them and how involved they felt in their care and treatment was obtained through the EQIP programme. Monitoring through this process continued until July 2015:



Source: EQIP feedback LTHTR

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 focusses 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. In addition to the publication of posters detailing the specific actions and behaviours that patients and their relatives can always expect, the programme has involved meetings with and briefings to staff on the programme and on behavioural expectations, all of which are reinforced through the production and availability of animated clips.

The Trust has invested significantly in the care of older patients and those with dementia. During 2014-2015, five medical wards received the Quality Mark for Elder Friendly Hospital Wards from the Royal College of Psychiatrists. Another medical ward has achieved accreditation during 2015-2016 whilst more wards are currently participating in the programme.

The Trust has recruited many 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. One example is the embossing of patient name bands with the ‘forget-me-not symbol for dementia that clearly signposts to staff that a patient has additional care needs whilst maintain privacy and dignity for the patient. The idea was introduced by Allyson Rigby, a health care assistant from the ED and was acknowledged at the Trusts annual quality awards.

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 – 2016 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.

During 2015-2016 a number of involvement opportunities were provided, including:

- Engagement with the deaf rights group to improve services and inform review of our interpretation services (British sign language)
- The development of patient experience/story DVDs presented at board and team meetings as a focus for learning and improvement
- learning disability awareness week, during which we held our ‘Your Health Day where we sought the views of patients and carers with learning disabilities whilst providing comprehensive health checks
- carers awareness week, again providing opportunities for feedback and to provide advice and support
- Liaison with GPs to improve referral process for patients with learning disabilities

Information

The Trusts 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.

During 2015 our website has again been revised as we strive to make information about the Trust and services and treatment accessible to all. During 2016 we will be taking further action to meet the recently introduced accessible information standard.

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 in the Monitor Compliance Framework and the Acute Services Contract.

During 2015-2016 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; however, the identified primary and social care initiatives/schemes are yet to deliver any level of sustainability and as such the Trusts ability to achieve key access targets remains compromised.

Overall during 2015-2016 the Trust achieved compliance against a range of measures within the Monitor Compliance Framework including access standards such as cancer waiting times, 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, operations cancelled for non-clinical reasons and patients readmitted within 28 days following cancellation. This was largely due to significant emergency demand experienced throughout 2015-2016 that adversely impacted on compliance with access standards and the trusts elective care programme.

Throughout 2015-2016 the Trust experienced significant capacity pressures, with increased use of escalated beds and increased numbers of delayed discharges due to availability of community based beds. The level and acuity of non-elective demand impacted upon the Trusts capacity to deliver the elective care programme. This has resulted in an increase in the number of patients waiting over 18 weeks for admitted care treatment. Across the local health economy, the seasonal resilience plan included the following initiatives which were expected to impact on the level of acute non-elective demand and the flow of patients through the non-elective care pathway

- Access to step-up/step-down facilities with the implementation of services with a maximum capacity of 48 beds. These beds were made available through a staged deployment into quarter one of 2015-2016 and significantly improved ED performance within quarters one and two
- An additional Intensive Home Support scheme, creating a virtual ward in the community came on line during quarter four of 2014-2015
- Additional crisis hours have been made available in the Emergency Department
- The Urgent Care Centre at Chorley and South Ribble Hospital continued to be developed and the CCG started a procurement exercise for Urgent Care services. The Trust is part of a coordinated bid for this reconfiguration.

The summary position detailing performance against key targets 2015-2016 is shown in the table below:

Indicator	Target %	Cumulative Performance	Achieved	Current Period
A&E - 4 hour standard	95	91.67	Not Achieved	% - Cumulative to end Mar 2016
A&E - Trolley waits greater than 12 hours	0	0	Achieved	% - Cumulative to end Mar 2016
Cancer - 2 week rule (All Referrals) - New method	93	94	Achieved	% - Cumulative to end Mar 2016
Cancer - 2 week rule - Referrals with breast symptoms	93	94.9	Achieved	% - Cumulative to end Mar 2016
Cancer - 31 day target	96	97.1	Achieved	% - Cumulative to end Mar 2016
Cancer - 31 Day Target - Subsequent treatment – Surgery	94	96.6	Achieved	% - Cumulative to end Mar 2016
Cancer - 31 Day Target - Subsequent treatment – Drug	98	99.9	Achieved	% - Cumulative to end Mar 2016
Cancer - 31 Day Target - Subsequent treatment - Radiotherapy	94	97.9	Achieved	% - Cumulative to end Mar 2016
Cancer - 62 day target - total	85	81.7	Not Achieved	% - Cumulative to end Mar 2016
Cancer - 62 Day Target - Referrals from NSS (Summary)	90	84.9	Not Achieved	% - Cumulative to end Mar 2016
MRSA	0	3	NA	% - Cumulative to end Mar 2016 3 infections 1 patient
C.difficile Infection- (Previous Monitor Indicator)	66	59	Achieved	% - Cumulative to end Mar 2016
C.difficile infection avoidable (Lapses in care) – (Revised Monitor indicator)	66	11	Achieved	% - Cumulative to end Mar 2016
Cancelled Operations - Non Clinical (% of Elective FFCE's)	0.8	1.58	Not Achieved	% - Cumulative to end Mar 2016
Cancelled Operations - Not Readmitted Within 28 Days	5	10.57	Not Achieved	% - Cumulative to end Mar 2016
Delayed Discharges - Acute	3.5	4.22	Not Achieved	% - Average to of month end census position Apr 15-Mar16
Medical Outliers	5	7.40	Not Achieved	% - Average of month end census position Apr 15 – Mar 16
Stroke Care - Admission to a designated stroke ward within 4 hours of presentation	90	62.06	Not Achieved	% - Cumulative to End Feb 16
Stroke Care - 90% of stay within designated stroke ward	80	80.47	Achieved	% - Cumulative to End Feb 16
TIA - Commencement of treatment within 24 hours	60	76.70	Achieved	% - Cumulative to End Mar 16
18 weeks - Referral to	90	62.8	N/A	% - Single

Treatment - Admitted Patients - No longer a national target				month of Mar16
18 weeks - Referral to Treatment - Non-admitted patients - No longer a national target	95	87.50	**N/A**	% - Single month of Mar 16
18 weeks - Referral to Treatment - Incomplete Pathways	92	91.14	**Not Achieved**	% - compliance Average Monthly % compliance 2015-16
18 weeks - Number of patients that have waited over 52 weeks for treatment	0	14	**Not Achieved**	Actual - Month end March 2016 census position
% direct access audiology within 18 weeks in month	95	99.33	**Achieved**	% - Cumulative to end Mar 2016
% patients waiting greater than 6 weeks for diagnostics	<1	0.69	**Achieved**	% - Cumulative to end Mar 2016
Same Sex Accommodation Breaches	0	0	**Achieved**	Actual - Cumulative to end Mar 16
Health & Social Care Needs Assessment within 12 weeks and 6 days of pregnancy	90	87.20	**Not Achieved**	% - Cumulative to end Mar 2016
Infant Health: Smoking During Pregnancy	18.6	10.5	**Achieved**	% - Cumulative to end Mar 2016
Infant Health: Breastfeeding Initiation	70.8	71.15	**Achieved**	% - Cumulative to end Mar 2016
Certification against compliance with requirements regarding access to healthcare for people with a learning disability	NA	100%		Compliance with all objectives

* Position is inclusive of Q1-3 reallocations. Does not take account of any potential Q4 reallocations
** Absolute Figures (i.e. number of patients) Note full year threshold included

Summary Table of Performance against Core Indicators

12. Summary Hospital-Level Mortality Indicator (SMHI)	April 2013 – March 2014	April 2014 – March 2015	October 2014 – September 2015
(a) the value and banding of the summary hospital-level mortality indicator ('SHMI') for the Trust for the reporting period	Trust = 1.064	Trust = 1.011	Trust = 1.009
	National average:1.0	National average = 1.0	National average = 1.0
	Low = 0.539	Low = 0.661	Low = 0.
	High =1.197	High =1.209	High =
	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 = 25.4% National = 23.6% High = 48.5% Low = 0	Trust = 28.9% National = 25.8% High = 50.9 Low = 0	Trust = 28.9% National = 25.8% High = 50.9 Low = 0

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.

Lancashire Teaching Hospitals NHS Foundation Trust has taken the following actions to improve this score, and so the quality of its services by:

- Investment in coding software and additional coding staff and greater partnership working with clinicians
- 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.

18. PROMS; The Trust's patient reported outcome measure scores for:	April 2013-March 2014			April 2014 – March 2015			April 2015- September 2015		
	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 = 0.071	NA	NA	Health gain = 0.076	NA	NA	NA	NA	NA
	National = 0.085 High = 0.139 Low = 0.008	NA	NA	National = 0.084 High = 0.154 Low = 0	NA	NA	National = 0.88 High =0.135 Low = 0	NA	NA
(ii)varicose vein surgery	NA	NA	NA	NA	NA	NA	NA	NA	NA
	National = 0.093 High =0.15 Low =0.023	NA	National = -8.7 High =11.3 Low =-16.85	National = 0.095 High = NA Low =NA	NA	National =-8.252 High = NA Low =NA	National =0.104 High = 0.13 Low =0.037		National =-8.99 High = -4.26 Low =-13.13
(iii)hip replacement surgery (Primary)	Health gain = 0.413	Score = 21.328	NA	Health gain = 0.418	Score = 19.79	NA	Health gain = NA	NA	NA
	National = 0.436 High =0.545 Low	National = 21.3 High =24.44 Low =	NA	National = 0.437 High =0.517 Low	National = 21.4 High =24.65 Low =	NA	National = 0.45 High =0.52 Low	National = 22.09 High =24.67 Low =	NA

	=.342	17.63		=0. 331	16.3		=0. 36	18.13	
(iv) knee replacement surgery (Primary)	Health gain = 0.295	Score = 17.09	NA	Health gain = 0.321	Score = 16.05	NA	Health gain = NA	Score = NA	NA
	National = 0.323 High =0.416 Low =0.215	National = 16.2 High =19.76 Low =12.05	NA	National = 0.315 High = 0.418 Low =0.204	National = 16.148 High =19.49 Low =11.48	NA	National = 0.334 High = 0.412 Low =0.207	National = 16.79 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.

19. The percentage of patients aged: 0 to 14 and 15 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	Trust = 12.11	Trust = 11.71
	National = NA	National = NA	National = NA High/low performing Trusts - NA
16 years and over	Trust = 10.92	Trust = 10.87	Trust = 11.93
	National = 11.18	National = 11.42	National = 11.45 High/low performing Trusts - NA

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

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 Trusts responsiveness to the personal needs of its patients during the reporting period	**2012/13**	**2013/14**	**2014-2015**
	Trust = 68.7	Trust = 74.6	Trust = 73.1
	National = 68.7 High = 84.2 Low = 54.4	National = 76.9 High= 87 Low = 67.1	National = 76.8 High=88.2 Low = 66.8

Lancashire Teaching Hospitals NHS Foundation Trust considers that this data is as described for the following reasons:

- 2015-2016 performance data is not yet available pending publication in June 2016
- As stated in the 2014-2015 account, Increased complexity and numbers of inpatients along with recruitment pressures associated with increased demand both nationally and locally, have in some clinical teams limited the extent that patient needs can be responded to in a timely manner.

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	**2013**	**2014**	**2015**
	Trust = 64	Trust = 66	Trust = 65
	National (Acute Trusts) = 64 High = 89 Low = 40	National (Acute Trusts) = 65 High = 89 Low = 38	National (Acute Trusts) = 70 High = 89 Low = 46

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 2015-2016**	**Q2 2015-2016**	**Q3 2015-2016**
	Trust = 96.1%	Trust = 96.4%	Trust = 96.3%
	National = 96% High = 100% Low = 86.1%	National = 95.9% High = 100% Low = 75%	National = 95.5% High = 100% Low = 61.5%

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	**2012/13**	**2013/14**	**2014-2015**
	Trust = 21.7	Trust = 18.8	Trust = 21.4
	National = 17.4 High= 31.2 Low = 0	National = 14.7 High= 37.1 Low = 0	National = 15.1 High = 62.2 Low = 0

Lancashire Teaching Hospitals NHS Foundation Trust considers that this data is as described for the following reasons:

- Data not yet available

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.
- Employment of antimicrobial pharmacist as a member of the infection control and prevention team

25. The number and 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 2013 – March 2014**	**April 2014 – September 2014**	**October 2014 - March 2015**
(i)Rate of Patient Safety Incidents per 1000 Bed days	Number = 5607 Rate /1000 bed days = 38.4 National rate/100000 pop = 732.8 High Rate/1000 bed days =74.9 Low Rate/1000 bed days = 5.8	Number = 5886 Rate /1000 bed days = 39.87 National rate/1000 bed days = NA High Rate/1000 bed days =74.96 Low Rate/1000 bed days =0.24	Number = 6860 Rate/1000 bed days = 44.64 National Rate/1000 bed days = NA High Rate/100 bed days = 82.2 Low Rate/1000 bed days = 3.57
(ii) % of Above Patient Safety Incidents = Severe/Death	Severe harm or death	Severe harm or death	Severe harm or death
	Number =23 Percentage of all incidents= 0.4%	Number = 25 Percentage of all incidents= 0.4%	Number = 24 Percentage of all incidents= 0.4%
	National rate/100000 population = 4.63 High Number = 103 Rate/100 admissions =0.37 Low Number = 0 Rate/100 admissions = 0	National rate/1000 bed days = NA High Number = 97 Percentage of all incidents =1.8% Low Number = 2 Percentage of all incidents = 0%	National rate/1000 bed days = NA High Number = 128 Percentage of all incidents =5.2% Low Number = 2 Percentage of all incidents = 0%

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:

- Upgrade 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/Chorley and South Ribble 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. The CCG has reviewed the Quality Accounts Reporting Arrangements 2015-16 and is pleased to confirm that all of the required elements have been reported. The account has also been presented to the CCG Quality & Performance Committee and will be shared with associate commissioners.

During 2016-17, challenges have been evident in relation to achieving key national performance targets. The Trust failed to achieve a number of these targets including the A&E 4 hour standard; Cancer 62 day target; MRSA; Cancelled Operations not readmitted within 28 days; Stroke Care and 18 week Referral to Treatment (Incomplete Pathways). It is particularly disappointing that a number of patients have waited in excess of 52 weeks for treatment.

Whilst the CCG recognise that significant emergency demand, along with significant capacity pressures, has impacted upon the Trust's ability to deliver on these targets, it is clear to see that these challenges will continue in the short term. The launch of the Perfect 10 in May 2015 addressed issues in relation to patient flow and timely discharges. Unfortunately, the impact of this has not been evident in relation to the Perfect 365.

The CCG would like to highlight the joint working that is currently underway to address these issues. The prior approval schemes for policies of limited clinical value, along with service or pathway reviews of urgent care, ENT and Ophthalmology are expected to deliver improvements for patients. Consequently these initiatives will aim to improve performance against key national targets throughout 2016-17. Additionally, the CCG is supporting the introduction of Clinical Utilisation Review (CUR) in 2016-17 as a CQUIN scheme. CUR is a proven approach which can prevent unnecessary hospital admissions and reduce length of stay for patients.

This is the final year of the current Safety & Quality Strategy (2014-17). The CCG is pleased to recognise the overall progress that has been made against the three key priorities for improvement, which are detailed as harm free care, mortality and patient experience.

In relation to achieving 98% harm free care; overall performance was reported as 98.15%, which is very positive. Disappointingly three incidents of MRSA bacteraemia were reported (these related to the same patient and were classified as unavoidable following review). Performance against the NHSE C.difficile trajectory has been achieved.

The CCG review Serious Incidents in line with national guidance. Although a number of incidents in relation to falls have been reviewed in 2015-16, the CCG recognise that the Trust has been able to report a reduction in the number of inpatient falls with harm. Safety thermometer results indicate a low level of new pressure ulcers with performance better than the national average. The CCG feels that the introduction of the safety champion programme will further improve patient safety throughout the organisation.

Three Never Events were reported by LTHTR in 2015-16. Although this is disappointing the CCG welcomes the external review by the Royal College of Surgeons in response to these serious occurrences. This demonstrates further transparency and a willingness to improve practice.

The Hospital Standardised Mortality Rate (before rebasing of the current year's data) has shown an improvement of 9.3% and is now within the expected range. The CCG recognise the introduction of a mortality committee in 2015, which will further ensure that any cases of sub optimal care are

identified. LTHTR has demonstrated an ongoing commitment to participation in national audit programmes and have identified clear areas for improvement. The CCG looks forward to further updates throughout the year as these improvements are implemented.

Overall, the Trust has achieved 90% positive patient feedback for the Friends and Family Test (FFT) in relation to inpatient services. This performance has been more varied at ward level and in ED departments. The CCG recognises that, where an area fails to meet the required level of performance, the Trust undertakes a review of all available feedback in order to identify key areas for improvement. The CCG feels that this demonstrates a proactive approach to improving patient experience and recognises that this remains a key priority for the Trust.

In order to fulfil their obligations around quality assurance, the CCG conduct regular quality visits at the Trust. At these visits staff have articulated the challenges that they sometimes face, however their commitment to providing high quality patient care is always evident.

The 2015 National Staff Survey revealed areas for improvement in relation to manager involvement and communication; how staff can raise concerns along with staff feeling valued and recognised. In addition to this the ongoing recruitment and retention of staff remains challenging. The CCG is encouraged by the commitment LTHTR has displayed in order to address these issues and recognises that workforce and organisational development is highlighted as a key deliverable within the development of the next quality strategy.

Notably, staff FFT results have demonstrated performance higher than the England average during 2015-16. The CCG feels that staff should be commended for continuing to achieve national recognition and awards as they strive to deliver high quality care in challenging circumstances.

LTHTR has also encountered a challenging year in respect of their financial position. The CCG is pleased to recognise the partnership working across the two organisations in order to Quality Impact Assess any proposed Cost Improvement Programmes. The operating principles from the National Quality Board guidance have been utilised in order to give the required rigour to this process. Additionally, the action plans identified by the CQC in 2014 have been implemented within the agreed timescales

In conclusion, although this has been a very challenging year for LTHTR the CCG is able to reinforce the clear commitment to working together in order to address the identified issues. Quality improvement initiatives can be clearly identified throughout the quality account, which will hopefully be enhanced by participation in CQUIN schemes during 2016-17. The CCG looks forward to a productive working relationship in the year ahead with a joint agenda that aspires to a position of routinely delivering constitutional targets.

Healthwatch

First, we would like to thank and congratulate the Trust for all the work of its directors, clinicians, nurses and ancillary staff. Our strong impression, from conversations with patients, is that the Trust is providing an excellent service to its community, even as financial and staff recruitment pressures increase.

The Account gives a thorough survey of a complex organisation, and it is very helpful in illustrating the wide range of work that the Trust does, and the pressures, financial and staffing that it faces.

We found the Account a difficult read, partly because of its length, but also in understanding and fairly assessing the wealth of statistical data.

For stakeholders who are not entirely familiar with the technical language and statistics which necessarily feature in the Account, ‘less’ would be ‘more’. So we would not wish so much to add content as to request an executive summary, which would highlight key issues in plain language. Of course we understand that the Account has to contain details for NHS Improvement, and other technical audiences, but there is a danger that consultation with stakeholders could become almost meaningless in certain areas of the document.

Although we understand that the Friends and Family Test is a tool required by the NHS, our observation is that whilst response leaflets are made available at key points in Trust premises, it is entirely up to the individual whether they fill them in. (We apologise in advance if we do not have a full picture of the way in which the tool is used). This raises a question about how valuable, comprehensive and objective the tool is as a measure of patient satisfaction, and implies that a better tool might be needed.

In this context, we are surprised that the report does not at any point refer to the work that Healthwatch Lancashire has done, or might do talking to patients and families in hospitals.

Healthwatch Lancashire will always aim to be supportive and constructive, but we believe that an independent view of aspects of the Trust’s work is likely to be more powerful testimony than self-assessment.

Although ‘patient stories’ are an excellent way of understanding how it feels to the treated and not just the treater, it must be impossible at Board level to listen to sufficient stories to paint a comprehensive picture. There may even be a tendency to select for presentation only those stories which show the Trust in the best possible light!

Healthwatch Lancashire has developed a ‘care circle’ approach, where several patients/service users share their experiences without the presence of staff which we believe provides a more objective approach.

We would urge the Trust to maintain and develop in practical ways its contribution to Healthier Lancashire and the Transformation and Sustainability Plan for Lancashire and South Cumbria as the best way to improve outcomes for patients in the context of tight resources via ‘whole system’ change.

The section of the account on Performance Against Key National Priorities (p 65) is both revealing and concerning, in illustrating the pressures and resultant failures to achieve. Of course we appreciate that this is largely a national issue, and it therefore would seem to follow that the Trust should highlight these challenges among understanding and supportive organisations. The largely technical Quality Account is not the right vehicle for this, and no doubt the Trust has plans for engagement which provide most accessible form of information to a concerned public.

We can only assume that the draft document contains accurate information in relation to NHS services provided by the provider

Without wishing to increase the size of the document, we wonder whether much of its information could be summarized at the start, with statistics and their interpretation forming the ‘technical’ (though vital for some readers) appendix. We appreciate, however, that the Trust may not be free to re-shape the report in such a manner

Governors

The Council of Governors have received and reviewed the Quality Account 2016. The governors receive clinical governance data relating to the quality of patient care on a monthly basis. They then have the opportunity to integrate the data, question the processes, raise any issues of concern and seek assurance. The governors are also involved in projects that observe the experience of patients and their various journeys within the Trust, thus adding to a greater understanding of the importance of the production of quality data in the continual monitoring and improving patient care.

The Governors provided some feedback re the content of the report, with suggestions that part 2 could benefit from clarification re the provision of "environmental, organisational support". The lack of reference to medical staffing in the emergency department was noted and the number of safety champions was queried. Finally the Governor noted the lack of reference to Governors themselves in the report.

Overview and Scrutiny Committee

Feedback requested but not received

Our response to Statements

Lancashire Teaching Hospitals NHS Foundation Trust acknowledges the feedback provided by governors, colleagues and partners, specifically commissioners, HealthWatch and members of the Overview and Scrutiny Committee.

We share the disappointment expressed by commissioning colleagues in respect of patients who have had to wait more than 52 weeks for treatment. We acknowledge their support in addressing both this and the ongoing capacity and activity pressures that have impacted on delivery of this and other performance objectives. We look forward to continuing to work together during 2016/17 as we strive to deliver excellent care with compassion.

During 2015/16, we have strengthened our relationship with HealthWatch, working closely with their representatives to deliver a positive patient experience. We appreciate the positive feedback provided by their members and by the public.

We acknowledge their comments about the size of the account and the language and its subsequent impact on the accessibility of the report. Much of the contents is prescribed by our regulators but we will give serious consideration to the production of an executive summary document with key information included.

Our response rates for Family and Friends feedback is, on the whole positive but we understand concerns about the value of the information. We capture this feedback through postcards, text message and interactive voice messaging and, alongside surveys, PALS, complaints, NHS websites and HealthWatch, the intelligence we are currently generating is, we believe, extensive and credible. We recognise the missed opportunity to include more information about HealthWatch support and will ensure this is detailed in next year's report. We are always looking at different ways to generate feedback from patients and will give consideration to HealthWatch suggestions.

Our Governing body is a source of significant support in the Trust whilst providing robust challenge. We welcome the comments of Governors and appreciate the level of involvement and engagement in our efforts to improve standards across the Trust.

In response the number of safety champions has been included in the report and a reference to some of the considerable work by Governors also included in the *Assuring Quality* section in part 3 of the account. The emerging issues in the Emergency department will be referenced in the annual report but fell outside of the timescales for inclusion in this account.

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.

Monitor 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 2015-2016 and its 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 2015 to March 2016
    - Papers relating to Quality reported to the Board over the period April 2015 to March 2016
    - Feedback from commissioners dated 11th May 2016
    - Feedback from governors dated 14th April 2016
    - Feedback from local Healthwatch organisations dated 10th May 2016
    - Feedback from Overview and Scrutiny Committee not received
    - The Trust's complaints report published under regulation 18 of the Local Authority Social Services and NHS Complaints Regulations 2009, dated 4th May 2016
    - Note - The 2015 national patient survey is published on 8th June 2016
    - The 2015 national staff survey 23rd February 2016
    - The Head of Internal Audit's annual opinion over the Trust's control environment dated 23rd May 2016
    - CQC Intelligent Monitoring Report dated May 2015

- 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 Monitor'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

Chairman **Date: 26 May 2016**

Chief Executive **Date: 26 May 2016**

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 2016 (the 'Quality Report') and certain performance indicators contained therein.

Scope and subject matter

The indicators for the year ended 31 March 2016 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;
- A&E: maximum waiting time of four hours from arrival to admission/transfer/discharge.

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 Monitor.

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 Guidance for External Assurance on Quality Reports 2015/16 ('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 supporting guidance and the six dimensions of data quality set out in the Guidance.

We read the Quality Report and consider whether it addresses the content requirements of the NHS Foundation Trust Annual Reporting Manual and supporting guidance 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 2015 to May 2016;
- papers relating to quality reported to the board over the period April 2015 to May 2016;
- feedback from commissioners received on 11 May 2016;
- feedback from governors received on 14 April 2016;
- feedback from local Healthwatch organisations received on 10 May 2016;
- the trust's complaints report published under regulation 18 of the Local Authority Social Services and NHS Complaints Regulations 2009;
- the national patient survey published on 22 May 2015;
- the 2015 national staff survey published on 23 February 2016;
- the 2015/16 Head of Internal Audit's annual opinion over the trust's control environment; and
- the May 2015 CQC Intelligent Monitoring Report.

We have not been able to review consistency with feedback from Overview and Scrutiny Committee. This was requested on 14 April 2016 but not received.

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 2016, 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.

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.

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.

Basis for qualified conclusion

As set out in the Statement on Quality of Data from the Chief Executive of the Foundation Trust on pages 30 to 31 of the Trust's Quality Report, the Trust currently has concerns with the completeness of data on which the percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period indicator is based.

The Trust has identified that there is a cohort of patients for whom a second pathway was opened following first treatment. Whilst some of these second pathways may be incomplete, these patients are not included in the data on which the incomplete pathway indicator is based. This is because the system does not support the reporting of patients on a second pathway.

As a result of the issues described above we are unable to conclude that nothing has come to our attention that causes us to believe that the percentage of incomplete pathways within 18 weeks for patients on incomplete pathways indicator for the year ended 31 March 2016 has been reasonably stated in all material respects in accordance with the NHS Foundation Trust Annual Reporting Manual and supporting guidance and the six dimensions of data quality set out in the Guidance.

Qualified conclusion

Based on the results of our procedures, except for the effects of the matters described in the 'Basis for qualified conclusion' section above, nothing have come to our attention that causes us to believe that, for the year ended 31 March 2016:

- 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 remaining indicator in the Quality Report subject to limited assurance (A&E: maximum waiting time of four hours from arrival to admission/transfer/discharge indicator) has not been reasonably stated in all material respects in accordance with the NHS Foundation Trust Annual Reporting Manual and supporting guidance and the six dimensions of data quality set out in the Guidance.

KPMG LLP
Chartered Accountants
Manchester

26 May 2016

Lancashire Teaching Hospitals NHS Foundation Trust

FINANCIAL REVIEW
2015/16

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 2016. These financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Taxpayers' Equity, Statement of Cash Flows and related notes. In our opinion:

- the financial statements give a true and fair view of the state of the Trust's affairs as at 31 March 2016 and of the Trust's income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2015/16.

2 Our assessment of risks of material misstatement

We have identified one risk in the year around valuation of Land and Buildings. We have removed the risk around income recognition from the audit report as we do not consider NHS income to be at high risk of material misstatement or to be subject to a significant level of judgement.

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows:

Land and Buildings (2015/16 £178.6m, 2014/15 £171.3m)

Refer to the Audit Committee Report within the 'Directors Report' on the Trust's Annual Report and Accounts, Section 1.6 of Note 1 to the Accounts (accounting policies) and Property, plant and equipment financial disclosures at Note 10 to the Accounts.

The risk:
Land and buildings are initially recognised at cost. Non-specialised property assets in operational use are subsequently recognised at current value in existing use (EUV). Specialised assets, where a market value is not readily ascertainable, are subsequently recognised at the depreciated replacement cost (DRC) of a modern equivalent asset that has the same service potential as the existing property (MEAV).

A review is carried out each year to test assets for potential impairment, with an interim desk-top valuation carried out every three years and a full valuation every five years.

There is significant judgment involved in determining the appropriate basis (EUV or DRC) for each asset according to its degree of specialisation, as well as over the assumptions made in arriving at the valuation of the asset. In particular the DRC basis of valuation requires an assumption as to whether the replacement asset would be situated on the existing site or, if more appropriate, on an alternative site. Further, DRC is decreased if VAT on replacement costs is deemed to be recoverable. Both of these assumptions can have potentially significant effects on the valuation.

In 2015/16, the Trust completed assets under construction and improvements to buildings costing £13.5m and brought them into use. The carrying value of the improved and new assets plus the assets under construction brought into use was £51.5m. The Trust appointed an external valuer to value the assets at the date they were brought into use. As a result, the assets were impaired to their fair value of £47.7m, with an £3.8m impairment being charged to expenditure in the year.

The Trust then commissioned a further desktop revaluation from the same valuer as at 31 March 2016 to demonstrate that the remaining £130.8m of land and buildings were being held at fair value. This also involved a check on the buildings brought into use to see if there had been any changes between the date they were brought into use and the balance sheet date.

Our work land and building has involved:

- Assessing the competence, capability, objectivity and independence of the Trust's external valuer;

- Reviewing the terms of engagement of, and the instructions issued to, the valuer for consistency with the requirements of the NHS Foundation Trust Annual Reporting Manual, the Trust's accounting policies and appropriate treatment of VAT in relation to valuations;

- Confirming that the information provided to the valuer by the Trust, relating to the assets requiring to be valued, agreed to the Trust's fixed asset records;

- Assessing the reasonableness of assumptions used in the valuation model, especially cost indices and underlying replacement cost assumptions, based on our own expectations by reference to sector and local knowledge;

- Reviewing the treatment of the valuer's revaluation within the Trust's financial statements to ensure that any upwards revaluations or impairments had been properly classified and accounted for; and

- Considering the adequacy of the disclosures about the key judgments and degree of estimation involved in arriving at the valuation and the related sensitivities.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements was set at £4.4 million (2014/15 £4.4 million), determined with reference to a benchmark of income from operations (of which it represents 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 £220,000 (2014/15 £220,000), in addition to other identified misstatements that warrant reporting on qualitative grounds.

Our audit of the Trust was undertaken to the materiality level specified above and was all performed at the Trust's offices in Chorley.

4 Our opinion on other matters prescribed by the Audit Code for NHS Foundation Trusts is unmodified

In our opinion:

- the parts of the Remuneration Report and Staff Report to be audited have been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2015/16; 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

Under ISAs (UK&I) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other 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 accounts taken as a whole is fair, balanced and understandable and provides the information necessary for patients, regulators and other stakeholders to assess the Trust's performance, business model and strategy; or
- the Audit Committee report does not appropriately address matters communicated by us to the audit committee.

Under the Audit Code for NHS Foundation Trusts 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 2015/16, 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.

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.

In June 2015, 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 its licence:

- CoS3(1),(a) and (b) and 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.

As a result, Monitor imposed an additional licence condition on the Trust pursuant to Monitor's powers under section 111 of the Health and Social Care Act 2012; the additional licence condition imposed additional governance requirements on the Trust. The Trust provided enforcement undertakings, which were accepted by Monitor, pursuant to Monitor's powers under section 106 of the Health and Social Care Act 2012. The enforcement undertakings seek to address the concerns raised by Monitor, including reported forecast deficit and final cash balance for 2015/16, plans to request additional funding from the Department of Health, plans to recover the financial position and concerns over the financial governance arrangements and operational capacity to deliver the improvement required.

The financial governance breaches identified by Monitor demonstrate a failure by the Trust to establish and effectively implement systems and processes necessary to operate efficiently, economically and effectively. The issues referred to above are evidence of weaknesses in proper arrangements for understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.

Throughout 2015/16 the Trust has remained subject to enforcement action and has a red governance risk rating. The Trust has provided evidence that progress has been made against the enforcement undertakings and that therefore arrangements are in place to secure value for money through responding to the enforcement undertakings. Details of the actions taken by the Trust to address the weaknesses identified are set out in the Annual Report, along with a summary of progress to date.

However the enforcement undertakings and the additional licence condition remain in place at the date of this report. The Trust is currently working with its partners to develop a long term sustainability plan, and the financial standing for 2016-17 is based upon additional draw down of emergency funding, utilisation of the working capital facility and the Trust is yet to formally agree a proposed additional term loan for 2016-17.

Except for the matters referred to above we are satisfied that the Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate of audit completion

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.

Respective responsibilities of the accounting officer and auditor

As described more fully in the Statement of Accounting Officer's Responsibilities the accounting officer is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with

applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

Scope of an audit of financial statements performed in accordance with ISAs (UK and Ireland)

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.

Respective responsibilities of the Trust and auditor in respect of arrangements for securing economy, efficiency and effectiveness in the use of resources

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG), 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. The C&AG determined this criterion as necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The purpose of our audit work and to whom we owe our responsibilities

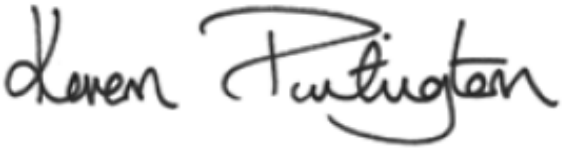
This report is made solely to the Council of Governors of the Trust, as a body, in accordance with Schedule 10 of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Council of Governors of the Trust, as a body, those matters we are required to state 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, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester M2 3AE
26 May 2016

FOREWORD TO THE ACCOUNTS

LANCASHIRE TEACHING HOSPITALS NHS FOUNDATION TRUST

These accounts for the year ended 31 March 2016 have been prepared by the Lancashire Teaching Hospitals NHS Foundation Trust under a direction issued by Monitor (from 1st April 2016 NHS Improvement) and in accordance with paragraphs 24 and 25 of Schedule 7 of the National Health Service Act 2006

Signed:  (Chief Executive)

Date: 26 May 2016

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 March 2016

	NOTE	£000	2014/15 £000
Operating income from patient care activities	3	**391,980**	394,426
Other operating income	4	**44,180**	45,682
Operating income from continuing operations		**436,160**	440,108
Operating expenses of continuing operations	5	**(463,692)**	(447,962)
OPERATING DEFICIT		**(27,532)**	(7,854)
Finance costs			
Finance income	8	**119**	140
Finance expense - financial liabilities	8	**(994)**	(771)
Finance expense - unwinding of discount on provisions		**(27)**	(35)
PDC dividends payable		**(4,991)**	(5,255)
Net finance costs		**(5,893)**	(5,921)
SURPLUS/(DEFICIT) FOR THE YEAR*		**(33,425)**	(13,775)
Other comprehensive income			
Impairments*		**(244)**	(12,804)
Revaluations		**207**	18,854
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		**(33,462)**	(7,725)

Note: Allocation of profits/(losses) for the period:

(a) Surplus/(deficit) for the period	**(33,462)**	(7,725)
(b) Total comprehensive income/(expense) for the period	**(33,462)**	(7,725)

The notes on pages 185 to 220 form part of these accounts.

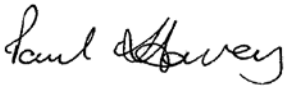
* In accordance with Trust Accounting Policies, assets brought into use in the year were revalued, giving rise to an impairment of £3.9m, included in Operating Expenses, the defcit before impairments was £29.6m.

STATEMENT OF FINANCIAL POSITION AS AT 31 March 2016

	NOTE	£000	2014/15 £000
NON-CURRENT ASSETS			
Intangible assets	9	**7,018**	6,604
Property, plant and equipment	10	**221,196**	216,580
Trade and other receivables		**0**	0
Total non-current assets		**228,214**	223,184
CURRENT ASSETS			
Inventories	13	**8,831**	7,060
Trade and other receivables	14	**17,736**	18,273
Non-current assets for sale		**345**	0
Cash and cash equivalents	21	**3,819**	32,784
Total current assets		**30,731**	58,117
CURRENT LIABILITIES			
Trade and other payables	16	**(43,787)**	(53,564)
Borrowings	18	**(5,010)**	(4,459)
Provisions	20	**(822)**	(674)
Other liabilities	17	**(4,786)**	(3,957)
Total current liabilities		**(54,405)**	(62,654)
TOTAL ASSETS LESS CURRENT LIABILITIES		**204,540**	218,647
NON CURRENT LIABILITIES			
Borrowings	18	**(46,257)**	(24,776)
Provisions	20	**(1,599)**	(1,512)
Other liabilities	17	**0**	(3,000)
Total non-current liabilities		**(47,856)**	(29,288)
TOTAL ASSETS EMPLOYED		**156,684**	189,359
FINANCED BY TAXPAYERS' EQUITY			
Public dividend capital		**218,529**	217,742
Revaluation reserve		**37,036**	37,937
Income and expenditure reserve		**(98,881)**	(66,320)
TOTAL TAXPAYERS EQUITY		**156,684**	189,359

The notes on pages 185 to 220 form part of these accounts.

The Financial Statements were approved by the Board of Directors on 26 May 2016 and are signed on their behalf by the Acting Chief Executive of the Trust.

Signed:  **(Acting Chief Executive)**

Date: 26 May 2016

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
31 March 2016

	Public Dividend Capital	Revaluation Reserve	Income and Expenditure Reserve	Total
	£000	£000	£000	£000
Taxpayers' Equity at 1 April 2015	217,742	37,937	(66,320)	**189,359**
Surplus/(deficit) for the year	0	0	(33,425)	**(33,425)**
Transfer between Reserves	0	(104)	104	**0**
Impairments	0	(244)	0	**(244)**
Transfer from reval reserve to I&E reserve for impairments arising from consumption of economic benefits	0	(760)	760	**0**
Revaluations	0	207	0	**207**
Public Dividend Capital received	787	0	0	**787**
Taxpayers' Equity at 31 March 2016	**218,529**	**37,036**	**(98,881)**	**156,684**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 March 2016

	£000	2014/15 £000
Cash flows from operating activities		
Operating surplus/(deficit)	**(27,532)**	(7,854)
Non-cash income and expense:		
Depreciation and amortisation	**12,276**	14,226
Impairments	**3,911**	11,005
(Gain)/Loss on disposal	**(118)**	0
Non-cash donations/grants credited to income	**(225)**	0
(Increase)/decrease in trade and other receivables	**570**	(1,442)
(Increase)/decrease in inventories	**(1,771)**	(2,409)
Increase/(decrease) in trade and other payables	**(7,773)**	5,471
Increase/(decrease) in other liabilities	**(2,171)**	(4,741)
Increase/(decrease) in provisions	**208**	(874)
Other movements in operating cash flows	**0**	0
NET CASH GENERATED FROM/(USED IN) OPERATIONS	**(22,625)**	13,382
Cash flows from investing activities		
Interest received	**119**	140
Purchase of intangible assets	**(1,961)**	(1,130)
Receipt of cash donations to purchase capital assets	**225**	0
Purchase of property, plant and equipment	**(20,896)**	(21,991)
Sales of property, plant and equipment	**118**	0
Net cash generated from/(used in) investing activities	**(22,395)**	(22,981)
Cash flows from financing activities		
Public dividend capital received	**787**	1,837
Loans received	**26,290**	5,816
Loans repaid	**(3,078)**	(2,946)
Capital element of finance lease rental payments	**(1,179)**	(1,580)
Interest paid	**(629)**	(337)
Interest element of finance lease	**(335)**	(426)
PDC dividend paid	**(5,801)**	(3,778)
Net cash generated from/(used in) financing activities	**16,055**	(1,414)
Increase/(decrease) in cash and cash equivalents	**(28,965)**	(11,013)
Cash and cash equivalents at 1 April	**32,784**	43,797
Cash and cash equivalents at 31 March	**3,819**	32,784

1. Accounting policies and other information

Monitor is responsible for issuing an accounts direction to NHS foundation trusts under the NHS Act 2006.
Monitor has directed that the financial statements of NHS foundation trusts shall meet the accounting requirements of the NHS Foundation Trust Annual Reporting Manual which shall be agreed with the Secretary of State. Consequently the following financial statements have been prepared in accordance with the 2015/16 NHS Foundation Trust Annual Reporting Manual issued by Monitor. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to NHS Foundation Trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

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

During 2015 the Trust worked hard locally and responded to national cost controls to significantly reduce its planned deficit from £47m to £29.6m before impairments. Consequently Monitor approved a term loan of £20.5m to support the Trust‘s working capital position. For 2016/17 the trust’s budget and expenditure plans have been prepared using national guidance on tariff and inflationary factors, with income based on agreements with commissioners. These plans show a projected operating deficit in 2016/17 of £10.0m with a borrowing requirement of £15.3m at 31 March 2017. The Trust has in place a Working Capital Facility of £22.8m and will utilise this in line with its plans to support its cash position whilst it seeks to agree a further term loan for 2016/17. This improved pos ition fr om 2015/16 shows the Trust’s commitment to return to financial 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.

1.2 Consolidation

Subsidiaries

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 amounts consolidated are drawn from the published financial statements of the subsidiaries for the year except where a subsidiary's financial year end is before 1 January or after 1 July in which case the actual amounts for each month of the Trust's financial year are obtained from the subsidiary and consolidated.

Where subsidiaries' accounting policies are not aligned with those of the Trust (including where they report under UK GAAP) then amounts are adjusted during consolidation where the differences are material.

The Trust is the corporate trustee to the Lancashire Teaching Hospitals NHS Foundation Trust Charity and The Rosemere Cancer Foundation Charity. The Trust has assessed its relationship to the charitable fund and determined it to be a subsidiary 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 fund and the ability to affect those returns and other benefits through its power over the fund.

However, the charitable funds of Lancashire Teaching Hospitals NHS Foundation Trust are not material and therefore consolidation is not required.

1.3 Segmental reporting

An operating segment is a component of the Foundation 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 Foundation Trust's other components.

The chief operating decision maker is the Board of Directors. The Board receives the monthly financial statements report for the whole Foundation Trust and subsidiary information relating to income and divisional expenses. The Board makes decisions based on the effect on the monthly financial statements report.

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.

1.4 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 healthcare services.

Where income is received for a specific activity which is to be delivered in a future 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.

1.5 Expenditure

Short-term Employee Benefits
Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of non payment related employee benefits is recognised to the extent that it is measurable and consumes economic benefits within the organisation.

Pension costs
Past and present employees are covered by the provisions of the NHS Pensions 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. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme liabilities. As a consequence it is not possible for the NHS Foundation Trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme. The NHS Pension Scheme (England and Wales) Resource Account is published annually and can be found on the Business Service Authority - Pensions Division website at www.nhspa.gov.uk.

Employers 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 their economic benefit consumed within the organisation. Expenditure 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.

1.6 Property, Plant and Equipment

1.6.1 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.

And meet the capitalisation threshold in that:
- individually they have a cost of at least £5,000; or
- form a group of assets which individually have a cost of more than £250, collectively have a cost of at least £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial setting-up cost of a new building or refurbishment of a ward or unit, irrespective of their individual or collective cost.

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.

1.6.2 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 for 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 IFRS 13, if it does not meet the requirements of IAS 40 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 well 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 equipment 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 IAS 23 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 added to the asset's carrying value. Where subsequent expenditure is simply restoring the asset to the specification assumed by its economic useful life then the expenditure is 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 and impairment

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in operating expenses, in which case they are recognised in operating income.

The Trust identifies impairments on an ongoing basis through its operational and strategic decision making processes.

Decreases in asset values and impairments 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'.

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.

Revaluation and impairment (continued)
Other impairments are treated as revaluation losses. Reversals of 'other impairments' are treated as revaluation gains.

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 is committed to a plan to sell the asset
  - an active programme to locate a buyer is initiated
  - the sale is highly probable, within 12 months of classification as held for sale
  - the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
  - actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn

1.6.3 De-recognition

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.
Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'Held for Sale' and instead is retained as an operational asset and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

1.6.4 Donated assets
Donated fixed assets are capitalised at their fair value on receipt and this value is credited to income unless the donor has imposed a condition 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. Donated fixed assets are valued and depreciated as described above for purchased assets.

1.7 Intangible assets

1.7.1 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.

1.7.2 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. Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in operating expenses, in which case they are recognised in operating income. Decreases in asset values and impairments 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. 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 IAS40 or IFRS 5.

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

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

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

1.8 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.

1.9 Inventories

Inventories are valued at the lower of cost and net realisable value.

1.10 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 through 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 of 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 transactions 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 arm's length transaction. IAS 39 provides a hierarchy to be used in determining the fair value for a financial instrument: [IAS 39 Appendix A, paragraphs AG69-82], 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 cashflows 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.

1.11 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 implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to Finance Costs in the Statement of Comprehensive Income.

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. Leased land is treated as an operating lease.

1.12 Provisions

Provisions are recognised when 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 as a provision is the best estimate of the expenditure 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 HM Treasury's discount rate of 2%.

Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS foundation 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 foundation trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the NHS foundation trust is disclosed at note 21.

Non-clinical risk pooling

The Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the trust pays an annual contribution to 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.

1.13 Cash and cash equivalents

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

1.14 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in 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 in note 24 unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

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

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

1.15 Public dividend capital

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

A charge, reflecting the cost of capital utilised by the NHS foundation trust, is paid over as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the NHS foundation trust. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for donated assets and the average daily cash balances held with the Government Banking Servcies (GBS) and National Loans Fund (NLF) deposits, exluding cash balances held in GBS accounts that relate to a short-term working capital faililty, and any PDC dividend balance receivable or payable.

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.

1.16 Value Added Tax

Most of the activities of the NHS foundation 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.

1.17 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 the 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.

1.18 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 and losses are taken to the Statement of Comprehensive Income.

1.19 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 foundation 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 *Financial Reporting Manual*.

1.20 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 each individual case is handled.

Losses and special payments are charged to the relevant functional headings in the income statement on an accruals basis, including losses which would have been made good through insurance cover had NHS Foundation 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 accrual basis with the exception of provisions for future losses.

1.21 Accounting standards that have been issued but have not yet been adopted.

The following accounting standards, amendments and interpretations have been issued by the IASB and IFRIC but are not yet required to be adopted:

IFRS 11 Acquisition of an interest in a joint operation - not yet EU adopted. Expected to be effective from 2016/17.
IAS 16 and IAS 38 Depreciation and amortisation - not yet EU adopted. Expected to be effective from 2016/17.
IAS 16 and IAS 41 Bearer plants - not yet EU adopted. Expected to be effective from 2016/17.
IAS 27 Equity method in separate financial statements - not yet EU adopted. Expected to be effective from 2016/17.
IFRS 10 and IAS 28 - sale or contribution of assets and investment entities applying the consolidation exception - not yet EU adopted. Expected to be effective from 2016/17.
IAS 1 - disclosure initiative - not yet EU adopted. Expected to be effective from 2016/17.
IFRS 15 Revenue from Contracts with Customers - not yet EU adopted. Expected to be effective from 2017/18.
Annual improvements 2012 -15 cycle - not yet EU adopted. Expected to be effective from 2017/18.
IFRS 9 Financial Instruments - not yet EU adopted. Expected to be effective from 2018/19.

The Trust has considered the above new standards, interpretations and amendments to published standards that are not yet effective and concluded that they are either not relevant to the Trust or that they would not have a significant impact on the Trust's financial statements, apart from some additional disclosures.

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 DTZ Debenham Tie Lueng Limited, 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 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 their estimate as to the requirements of a modern equivalent hospital.

2. Segmental Analysis

The Foundation Trust's main business activities are in the provision of healthcare. The large majority of revenue originates with the UK Government and the majority of expenses incurred are payroll expenditure on staff involved in the production or support of healthcare activities together with the related supplies and overheads needed to establish this production.

The chief operating decision maker is the Board of Directors. The Board receives the monthly financial statements report for the whole Foundation Trust and subsidiary information relating to income and divisional expenses. The Board makes decisions based on the effect on the monthly financial statements report.

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.

3. Income from Activities

	2015/16	2014/15
	£000	£000
Elective income	**75,554**	77,940
Non elective income	**96,086**	92,997
Outpatient income	**63,153**	63,724
A & E income	**13,042**	12,799
Other NHS clinical income	**143,140**	146,055
Private patient income	**1,005**	911
TOTAL	**391,980**	394,426

3.1 Income from Activities

	2015/16 £000	2014/15 £000
NHS Foundation Trust	**305**	295
NHS Trust	**6**	3
Clinical Commissioning Groups and NHS England	**387,147**	389,390
Non NHS: Private patients	**924**	889
Non-NHS: Overseas patients (non-reciprocal)	**81**	24
NHS Injury Scheme	**3,394**	3,343
Non NHS: Other	**123**	482
Total	**391,980**	394,426

Overseas Income	2015/16 £000	2014/15 £000
Income recognised in year	81	24
Cash payments received this year	22	14
Amounts added to provision for impairment of receivables	49	4
Amounts written off in year	3	7

3.2 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:

	2015/16 £'000	2014/15 £'000
Commissioner Requested Goods and Services	**387,147**	389,390

4. Other Operating Income

	2015/16 £000	2014/15 £000
Research and development	**2,405**	2,292
Education and training	**20,327**	19,722
Non-patient care services to other bodies	**6,140**	6,384
Other *	**15,308**	17,284
Total	**44,180**	45,682

*Items within other income that exceed £500,000 include:

	£000	£000
Pharmaceutical sales	**4,093**	4,525
Car parking	**2,218**	2,223
Catering income	**1,563**	1,532
Patient transport	**1,745**	2,105
Specialist Mobility Rehabilitation Centre (SMRC) prosthetic limbs	**341**	956

5. Operating Expenses

5.1 Operating expenses comprise:	2015/16 £000	2014/15 £000
Services from NHS Foundation Trusts	**5,092**	4,592
Services from NHS Trusts	**2,600**	2,787
Services from CCGs and NHS England	**8**	0
Purchase of healthcare from non NHS bodies	**6,642**	6,821
Employee Expenses - Executive directors	**834**	873
Employee Expenses - Non-executive directors	**124**	133
Employee Expenses - Staff	**291,766**	282,767
Drug costs	**30,787**	30,355
Drug costs (non inventory drugs only)***	**15,511**	8,175
Supplies and services - clinical (excluding drug costs)	**43,266**	42,469
Supplies and services - general	**7,514**	6,510
Establishment	**2,771**	2,992
Transport - other	**2,264**	2,554
Transport - business travel	**1,011**	1,062
Premises	**15,619**	14,797
Premises - business rates payable to local authorities	**2,338**	2,160
Increase / (decrease) in bad debt provision	**154**	562
Changes in provisions discount rate	**138**	0
Depreciation on property, plant and equipment	**10,495**	13,043
Amortisation on intangible assets	**1,781**	1,183
Impairments of property, plant and equipment	**3,911**	11,005
Audit fees :		
Audit services - statutory audit	**75**	76
Audit services - regulatory reporting	**11**	19
Clinical negligence	**13,988**	9,021
Profit on disposal of assets held for sale	**0**	0
Legal and professional fees*	**1,928**	503
Consultancy costs	**417**	893
Internal audit costs	**108**	108
Training, courses and conferences	**769**	917
Redundancy	**179**	0
Insurance	**579**	597
Losses, ex gratia & special payments	**20**	14
Other**	**992**	974
Total	**463,692**	447,962

All expenditure relates to continuing operations

* Legal and professional fees includes costs relating to the sustainability strategy of the Trust

** There were no items within Other expenditure that exceeded £500,000.

*** The increase in non inventory drug costs mainly relates to the Trust taking over the Homecare Drug Service from NHS England in line with the recommendations of the Hackett Report.

5.2 Arrangements containing an operating lease

5.2.1 Operating expenses include:

	£000	2014/15 £000
Minimum lease payments	**145**	123
Total	**145**	**126**

5.2.2 Annual commitments under non - cancellable operating leases are:

	2015/16 £000	2014/15 £000
Future minimum lease payments due:		
Within 1 year	**149**	139
Between 1 and 5 years	**555**	552
After 5 years	**34**	276
Total	**738**	967

6. Staff costs and numbers

6.1 Staff costs

	Permanently Employed £000	Other £000	**Total £000**	2014/15 £000
Salaries and wages	224,244	0	**224,244**	216,237
Social security costs	17,517	0	**17,517**	17,111
Employers contributions to NHSPA	26,403	0	**26,403**	24,736
Termination benefits	736	0	**736**	85
Agency/contract staff	0	18,563	**18,563**	21,169
Bank staff	0	5,316	**5,316**	4,302
Total	268,900	23,879	**292,779**	283,640

6.2 Average number of persons employed

	Permanently Employed *WTE Number	Other *WTE Number	**2015/16 Total *WTE Number**	2014/15 Total *WTE Number
Medical and dental	749	0	**749**	745
Administration and estates	1,337	0	**1,337**	1,229
Other support staff	564	0	**564**	533
Nursing, midwifery and health visiting staff	2,806	0	**2,806**	2,705
Scientific, therapeutic and technical staff	909	0	**909**	870
Healthcare Scientists	192	0	**192**	185
Agency and contract staff*	0	196	**196**	425
Bank staff*	0	259	**259**	156
Other	169	0	**169**	238
Total	6,726	455	**7,181**	7,086

* Whole Time Equivalent

6.3 Retirements due to ill-health

During 2015/16 there were 5 early retirements (13 in 2014/15) from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £211,166 (£668,381 in 2014/15). The cost of these ill-health retirements will be borne by the NHS Pensions Agency.

6.4 Directors' Remuneration and Other Benefits

	2015/16 £000	2014/15 £000
Directors' Remuneration*	942	1,083
Employer contributions to a pension scheme in respect of Directors	125	135
Total	1,067	1,218

The highest paid Director received remuneration totalling £175,000 (2014/15 £175,000).

	Number	2014/15 Number
Number of Directors to whom benefits are accruing under:		
Defined benefit scheme - NHS Pension Scheme	**7**	9

Full details of Directors' remuneration and other benefits are set out in the NHS Foundation Trust's Remuneration Report included in the Annual Report.

6.5 Staff Exit Packages

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
Exit package cost band 2015/16			
Less than £10,000	**1**	**13**	**14**
Between £10,000 and £25,000	**0**	**9**	**9**
Between £25,001 and £50,000	**1**	**3**	**4**
Between £50,001 and £100,00	**0**	**3**	**3**
Between £100,001 and £150,000	**1**	**0**	**1**
Total resource cost £000	**£179**	**£557**	**£736**

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band £000
Exit package cost band 2014/15			
Between £50,001 and £100,000	0	1	85
Total number of exit packages	0	1	85
Total resource cost £'000s	0	1	£85

6.6 Staff Exit Packages - Other departures

	Payments agreed	**Total value of agreements**	Payments agreed 2014/15	Total value of agreements 2014/15
	Number	**£000**	Number	£000
Mutually agreed resignations (MARS) contractual costs	**28**	**557**	1	85

6.7 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 2016, is based on valuation data as 31 March 2015, updated to 31 March 2016 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.

7. The Late Payment of Commercial Debts (Interest) Act 1998

There was no interest charged as a result of late payment of debts.

8.1 Finance income

	2015/16 Total £000	2014/15 Total £000
Interest receivable	**119**	140
Total	**119**	140

8.2. Finance costs - interest expense

	2015/16 Total £000	2014/15 Total £000
Capital loans from the Department of Health	**392**	309
Working capital loans from the Department of Health	**223**	0
Commercial Loans	**44**	36
Finance leases	**335**	426
Total	**994**	771

8.3 Impairment of assets

	Total £000	Total £000
Loss or damage from normal operations	**3,911**	11,005
Over specification of assets	**0**	0
Changes in Market Price	**244**	12,804
Total	**4,155**	23,809

9.1 Intangible fixed assets

Intangible fixed assets at the balance sheet date comprise the following elements:

	Software licences
	£000
Gross cost as at 1 April 2015	**11,398**
Additions - purchased	1,866
Additions - leased	0
Additions - donated	0
Disposals	0
Reclassifications	329
Gross cost as at 31 March 2016	**13,593**
Amortisation as at 1 April 2015 as previously stated	4,794
Provided during the year	1,781
Amortisation as at 31 March 2016	**6,575**
Net Book Value at 31 March 2016	**7,018**
Purchased at 31 March 2016	5,572
Leased at 31 March 2016	1,446
Donated at 31 March 2016	0
Total as at 31 March 2016	**7,018**
Purchased at 31 March 2015	4,434
Leased at 31 March 2015	2,170
Donated at 31 March 2015	0
Total as at 31 March 2015	**6,604**

9.2 Economic life of intangible assets

	Min Life Years	Max Life Years
Intangible assets - purchased		
Software	0	7

10.1 Tangible fixed assets
Tangible fixed assets at the balance sheet date comprise the following elements:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings	**Total**
	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
Cost or valuation as at 1 April 2015	21,980	151,264	450	10,217	77,587	127	30,153	1,522	**293,300**
Additions purchased	-	4,167	-	4,390	8,430	-	2,521	-	**19,508**
Additions donated	-		-	-			-	-	**-**
Additions - grants / donations of cash to purchase assets	-	33	-	-	178	14	-	-	**225**
Impairments*	-	-	(244)	-	-	-	-	-	**(244)**
Reclassifications	-	9,814	(5)	(13,543)	3,928	-	(523)	-	**(329)**
Reclassified as held for sale	(150)	-	(195)	-	-	-	-	-	**(345)**
Revaluation surpluses*	-	207	-	-	-	-	-	-	**207**
Disposals	-	-	-	-	(1,297)	-	-	-	**(1,297)**
Cost or valuation as at 31 March 2016	21,830	165,485	6	1,064	88,826	141	32,151	1,522	**311,025**
Depreciation as at 1 April 2015	-	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 recognised in operating expenses*	-	3,911	-	-	-	-	-	-	**3,911**
Impairments charged to revaluation reserve	-	-	-	-	-	-	-	-	**-**
Reclassifications	-	-	-	-	-	-	-	-	**-**
Reclassified as held for sale	-	-	-	-	-	-	-	-	**-**
Revaluation surpluses	-			-	-	-	-	-	**-**
Disposals	-	-	-	-	(1,297)	-	-	-	**(1,297)**
Depreciation as at 31 March 2016	-	8,740	6	-	54,996	103	24,478	1,506	**89,829**
Net Book Value									
Owned at 31 March 2016	21,830	154,625	-	1,064	32,845	25	7,673	16	**218,078**
Finance leases at 31 March 2016	-	1,458	-	-	135	-	-	-	**1,593**
Government Granted	-	-	-	-	-	-	-	-	**-**
Donated at 31 March 2016	-	662	-	-	850	13	-	-	**1,525**
Total as at 31 March 2016	**21,830**	**156,745**	**-**	**1,064**	**33,830**	**38**	**7,673**	**16**	**221,196**
Owned at 1 April 2015	21,980	146,969	450	10,217	25,409	31	7,718	24	212,798
Finance leases at 1 April 2015	-	1,692		-	421	-	-	-	2,113
Government Granted	-	-	-	-	-	-	-	-	-
Donated at 1 April 2015	-	678	-	-	991	-	-	-	1,669
Total as at 1 April 2015	**21,980**	**149,339**	**450**	**10,217**	**26,821**	**31**	**7,718**	**24**	**216,580**

10.2 Economic life of property, plant and equipment

	Min Life Years	Max Life Years
Buildings excluding dwellings	1	80
Dwellings	0	0
Plant & Machinery	4	14
Transport Equipment	0	7
Information Technology hardware	2	8
Furniture & Fittings	0	5

11. Non-current assets for sale and assets in disposal groups

	Land	Buildings excluding dwellings	Dwellings	**Total**
	£000	£000	£000	**£000**
Assets held for sale at 1 April 2015	0	0	0	**0**
Assets classified as available for sale in year	150	0	195	**345**
Assets sold in year	0	0	0	**0**
Total as at 31 March 2016	150	0	195	345

12. Fixed asset investments

There are no fixed asset investments.

13. Inventories	**2015/16**	2014/15
	£000	£000
Drugs	**1,961**	2,035
Consumables	**6,787**	4,921
Energy	**83**	104
Total	**8,831**	7,060

The increase in consumable stock relates to the work undertaken to introduce an integrated, automated clinical inventories management system that has identified significant stock previously unrecorded.

13.1 Inventories recognised in expenses

The Trust's total inventories recognised in expenses amounts to £54.173m (2014/15 £52.551m) of which £30.787m (2014/15 £29.759m) relates to drugs and £23.44m (2014/15 £22.792m) relates to other consumable items.

14.1 Receivables at the balance sheet date are made up of

	2015/16 Financial assets £000	2014/15 Financial assets £000
Current:		
NHS receivables - Revenue	**7,102**	7,476
Provision for irrecoverable debts	**(3,265)**	(3,240)
Prepayments	**1,208**	823
Accrued Income	**1,441**	1,641
Public Dividend Capital receivable	**33**	0
VAT Receivable	**289**	888
Other receivables	**10,928**	10,685
Total	**17,736**	18,273

14.2 Provision for impairment of receivables	**2015/16 £000**	2014/15 £000
At 1 April	**3,240**	2,930
Increase in provision	**1,604**	1,925
Amounts utilised	**(129)**	(252)
Unused amounts reversed	**(1,450)**	(1,363)
At 31 March	**3,265**	3,240

14.3 Analysis of impaired receivables	2015/16 £000	2014/15 £000
Ageing of impaired receivables		
0-30 days	**89**	349
30-60 days	**402**	131
60-90 days	**73**	320
90-180 days	**729**	453
over 180 days	**1,972**	1,987
Total	**3,265**	3,240
Ageing of non-impaired receivables past their due date		
0-30 days	**4,518**	4,122
30-60 days	**1,186**	669
60-90 days	**780**	661
90-180 days	**215**	384
over 180 days	**173**	350
Total	**6,872**	6,186

14.4 Finance lease receivables

There are no finance lease receivables at the balance sheet date.

15 Current Asset Investments

The Trust does not hold any Current Asset investments at the year end.

16. Payables

Trade and Other Payables at the balance sheet date are made up of

Current	2015/16 Total £000	2014/15 Total £000
NHS payables - revenue	**4,156**	5,188
Amounts due to other related parties - revenue	**3,595**	3,505
Trade payables - capital	**3,079**	4,337
Other trade payables	**11,191**	11,813
Social Security Costs	**2,478**	2,440
Other taxes payables (excl. VAT)	**2,431**	2,676
Other payables	**472**	5,544
Public Dividend Capital payable	**0**	777
Accruals	**16,385**	17,284
Total	**43,787**	53,564

Non current

There were no non current trade payables and other payables at the balance sheet date

17. Other liabilities

	2015/16	2014/15
	£000	£000
Current		
Deferred Income	**4,786**	3,957
Deferred Government Grant	**0**	0
Total	**4,786**	3,957
Non-current		
Deferred Income	**0**	3,000
Deferred Government Grant	**0**	0
Net Pension Scheme Liability	**0**	0
Total	**0**	3,000

18 Borrowings

Current		
	£000	£000
Capital loans from the Department of Health	**3,612**	2,758
Commercial loans	**284**	253
Obligations under finance leases	**1,114**	1,448
Total	**5,010**	4,459
Non-current		
Capital loans from the Department of Health	**22,522**	20,734
Working capital loans from the Department of Health	**20,500**	0
Commercial loans	**230**	192
Obligations under finance leases	**3,005**	3,850
Total	**46,257**	24,776

19. Finance lease obligations

	Minimum Lease Payments	
	2015/16	2014/15
	£000	£000
Gross lease liabilities	**5,017**	6,518
of which those payable		
- not later than one year;	**1,486**	1,913
- later than one year and not later than five years;	**3,089**	3,800
- later than five years.	**442**	805
Finance charges allocated to future periods	**(898)**	(1,220)
Net lease liabilities	**4,119**	5,298
of which those payable		
- not later than one year;	**1,114**	1,448
- later than one year and not later than five years;	**2,583**	3,101
- later than five years.	**422**	749
Total	**4,119**	5,298

20. Provisions for liabilities and charges

	Current		Non current	
	2015/16	2014/15	**2015/16**	2014/15
	£000	£000	**£000**	£000
Other legal claims	**242**	119	**0**	0
Employer and public liability	**235**	198	**0**	0
Injury benefits	**107**	106	**1,599**	1,512
Other provisions	**238**	251	**0**	0
Total	**822**	674	**1,599**	1,512

	Other legal claims	Injury benefits	Other	**Total**
	£000	£000	£000	**£000**
At 1 April 2015	119	1,618	449	**2,186**
Arising during the year	242	35	188	**465**
Utilised during the year	0	(109)	(77)	**(186)**
Reversed unused	(119)	0	(87)	**(206)**
Unwinding of discount	0	162	0	**162**
At 31 March 2016	242	1,706	473	**2,421**
Expected timing of cashflows:				
Within one year	242	107	473	**822**
Between one and five years	0	429	0	**429**
After five years	0	1,170	0	**1,170**
Total	242	1,706	473	**2,421**

£154,571,711 is included in the provisions of the NHS Litigation Authority at 31 March 2016 (£74,968,655 in 2014/15) in respect of clinical negligence liabilities of the trust.

21. Cash and cash equivalents

	£000	2014/15 £000
At 1 April 2015	32,784	43,797
Net change in year	(28,965)	(11,013)
At 31 March 2016	**3,819**	**32,784**
Broken down into:		
Cash at commercial banks and in hand	27	18
Cash with the Government Banking Service	3,792	32,766
Cash and cash equivalents as in Statement of Cash Flows	**3,819**	**32,784**

22. Capital Commitments

Commitments under capital expenditure contracts at the balance sheet date were £2,091,000 (£8,182,000 in 2014/15).

23. Post Balance Sheet Events

There are no post balance sheet events.

24. Contingent Liabilities

	2015/16 £000	2014/15 £000
Employer and Occupier Liability*	**(201)**	(157)
Employment tribunal and other employee related litigation	**(60)**	(293)

*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 Council 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 appropriate, 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 interest 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, separation 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 constitution
- 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 interest 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) in excess of £5m are detailed below:

	Income	Expenditure	Receivable	Payable
	£000	£000	£000	£000
NHS Blackburn with Darwen CCG	5,196	-	-	166
NHS Blackpool CCG	7,327	-	21	-
NHS Chorley and South Ribble CCG	98,537	-		
NHS Cumbria CCG	6,600	-	1,204	-
NHS East Lancashire CCG	8,971	15	419	-
NHS England	127,427	6	1,425	242
NHS Fylde and Wyre CCG	10,639	-	-	110
NHS Greater Preston CCG	110,343	-	-	586
Health Education England	19,691	242	51	-
NHS Lancashire North CCG	10,223	-	-	334
NHS Litigation Authority	-	14,373	-	-
NHS Pension Scheme	-	26,403	-	-
National Insurance Fund	-	17,517	-	4,909

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	
	£000	£000	£000	£000	Relationship
South Ribble Borough Council	9	20	1	1	Member of Council of Governors
UCLAN	157	25	-	-	Member of Council of Governors
RCS	16	120	-	-	Member of Council of Governors
Myerscough College	-	3	-	2	Non-executive director

25. Related party transactions (continued)

The Trust controls two charities in that the Trustees are drawn from the NHS Foundation Trust Board. Both charities are registered with the Charity Commissioners 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 2016, on request from the Finance Department of the NHS Foundation 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	225	0	0
The Rosemere Cancer Foundation Charity	1131583	0	0	0

26. Financial Instruments

The Trust is required to disclose its use of financial instruments in undertaking its activities as this may impact on the underlying risk the Trust faces in its normal day to day operations.

The Trust confirms that it does not buy or sell financial instruments and therefore its risk in relation to financial instruments is limited to financial assets and liabilities that are generated within its normal operating activities. The Trust is therefore not exposed to the significnat risks posed by trading complex financial instruments.

Under International Accounting Standards the Trust is required to comment on its exposure to credit, market and liquidity risk and to decscribe how those risks are managed.

Credit Risk

Credit risk is the risk of financial loss to the Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Trust's receivables.

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £16,726,000 (2014/15: £47,117,000) being the total of the carrying amount of financial assets.

The majority of the Trust's income is due from NHS Commissioners and is subject to legally binding contracts, with Non NHS income forming a small portion of total income. Disputes can arise and in such instances the Trust will make a provision for impairment of receivables.

The Trust works closely with the NHS Shared Business Authority and debt collection agencies to ensure active and robust management and collection of its debts in order to minimise its exposure to credit risk.

The movement in the provision for the impairment of trade receivables during the year is disclosed in note 14.2.

The ageing of non-impaired trade receivables past their due date at the 31 March 2016 is disclosed in note 14.3.

Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Trust's income or the value of its holdings of financial instruments.

All of the Trust's financial liabilities carry nil or fixed rates of interest. In addition, the only element of the Trust's financial assets that are currently subject to a variable rate is cash held in the Trust's main bank accounts and in a short term deposit account. The Trust is therefore not exposed to significant risk of fluctuations in interest rates. Interest rate profiles of the Trust's relevant financial assets and liabilities are shown in note 26.1.

As the Trust does not deal in currencies, its exposure to foreign exchange rate risk is limited.

Liquidity Risk

The Trust's net operating costs are incurred under annual service contracts with local Clinical Commissioning Groups, which are financed from resources voted annually by Parliament. The Trust finances it's capital expenditure from internally generated funds or funds made available from Government, in the form of additional Public Dividend Capital, under an agreed limit. In addition, the Trust hasloans from the Department of Health which are repayable against fixed rates of interest. As the Trust's financial assets and financial liabilities arise from normal trading activities and do not contain complex financial instruments, the Trust is not exposed to significnat liquidity risk.

26.1 Floating and fixed rate financial instruments

	Floating rate	Fixed rate
	£000	£000
Financial assets denominated in £ sterling	**3,819**	**12,907**
Financial liabilities denominated in £ sterling	**0**	**(92,566)**
Gross financial assets/(liabilities) at 31 March 2016	**3,819**	**(79,659)**
Financial assets denominated in £ sterling	32,766	14,351
Financial liabilities denominated in £ sterling	0	(74,669)
Gross financial assets/(liabilities) at 31 March 2015	32,766	(60,318)

26.2 Financial assets by category

	Loans and receivables	
	2015/16	2014/15
	£000	£000
Trade and other receivables excluding non financial assets	**12,907**	14,333
Cash and cash equivalents (at bank and in hand)	**3,819**	32,784
Total at 31 March	**16,726**	47,117

26.3 Financial liabilities by category

	Other financial liabilities	
	2015/16	2014/15
		£000
	£000	£000
Borrowings excluding Finance lease and PFI liabilities	**47,148**	23,937
Obligations under finance leases	**4,119**	5,298
Trade and other payables excluding non financial assets	**38,878**	43,248
Provisions under contract	**2,421**	2,186
Total at 31 March	**92,566**	74,669

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

26.4 Fair Values of Financial Instruments (cont.)

Loans and borrowings
Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

26.5 Fair values of financial assets

For current Financial Assets, fair values are assumed to be equal to book values. The Trust did not hold any Non Current financial assets at the year end.

26.6 Fair values of financial liabilities
For current Financial Liabilities, fair values are assumed to be equal to book values. The Trust held Non Current Financial Liabilities at the year end

	2015/16 Book Value £000	Fair value £000
Non Current Financial Liabilities		
Provisions under contract	**1,600**	**1,600**
Loans	**43,022**	**43,022**
Other	**3,005**	**3,005**
Total	**47,627**	**47,627**

27. Third Party Assets

The Trust held £879 (£1,140 at 31 March 2015) cash at bank and in hand 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.

28. Losses and Special Payments

There were 1,813 (1,705 in 2014/15) cases of losses and special payments totalling £56,219 (£93,992 in 2014/15) approved during 2015/16.

	2015/16 Number	**2015/16 £000**	2014/15 Number	2014/15 £000
Bad debts	**1,769**	**36**	1,661	38
Loss of personal effects	**39**	**14**	40	12
Other	**5**	**6**	4	44
Total	**1,813**	**56**	1,705	94

Amounts are reported on an accruals basis.

29. Private Finance Initiative (PFI) transactions

The Trust did not have any PFI arrangements during 2015/16 or at the balance sheet date.

30. Limitation on auditor's liability

The auditor's liability for losses in connection with the external audit is limited to £1m.

If you have any queries regarding this report, or wish to make contact with any of the directors or governors, please contact:

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