



Lancashire Teaching
Hospitals
NHS Foundation Trust



Lancashire Teaching Hospitals NHS Foundation Trust
Annual Report and Accounts 2021–22



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Lancashire Teaching Hospitals NHS Foundation Trust
ANNUAL REPORT AND ACCOUNTS
2021–22

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

CONTENTS

Overview	5
• Chairman’s and Chief Executive’s Welcome	6–8
Performance report	9
• Overview of performance	10–16
• Performance analysis	17–25
Accountability report	26
• Directors’ report	27–35
• Quality Improvement.....	36–37
• Patient Experience report.....	38–50
• Major service developments	50–51
• Stakeholder relations	52–55
• Remuneration report.....	56–64
• Staff report	65–81
• Disclosures set out in the NHS Foundation Trust Code of Governance.....	82–85
• NHS System Oversight Framework	86
• Statement of accounting officer’s responsibilities.....	87
• Annual governance statement	88–102
• Council of Governors’ report.....	103–107
• Membership report	108–110
• Audit Committee report.....	111–116
Financial review	117
• Independent auditor’s report to the Council of Governors on the financial statements	118
• Foreword to the accounts.....	123
• Statement of comprehensive income	124
• Statement of financial position.....	125
• Statement of changes in equity for the year	126
• Statement of cash flows	127
• Notes to the accounts	128–162
Appendix: Auditor’s Annual Report 2021/22	



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www.lancsteachinghospitals.nhs.uk



CHAIRMAN'S AND CHIEF EXECUTIVE'S WELCOME

Like other Trusts across the country, 2021–22 has been another year of unprecedented challenges. However, our colleagues have once again demonstrated unwavering dedication and resilience to provide patients across our communities with the excellent care and compassion they deserve.

Despite the ongoing Covid-19 pandemic and increasing operational pressures, we are extremely proud of what we have collectively achieved and, as such, are delighted to share our Annual Report and Accounts 2021–22.

It is important that we begin our welcome by saying a sincere 'thank you' to all Lancashire Teaching Hospitals colleagues who have contributed towards the achievements, targets and developments highlighted in this report. In the face of adversity, their efforts throughout 2021–22 have been nothing short of incredible and it is still amazing to see the positivity and kindness displayed on a day-to-day basis.

We must also express our thanks towards the many wider system partners who have all, despite their own challenges and circumstances, proven that collaboration can truly have a positive impact on patient care across Lancashire and South Cumbria. Clear evidence of system wide working strengthens the need for further collaboration in the future to drive up quality, standardise best practice and reduce unwarranted variation and duplication.

A heartfelt thank you also goes out to our local communities who have once again displayed extraordinary support towards our Hospitals which makes an incredible difference to us all. This includes our extended Trust family made up of volunteers and governors who have given an enormous amount of their time and assistance throughout the Covid-19 pandemic.

Finally, we must also thank our former Chief Executive, Karen Partington, who after 40 years' service in the NHS, of which 11 were spent as Chief Executive at Lancashire Teaching Hospitals, retired during the financial year. Happy retirement, Karen.

Throughout 2021–22, the Covid-19 pandemic has continued to increase operational pressures and impact on the Trust's performance. The emergence of the Omicron variant throughout the winter period led to high levels of bed occupancy, delayed discharges and reduced workforce capacity. Alongside this difficult backdrop, the Trust has transitioned towards the restoration of services, particularly the mandated elective recovery programme and has implemented a number of important measures to help towards compliance against expected standard. This can be explored in our report's Performance Analysis from page 17.

For much of the year, visiting was restricted and stringent infection prevention and control practices were observed to help reduce nosocomial infections within our hospitals. However, we regularly reviewed our visiting criteria in line with infection rates to make every effort, where possible, to allow patients to see their loved ones. As we now see a reduction in Covid-19 cases both within our Hospitals and the local community, alongside the Government's latest 'Living with COVID-19' guidance, it is important that we do not become complacent and continue to follow the relevant measures appropriate to keep our patients, staff and our local communities safe.

Colleagues have gone the extra mile to successfully manage vaccination centres across Chorley and South Ribble Hospital, Royal Preston Hospital and St John's Vaccination Hub in Preston City Centre – helping to deliver over 100,000 doses of the vaccine to our local communities. Alongside this, we must also acknowledge the sustained efforts towards vaccinating colleagues prior to Government revoking vaccination as a condition of deployment from April 2022. Teams across the Trust were instrumental in helping to support staff members to make an informed choice and we must recognise the significant volume of additional work undertaken during this period.

The pandemic and associated operational pressures in 2021–22 have meant that savings have been delivered but largely on a non-recurrent basis, and the Trust has received significant additional income to support the pandemic response. Going forward, significant financial improvement is required to deliver break even and more about financial sustainability is available on page 99.

Amid the challenges faced by the Trust, it is incredible to see the range of major service developments undertaken during the year, particularly at Chorley and South Ribble Hospital. The Trust is committed to developing the services offered from the Chorley site and have recently opened the state-of-the-art Lancashire Eye Centre and invested in new day case theatres and facilities. We are excited to also be opening a new modular ward in June 2022 and are committed to continuing our policy of expansion at Chorley into the future.

Meanwhile, Royal Preston Hospital has seen the refurbishment of its 24-bed Ribblesdale Ward in October 2021 to support oncology patients with a wide range of clinical needs and end of life care. This was followed by the opening of the demountable Nightingale Surge Hub in January 2022 which has significantly helped the wider system to manage discharges more effectively by providing additional resilience to help de-escalate pressures, particularly in our Emergency Departments, at exceptionally busy periods. You can read about many of the Major Service Developments from page 50.

It is also important to recognise and celebrate our existing facilities which have evolved over time and continue to provide an excellent service to our local communities. In February, our Radiotherapy department celebrated 25 years of service based at Royal Preston Hospital. The department opened in 1997 and was initially conceived as a subsidiary department in northern Lancashire for The Christie. Today, the department provides external beam radiotherapy for the whole adult population of Lancashire and South Cumbria and has continued to diagnose and treat the public throughout the Covid-19 pandemic.

Equally, it is important to highlight the tremendous achievements of our staff and departments who have been recognised nationally for their incredible work over the last 12 months. Many colleagues have been awarded honorary professorships, have been recognised with Honours or have scooped prestigious accolades or accreditations. Much more about these can be found on the Trust website.

The Trust is committed to embedding a culture of continuous improvement across our organisation and has supported staff to embed and sustain positive change within the first year of our Continuous Improvement Strategy. We have supported divisions and corporate teams to implement improvement priorities and in September 2021 launched our Always Safety First Strategy in response to the NHS National Patient Safety Strategy. We are now maturing into this strategy and can demonstrate shared learning and best practice and the formation of a continuous improvement culture. You can read more about CI on page 36.

Education and Training continues to play an important role in supporting the development of our current and future workforce at Lancashire Teaching Hospitals. Innovative ideas to bolster the nursing and medical workforce have come into fruition over the last year such as the recent cohort of seven students to qualify as registered nurses on the Trust's 18-month degree apprenticeship alongside Northumbria University. There are now 48 more students currently on the programme in hospitals across Lancashire and South Cumbria as it goes from strength to strength. More about education can be seen on pages 75–77.

As we now look towards the future, the Government's New Hospitals Programme presents us with a once-in-a-generation opportunity to transform our region's hospitals by 2030. Significant work has taken place throughout 2021–22 which has led towards the announcement of a shortlist of proposals for new hospital facilities in our region. We must now explore the best use of our resources, and really consider the financial affordability and the return of that investment, as well as how practically deliverable the options are as an integral part of developing the business case. It is worth noting, however, that the programme will not halt current investment into our Preston site and we would encourage our local communities to get involved with engagement activity and events where possible to help shape our future hospital facilities. More about the New Hospitals Programme is available on page 54.

Going forward, it is clear that partnership working is key in helping to improve health and healthcare for the people of Lancashire and South Cumbria. Together we aim to drive up quality by sharing skills and best practice, pooling our resources and standardising the way we work to reduce variation and duplication. We want to ensure patients have equal access to the same high-quality care wherever they live. We also want our colleagues to have the same high-quality experience wherever they work. More than the sum of our parts, by working together all of the Trusts benefit and will achieve more for our patients, communities and colleagues than if we worked separately.

Finally, as the NHS and system landscape shifts into a new era of integrated care, it is important to note that our Chairman, Professor Ebrahim Adia, will be taking on the role as a Non-Executive Director (designate) of the new Integrated Care Board from September 2022, and will therefore be stepping down from the role as Chair of the Trust at the end of August 2022. We are sure that Ibbey's understanding of the Trust along with the many positive relationships that have built will be of benefit both to Lancashire Teaching Hospitals and to our constituents in the future.

Thank you once again to our communities, partners and key stakeholders for your overwhelming support.



A handwritten signature in black ink, appearing to read 'E. Adia'.

Professor Ebrahim Adia
Chairman
28 June 2022



A handwritten signature in black ink, appearing to read 'K.P. McGee'.

Kevin McGee OBE
Chief Executive
28 June 2022

PERFORMANCE REPORT 2021–22



OVERVIEW OF PERFORMANCE

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

This report is prepared in accordance with sections 414A, 414C and 414D of the Companies Act 2006 (as inserted/amended by the Companies Act 2006 except for sections 414A(5) and (6) and 414D(2) which are not relevant. 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 82 to 85.

The accounts contained within this report have been prepared under a direction issued by NHS Improvement 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 (CQC) 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
- vaccination hub satellite service

We are a large acute Trust providing district general hospital services to over 395,000 people in Chorley, Preston and South Ribble and specialist care to 1.8m people across Lancashire and South Cumbria.

Our mission is to always provide excellent care with compassion which we do from three facilities:

- Chorley and South Ribble Hospital
- Royal Preston Hospital
- the Specialist Mobility and Rehabilitation Centre (based at Preston Business Centre)

We are a values driven organisation. Our values were designed by our staff and patients and are embedded in the way we work on a day-to-day basis:

- **Caring and compassionate:** We treat everyone with dignity and respect, doing everything we can to show we care.
- **Recognising individuality:** We respect, value and respond to every person's individual needs.
- **Seeking to involve:** We will always involve you in making decisions about your care and treatment, and are always open and honest.
- **Team working:** We work together as one team, and involve patients, families, and other services, to provide the best care possible.
- **Taking personal responsibility:** We each take personal responsibility to give the highest standards of care and deliver a service we can always be proud of.

We believe that to provide the best care, we need to continually improve the way in which we provide services. If we are to be the best, we need to continually seek improvement and embrace change, empowering our teams to develop ideas and drive them forward. In order to do this, we have adopted a Continuous Improvement approach and developed a strategy to support this.

Our strategic objectives are:

- To provide outstanding and sustainable healthcare to our local communities
- To offer a range of high quality specialised services to patients in Lancashire and South Cumbria
- To drive health innovation through world class education, training and research

The delivery of excellent services to our local patients through the provision of district general hospital services is at the core of what we do. To achieve this we need to ensure we focus on meeting key quality and performance indicators so our patients can be assured of safe and responsive services.

As well as providing healthcare for our local patients, we are proud to be the regional centre for a range of specialist services. These services include:

- Adult Allergy and Clinical Immunology
- Cancer (including radiotherapy, drug therapies and cancer surgery)
- Disablement services such as artificial limbs and wheelchairs
- Major Trauma
- Neurosciences including neurosurgery and neurology (brain surgery and nervous system diseases)
- Renal (kidney diseases)
- Specialist vascular surgery

Our portfolio of services will continue to develop as the strategy for the provision of services across our region is developed by our Commissioners, but the delivery of specialist services will remain at the heart of our purpose and the decisions we take in our day-to-day activities will be taken in the context of ensuring we remain as the Lancashire and South Cumbria Integrated Care System specialist hospital.

When we were established in 2005 we were the first Trust in the county to be awarded 'teaching hospitals' status. We believe that developing the workforce of the future is central to delivering high quality healthcare into the future. We know we are a local leader in respect of our education, training and research and as the only NIHR Clinical Research Facility in Lancashire and South Cumbria, and a leading provider of undergraduate education, we will continue to drive forward the ambitions described in our education and research strategies.

Our business model

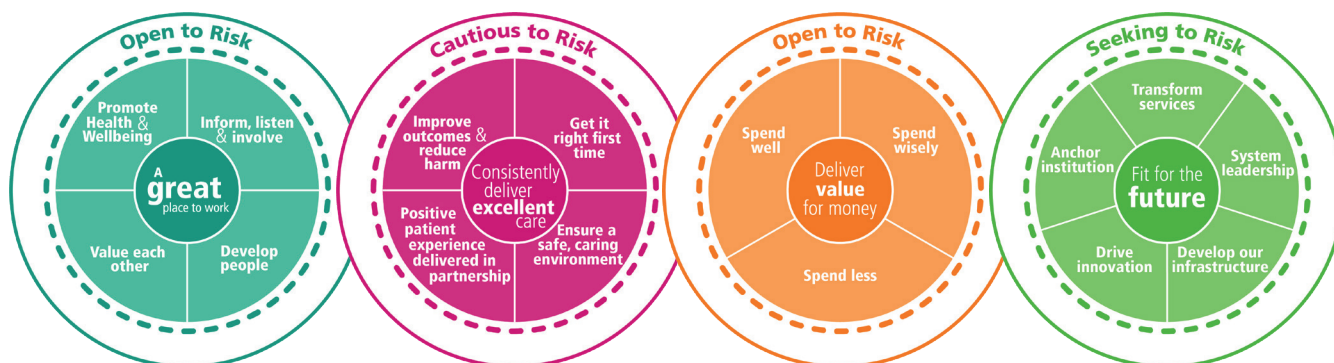
The governance structure of a Foundation Trust is prescribed through legislation and is reflected within our Constitution. All Foundation Trusts are required to have a Board of Directors and a Council of Governors as well as a membership scheme, which is open to members of the public and staff who work 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 strategic framework

We have three equally important strategic objectives:

1. To provide outstanding healthcare to our local communities
2. To offer a range of high quality specialist services to patients in Lancashire and South Cumbria
3. To drive innovation through world class education, training and research

These strategic objectives are underpinned by our four ambitions, which together provide the framework for our strategy and business planning processes.



Our strategic objectives, together with our four ambitions, provide the focus and drive for performance, clinical quality and safety, financial delivery and the long term sustainability of services in the context of system working.

Our updated Strategy (Our Big Plan 2022–25) will be launched in April 2022 and identifies clear delivery outcomes for each of its three years. The detailed metrics within the plan are refreshed annually to ensure they remain current in the context of both national and local changes.

Integrated Care System (ICS) in Central Lancashire

This year has seen significant national developments in relation to health and care reorganisation and emerging guidance for delivering integrated care for the benefit of our population and staff. Integrated care systems (ICSs) are partnerships of NHS organisations, councils and key partners from the voluntary community and social enterprise sector, working together across a local area to meet health and care needs, co-ordinate services and improve population health. Clinical Commissioning Groups (CCGs) are a key partner, and in Lancashire and South Cumbria, all ICS partners are working together to improve health and care services and help the 1.8m population to live longer, healthier lives.

In line with the NHS Long Term Plan (2019), all parts of England had to be served by an ICS from April 2021. In Lancashire and South Cumbria the ICS has been developing for a number of years meaning that the partnership was already relatively mature.

From April 2021, a Strategic Commissioning Committee replaced the Joint Committee of Clinical Commissioning Groups (CCGs), with a primary role to focus on delivery and decision-making for the Lancashire and South Cumbria population with the authority to make decisions at a Lancashire and South Cumbria level. The Committee brings the leadership of the eight Lancashire and South Cumbria CCGs together with ICS strategic commissioning leaders who have collectively committed to improve and transform health and care services across the area, delivering the highest quality of care possible within the resources available.

To support the close down of the eight CCGs and the establishment of the Integrated Care Board (ICB) in Lancashire and South Cumbria, a number of sub-committees and groups were established to oversee the progress and deal with any challenges across the system. This included the ICS Development Oversight Group and the Human Resources Reference Group.

A national ICS Design Framework was published in June 2021, setting out expectations of how NHS organisations were expected to respond in the next phase of system development, including the anticipated establishment of statutory ICS NHS bodies and an ICS Partnership, subject to legislation. Published in July, the Health and Care Bill (2021) defined the new NHS bodies as Integrated Care Boards (ICBs) which would replace CCGs, and the partnerships as Integrated Care Partnerships (ICPs).

Following a robust national recruitment process, David Flory CBE was confirmed as the Chair Designate of the NHS Lancashire and South Cumbria ICB in July 2021 and Kevin Lavery was appointed as Chief Executive Designate of the NHS Lancashire and South Cumbria ICB in November 2021.

A national extension of the ICB establishment timeline was announced in December 2021 with a new date for establishment of 1 July 2022. Work continued through quarter four to reach a state of readiness for shadow arrangements to be in place from April 2022, whilst respecting the existing statutory arrangements. This mirrors the national approach, as the updated ICB Establishment Timeline confirmed ambitions to complete as many activities as possible by the end of March 2022, with exceptions related only to those actions that are dependent upon national guidance and/or legislation. For these, the intention is to have them completed by the end of May 2022.

Central Lancashire Place Based Partnership

The Central Lancashire Partnership (CLP) aims ‘to make Chorley, Preston and South Ribble a great place to live, work and grow’ working and listening to our communities to improve health and wellbeing through a reduction in inequalities.

Over the past 12 months the CLP’s System Delivery Board has agreed a number of partnership-level priorities for delivery, following a rigorous clinically and professionally led priority setting process, led by our Clinical and Professional Forum. The process was informed by disease profile data, specific to Central Lancashire, developed by the Determinants of Health Service Delivery Board and resulted in a small number of bespoke priorities which have been our focus this year.

System Delivery Board	Priorities for delivery
Urgent and Emergency Care	System Flow and Discharge Winter Planning Admission Avoidance
Elective Care	Recovery and Restoration of services Outpatient Transformation Diagnostics Elective Pathway Transformation
Determinants of Health	We will improve health and wellbeing through the reduction in health inequalities
Primary and Community Care	Intermediate Care Neighbourhood Development
Children’s, Young People and Maternity	Acute Paediatrics Neurodevelopmental Pathway Transition services

Key outcomes of this year's delivery functions are listed below and members have reported the benefits of the partnership approach

System Delivery Board	Key Outcomes
Urgent and Emergency Care	<ul style="list-style-type: none"> <li data-bbox="520 300 1458 434">📁 Delivered the 2021/22 winter plan as a number one priority in response to unprecedented challenges (winter, Omicron, Level 4 national incident) – 17 key winter schemes to provide extra capacity and resilience for hospital and out of hospital services <li data-bbox="520 454 1070 488">📁 Mobilised significant additional capacity <li data-bbox="520 508 1310 542">📁 Secured and co-ordinated funding into priority service areas <li data-bbox="520 562 1418 595">📁 Strengthened performance, monitoring and reporting arrangements
Elective Care	<ul style="list-style-type: none"> <li data-bbox="520 676 1374 743">📁 Developed ICS-wide ophthalmology programme – implementing procurement for single community service <li data-bbox="520 763 1378 797">📁 Mobilised the Community Diagnostic Centre (Preston Healthport) <li data-bbox="520 817 1422 884">📁 Worked at local and system level to restore elective services including the use of the independent sector where applicable
Determinants of Health	<ul style="list-style-type: none"> <li data-bbox="520 913 1050 947">📁 Preston health and engagement event <li data-bbox="520 967 1321 1001">📁 Direction of case finding activities to key areas of deprivation <li data-bbox="520 1021 1214 1055">📁 Detailed ward profiles of our most challenged areas <li data-bbox="520 1075 1273 1108">📁 Engaged and collaborative multi-agency working groups <li data-bbox="520 1128 1126 1162">📁 Extension of the Covid-19 vulnerable project
Primary and Community Care	<ul style="list-style-type: none"> <li data-bbox="520 1178 1418 1245">📁 The Primary Care Network and Integrated Care teams priorities have been merged and refocused on development of neighbourhoods <li data-bbox="520 1265 1458 1332">📁 The development of mixed agency teams in neighbourhoods creates an infrastructure that also supports the population health agenda <li data-bbox="520 1352 1334 1386">📁 The system-wide plan for integrated care has been developed
Children's, Young People and Maternity	<ul style="list-style-type: none"> <li data-bbox="520 1464 1251 1498">📁 Plans are in place to roll-out patient-initiated follow-up <li data-bbox="520 1518 1386 1552">📁 A significant reduction in did not attend rates (4%) has been seen <li data-bbox="520 1572 1445 1639">📁 Saturday clinics arranged to manage neuromuscular backlog with AHP support from Alder Hey <li data-bbox="520 1659 1390 1749">📁 Review of Cystic Fibrosis, Epilepsy, Diabetes, Special Educational Needs and Disability and Rheumatology, and Ear, Nose and Throat surgery pathways <li data-bbox="520 1769 1430 1859">📁 Clear identification of the Autism Spectrum Disorder waiting list from all partners, with a standardised definition of wait times and regular contact with children and families

Partnership working has continued to be of vital importance as partners have responded to the ongoing pandemic and winter challenges. Partners have built on existing joined-up practice and support services to extend and enhance support during the Omicron wave and winter.

In terms of development of the Place-based Partnership itself, we have made good progress this year across the following domains:

- **Improving the quality of services** – the culture of the partnership has developed to enable issues or concerns to be escalated quickly and extraordinary meetings have been called where required for the unique challenges of Omicron and pandemic-related pressures.
- **Maximising the use of resources** – the partnership has mobilised a digital and operational and strategic estates group which ensures that we have support functions working in partnership.
- **Success measures** – the partnership delivery boards have shared dashboards to monitor their progress against agreed priorities.
- **Population Health Management** – the Determinants of Health Board has been mobilised and contains senior and operational staff from all partners. The board has shared in depth knowledge about our population and the support and services on offer. The group has also conducted a number of joined-up interventions and thereby improved existing offers to the people who need it.
- **Listening to and communicating with our communities** – we have developed a place-based plan for engagement.
- **Valuing and developing the workforce** – we are working on a targeted people-based plan to address the key workforce challenges that we face in Central Lancashire.
- **Governance** – we hold ourselves to an agreed set of behaviours and value at place and we have continued to refine the governance structure to enable an integrated approach to the delivery of services and rapid escalation should it be required.
- **Collaboration with our partner places and the Lancashire and South Cumbria system** – this has seen each place taking the lead to develop and implement elements of the strategic narrative required to see our places and the overarching health and care system continue to mature.
- **Partnership maturity** – we undertook two peer-to-peer reviews during 2021/22 with Board members scoring the partnership's progress against a number of domains. Our key areas of strength were around leadership, governance and decision-making, place-based leadership and collaboration and planning integrated services.

Next year as a partnership we will be focusing on the formal transition arrangements as required by the White Paper and working towards an initial gateway process in June to ensure that the Central Lancashire partnership is ready for the new challenges ahead.

Our principal issues and risks

The Trust continues to identify potential risks to achieving its strategic developments as part of our good governance processes. The Board Assurance Framework is used to identify these strategic risks alongside actions being taken to mitigate such risks. This enables 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.

During 2021–22, the principal risks related to:

- Consistently deliver excellent care
- Deliver value for money
- Be a great place to work
- Be fit for the future including sustained delivery of specialist services
- Drive innovation through world class education, training and research

All the principal risks listed are reported to the Board of Directors and appropriate Committees of the Board for reviewing, monitoring and reporting the effectiveness of controls and mitigation plans identified to achieve the risk target as determined by the risk appetite approved by the Board.

The Annual Governance Statement, contained on pages 88 to 102, further outlines the Trust's approach to risk and how it manages these. The Trust has developed a clear risk mitigation strategy to deal with the recovery and restoration of services post-pandemic and the evolving external environment and will continue to engage and strengthen relationships with patients, staff, public and strategic partners to ensure long-term sustainability in the delivery of its strategic objectives.

The organisational culture is built on trust, openness, transparency and empowerment with clear lines of accountability and responsibility underpinned by continuous learning and improvement. The Annual Governance Statement also includes the Trust's system of internal control which is designed to manage risk for the organisation. The Trust continues to perform well against the objectives of internal control and delivery of regulatory requirements and has delivered compliance with a number of standards and metrics (please refer to the separate Quality Account 2021–22 for full details). However, it is acknowledged that this has been a difficult year as a result of the continued effect of Covid-19 which has impacted delivery of a number of key metrics including, but not limited to Clostridium difficile, 104 week waits and the 12-hour Emergency Department metrics. The Trust remains focused on all relevant metrics and continues to work closely with system partners going forward.

Our performance

The NHS faced unprecedented times in 2021–22 and, like all other NHS Trusts across the country, Lancashire Teaching Hospitals NHS Foundation Trust has been significantly challenged by the Covid-19 pandemic. As a result, performance across the board, both emergency and elective, has been significantly impacted with operational pressures experienced throughout the year resulting in non-compliance in relation to a number of key standards. The performance position is outlined in the Performance Analysis section on page 17.

Going concern

The accounts have been prepared on a going concern basis which the Directors believe to be appropriate for the following reasons.

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

Guidance from the Department of Health and Social Care indicates that all NHS bodies will be considered to be going concerns unless there are ongoing discussions at department level regarding the winding up of the activity of the organisation. There are no such conversations regarding this Trust and as such it is regarded as a going concern.

Emergency funding arrangements put into place by the Department of Health and Social Care in response to the Covid-19 pandemic continued in 2021–22. These have had the effect of ensuring that the Trust was able to break-even during 2021–22, and the continuation of some of the emergency measures into 2022–23 means the Trust will receive further funding during 2022–23. The receipt of these funds and additional funds to support restoration activities mean that the Trust had been able to set a plan for 2022–23 which is a deficit of £11.5m which has been significantly reduced from the pre-pandemic levels which were £78m.

It is clear that outside of the pandemic response the Trust remains in a deficit position and will need to work with its partners across the local healthcare system, Provider Collaborative Board and the Integrated Care Board to achieve efficiencies and maximise the use of its assets to achieve a sustainable financial balance.

In addition to the matters referred to above, the Trust has not been informed by NHS England 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 accounts on a going concern basis.

PERFORMANCE ANALYSIS

Lancashire Teaching Hospitals NHS Foundation Trust's performance is measured against a range of patient safety, access and experience indicators identified in the NHSI compliance framework and the acute services contract.

The NHS continued to face significant challenges in 2021–22 and like all other NHS Trusts across the country Lancashire Teaching Hospitals NHS Foundation Trust has continued to experience pressures as a result of the Covid-19 pandemic. Performance across the board, both emergency and elective has been impacted with operational pressures and infection prevention control measures experienced through the year resulting in non-compliance in relation to a number of key standards.

Whole health economy system pressures in response to Covid-19 demand resulted in high bed occupancy throughout the year with the need to focus both on Covid-19 non-elective activity and elective recovery as mandated nationally. The number of patients not meeting the criteria to reside rose as Covid-19 outbreaks in community settings increased. This, together with Covid-19 demand as a result of the Omicron variant, resulted in significant capacity and demand pressures. Workforce capacity to undertake elective activity was also impacted by Covid-19 related absence throughout December 2021 and January 2022.

A health economy system wide action plan is in place to address the urgent care system and pressures; with identified primary and social care initiatives/schemes delivering a level of sustainability across the health economy. In 2021–22 the Trust took a lead role in bringing together operational delivery of the system wide urgent and emergency care programme, including key transformational work streams identified and prioritised by all system partners. Discharge arrangements reflecting national policy changes brought in as a result of Covid-19 and the provision of community capacity to support are being progressed through these arrangements.

Since the beginning of the Covid-19 pandemic the Trust has put in place a range of measures including:

- Additional medicine bed capacity to meet increased demand
- Re-zoning of our estate to meet Infection Prevention and Control (IPC) requirements
- Delivery of Same Day Emergency Care (SDECs), moving to a 24/7 model
- Additional ITU surge beds with additional staffing through redeployment
- Implemented digital health to reduce inappropriate admissions to hospital
- Nightingale Surge Hub capacity to support increased demand as a result of the Omicron variant of Covid-19

These actions have all helped to support the Trust during these unprecedented times and enabled the Trust to achieve compliance against a range of measures within the risk assessment framework, including one of the national cancer waiting times standards. However, the Trust has failed to achieve its objectives in relation to the 4-hour Emergency Department target, the 18-week incomplete access target, and the 62-day cancer treatment standard. The significant growth in the number of long waiters in both RTT and cancer pathways has been directly impacted by the Covid-19 pandemic and the need to cease some elective activity during the pandemic peak periods and prioritise only urgent elective activity as part of the elective restoration plan.

The summary position detailing performance in 2021–22 is shown in the table below:

Annual Report 2021–22

KPI's 2021–22 Compared To 2020–21

Indicator	2020–21	2021–22	Current Period
A&E - 4 hour standard	85.56	78.3	% - Cumulative to end Mar 2021 Position includes both ED and UCC locations.
Cancer - 2 week rule (All Referrals) - New method	88.0	77.7	% - Cumulative to end Mar 2022
Cancer - 2 week rule - Referrals with breast symptoms	52.8	54.6	% - Cumulative to end Mar 2022
Cancer - 31 day target	89.5	87.2	% - Cumulative to end Mar 2022
Cancer - 31 Day Target - Subsequent treatment – Surgery	77.8	72.4	% - Cumulative to end Mar 2022
Cancer - 31 Day Target - Subsequent treatment – Drug	97.9	99.3	% - Cumulative to end Mar 2022
Cancer - 31 Day Target - Subsequent treatment -Radiotherapy	97.7	97.7	% - Cumulative to end Mar 2022
Cancer - 62 day Target	64.0	55.8	% - Cumulative to end Mar 2022
Cancer - 62 Day Target - Referrals from NSS (Summary)	57.3	58.6	% - Cumulative to end Mar 2022
28 day faster diagnosis standard – compliance	80.3	72.0	% - Cumulative to end Mar 2022
MRSA	0	1	Cumulative to end Mar 2022
C.difficile Infections	100	129	Cumulative to end Mar 2022
18 weeks - Referral to Treatment - % of Incomplete Pathways < 18 Weeks	54.2	58.5	% - sum of Apr-Mar 2021–22
% of patients waiting over 6 weeks for a diagnostic test	43.12	45.07	% - Cumulative to end Mar 2022

**The MRSA indicator is no longer a national target however we continue to report performance against this metric to the Board and show it as a compliant measure with one reported case during 2021–22.*

Our finances

Income Generation

As a consequence of the Covid-19 pandemic there was a new financial regime to minimise the detrimental impact on the performance of the organisation.

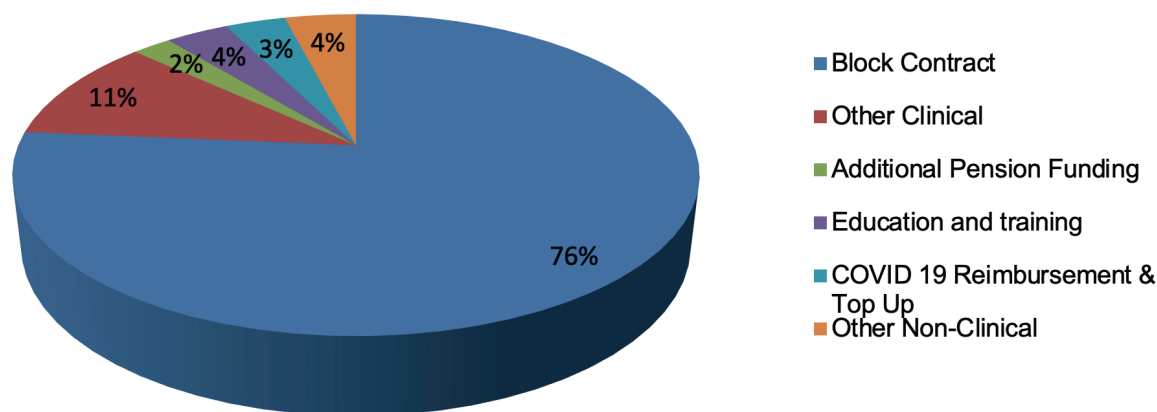
Income from commissioners was received through a block contract basis to minimise the financial effect of reduced patient activity.

During 2021–22 the Trust generated income from patient care, including through a block contract of £660m, an increase of 18% from 2020–21.

The Trust received reimbursement and top up funding of £22m to cover the additional costs associated with the Covid-19 pandemic and the restoration of elective activity.

A further £61m was generated from other income sources which includes training levies, research funding, car parking, catering and retail outlets and from providing services to other organisations.

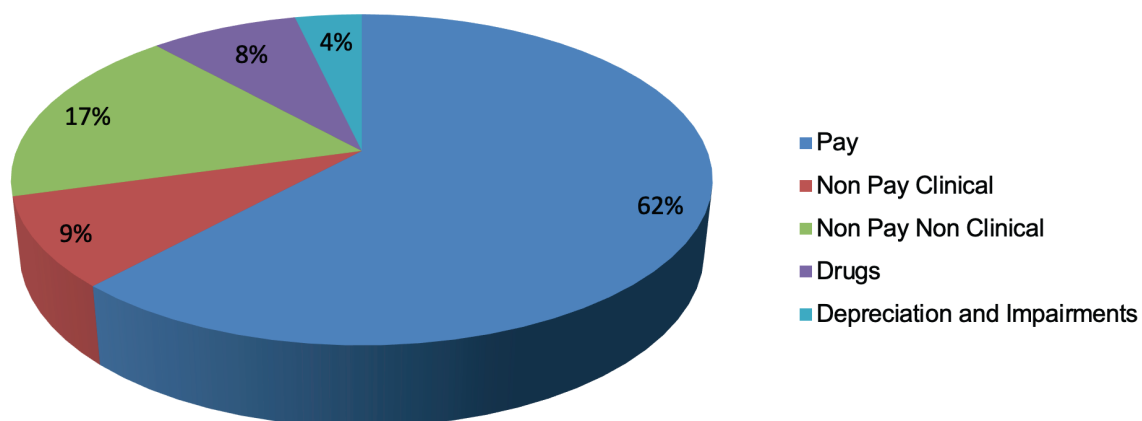
Income Analysis



Expenditure

Operating expenditure (excluding impairments) for the year was £734m (20–21 £670m), the graph below shows the main categories of expenditure at the Trust. The main reason for the rise in costs can be attributed to restoration of elective and outpatient activity.

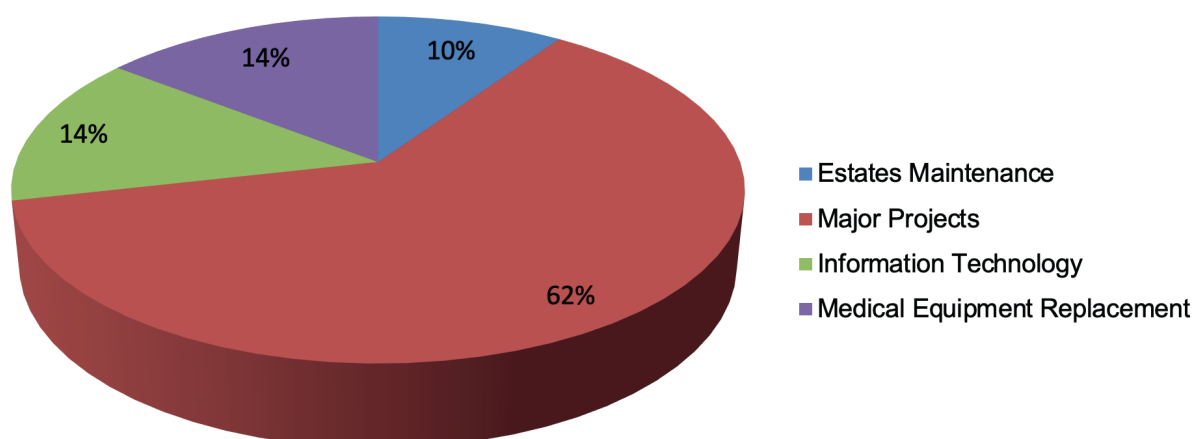
Expenditure



Capital Investment

In 2021–22, £41m was invested in the Trust's capital programme to maintain the asset base of the Trust as illustrated in the chart below. Major projects completed in year included the Ophthalmology unit at Chorley and South Ribble Hospital, Chorley day case theatres, and the refurbishment of the Ribblesdale Ward. Also included in the major projects are ongoing projects such as the new modular building (Cuerden) at Chorley and South Ribble Hospital £6m was spent on new and replacement medical equipment.

Capital Expenditure



Forward Look

The operational and financial planning process for 2022–23 has been developed in line with the expectations set out in the national planning guidance. The key focus of the guidance is to restore NHS and care services within a new financial framework. Core to the new framework are system allocations, systems to deliver a balanced break-even financial plan, move to local ownership of population-based allocations and multi-year capital allocations. The key requirements of that national guidance include the following:

- **Policy for outpatient follow up reduction** – Contribution of Outpatient follow up fixed at 85% of 2019–20 baseline to deliver 25% reduction in outpatient follow up by March 2023 supported by GP contract changes to support achievement of this aim
- **Covid-19 de-escalation** – Covid-19/Infection Prevention Control arrangements were reviewed end of March 2022 to support the convergence of activity back to pre-pandemic levels of productivity
- **Capital** – Three-year capital allocations at ICB level allowing for strategic decision making across the system
- **Cost improvement** – Nationally set as 1.1% as a minimum: target set for Lancashire and South Cumbria providers at 5% or £26.8m (3% recurrent, 2% non-recurrent)
- **Restoration** – Elective funding fully allocated to commissioners on a fair share basis target to deliver 104% activity over and above 2019–20 levels using the Independent Sector (IS) where available
- **Wider system allocation reductions** – Assumption that local authority funded schemes i.e discharge to assess will cease on 31 March 2022 and not be supported by NHS funding
- **National move to tighten financial control** – Increased focus on financial discipline, control and rigour nationally including increased scrutiny on agency caps

The LTH financial plan for 2022–23 has been agreed as part of the wider LSC ICB system plan that requires a balanced plan to be produced. All parties in the system agreed a range of measures to achieve a balanced financial plan. To build a financially sustainable Trust for the future, there will be a renewed focus on cost improvement during 2022–23. A cost improvement target of 5% for 2022–23 has been agreed with the ICB and the Trust has identified and allocated risk rated targets to divisions and activities, and will monitor performance using the cost improvement reporting mechanism. Performance against cost improvement will be reported monthly to the Finance and Performance Committee. The Trust continues to work in partnership within the Integrated Care System and Central Lancashire Integrated Care Partnership and is part of the new hospital programme looking at site development in future years.

Better Payment Practice Code (BPPC)

We aim to treat all suppliers ethically and to comply with the BPPC target, which states that we should aim to pay all valid invoices by the due date or within 30 days of receipt of a valid invoice, whichever is later. For 2021–22 we paid 95% of invoices to this timescale.

	NHS		NON-NHS		TOTAL	
	No.	Value £	No.	Value £	No.	Value £
Invoices paid within 30 days	2,666	123,397	91,633	368,556	92,299	491,953
Invoices not paid within that 30 day period	716	8,305	25,158	18,595	25,874	26,900
Total Invoices	3,382	131,702	116,791	387,151	120,173	518,853
BPPC	78.8%	93.7%	78.5%	95.2%	78.5%	94.8%
Total amount of any liability to pay interest	0	0	0	0	0	0

Reconciliation of underlying trading position for year ending 31 March 2022

In 2021–22 the Trust received top-up and reimbursement funding which amounted to £73.9m (2020–21: £96.8m). The Trust delivered an accounting deficit for the year of £11.2m (2020–21: £6.0m). After adjustment for accounting movements relating to impairment charges and income and expenditure for donated assets, the Trust delivered a revised trading surplus of £0.0m (2020–21: £2.1m).

	Group	
	2021/22	2020/21
	£000	£000
Deficit for the year pre Top-Up	(85,067)	(102,864)
Base Top-Up Income	73,872	68,329
Retrospective Top-Up Income	0	28,500
Deficit for the year	(11,195)	(6,035)
Add back I&E impairments	9,411	11,866
Add back losses on transfers by absorption	1,054	0
Remove net donated income	(1,086)	(1,390)
Remove DHSC centrally procured inventories (donated)	1,840	(2,342)
Revised trading surplus	24	2,099

Being a Good Corporate Citizen

The Trust works in a number of ways to control the impact it has on the environment and to drive forward the Trust's Green Plan, setting out our plans for sustainable development. During 2021–22 the organisation has:

- Purchased renewable electricity from the National Grid for all of our sites, reducing our carbon footprint.
- Invested in equipment to better monitor water usage, to help identify areas of excessive usage and assist in identifying leaks. This has seen a reduction in our water consumption over the last 12 months.
- Continued to install efficient modern boilers to further reduce our gas consumption, resulting in lower carbon emissions and reducing the overall cost to the Trust of purchasing gas.
- As part of our capital development programme, constructed all new buildings and refurbished our existing estate to achieve higher levels of energy efficiency. For example, investing in the use of low-energy LED lighting and install LED as standard in any new developments or refurbishment schemes.
- Installed electric vehicle charging points across all our main sites to promote sustainable travel and help reduce Scope 3 carbon emissions.
- Continued to offer park-and-ride facilities served by free shuttle buses to reduce the impact of staff travel.
- Removed single-use plastics in a number of areas and replaced them with more sustainable alternatives.
- Worked with the NHS Carbon and Energy Fund to undertake a feasibility study on a longer-term project to de-carbonise the heating system at Royal Preston Hospital.
- Continue to work towards sustainable waste management. The Trust does not landfill any of its non-clinical waste streams which are either recycled or recovered.
- Ensured a number of waste streams are separately segregated for recycling, including cardboard, plastics bottles, confidential waste paper, waste electrical and electronic equipment, wood, mattresses, batteries, fluorescent tubes, cooking and engine oil, IT consumables and scrap metal.
- Ensured garden waste is composted and food waste from our catering service is sent for recovery via anaerobic digestion.
- Where feasible, ensured surplus furniture and equipment is re-allocated and re-used via the online Warp-It system rather than scrapped.

Social, community and human rights issues

The creation of a co-produced social value strategy to include social value statements and key value indicator measures will support the Trust in aligning equality, diversity and inclusion priorities and mobilising change and improvement in this area. A key component of this strategy is achieving accreditation of the social value quality mark.

To support the social value responsibilities and ambitions the organisation has to be an anchor institution, there are a number of programmes of work which are being undertaken to help support the reduction of social deprivation in our communities, reduce unemployment, increase education and skills as well as reduce discrimination and marginalisation of members of our community with protected characteristics which in turn should support wider societal goals leading to improvements in local population health.

The strategic actions outlined here are all focused on improving our communities, adding value to the organisation itself, as well as demonstrating the ethical and moral practices we undertake which are aligned with our values, desired corporate reputation and employment brand. The strategic actions are under three key headings:

Equality, Diversity and Inclusion

The work undertaken with regards to equality, diversity and inclusion and support our social and corporate responsibilities includes:

- Work towards our workforce being proportionally representative of our community through refocusing our recruitment practices, development, succession planning and retention practices.
- Enhancing the development, promotion and retention of colleagues with protected characteristics across all levels to support colleagues to achieve their career aspirations and potential.
- Further educating all colleagues in respect of equality, diversity and inclusion to ensure they have a greater understanding and awareness of their role in reducing discrimination.
- Engaging with colleagues from minority groups to understand what would make a positive difference to their experience of work.

Employment and Employability

To support the levelling up of our communities and reduction in discrimination, the Trust continues to undertake a number of actions which contribute to creating a positive work experience, high quality careers and employment opportunities, these are:

- Develop workforce policies through co-production and consultation in order to create a supportive, inclusive way of working that enable staff to perform well at work in a just, fair, transparent culture.
- Continuing to evolve and grow our volunteer network, through the creation of new volunteer roles to support our evolving services and seeking to increase the diversity of our volunteers.
- Prioritising our Widening Participation agenda so we support social mobility for individuals from diverse backgrounds to facilitate and encourage them to take up a career with us as a healthcare provider and local employer.
- Ensuring colleagues have a positive experience across the whole employment lifecycle, where they feel engaged, have a meaningful career, are supported to have a positive work life balance, have their personal needs accommodated and able to work longer through flexible retirement options.

Health Equality and Wellbeing Support

To ensure our colleagues, who are also our community members remain well and feel able to flourish in work we have delivered a number of actions which are aligned to the social responsibility strategic aims, these are:

- Ensuring all colleagues have the opportunity on a regular basis to revisit or put in place where appropriate a 'Supporting Disability at Work Agreement', or risk assessment to provide reasonable adjustments and supportive actions.
- Implementing new ways to support colleagues who have caring responsibilities, this has been achieved through creating a package of support and working towards implementation of a Carers' Passport.
- Delivering targeted wellbeing campaigns to tackle health inequalities in our workforce, this has included the provision of food hubs, engaging with retailers to sell fresh fruit and vegetables on site, providing financial advice and counselling, and offering staff health checks to colleagues with protected characteristics.
- Continuing to support colleagues mental and physical wellbeing during the ongoing Covid-19 pandemic, through regular risk assessment, mental health listening events and psychological support.
- Providing a range of wellbeing offers which has included the Time to Change campaign, promoting the cycle to work scheme, and having a greater nature and environmental focus which encourages colleagues to spend more time outdoors.
- Using our mobile education unit to engage with the local community through attendance at local community events such as Windrush, the Health Mela where we promote health screening in the community and provide myth-busting around miss-held beliefs about treatment options.

Counter fraud

We have a policy in respect of countering fraud and corruption which includes contact details of the national helpline and a local independent counter fraud officer. The Trust has an accredited anti-fraud specialist provided by Mersey Internal Audit Agency (MIAA) and they deliver the service in line with NHS Counter Fraud Authority's standards.

Health and safety performance

The Trust's policy is to safeguard the health and safety of all our employees, patients, visitors and anyone who may be affected by our activities by ensuring we are compliant with the Health and Safety at Work Act (1974). This is the primary legislation covering occupational health and safety in the United Kingdom (UK) and defines the fundamental structure and authority for the regulation and enforcement of workplace health, safety and welfare within the UK. The delivery of health and safety performance oversight and management and health and safety governance operationally is managed by the corporate governance department whilst strategically remains in the portfolio of the Finance Director. The delivery of physical health and safety oversight and management is managed by the Director of Estates and Facilities within the portfolio of the Finance Director.

There are two key Committees that manage and contribute to health and safety across the Trust, these being:

Health and Safety Governance Group – this group is attended by managers from all the Trust's clinical divisions and key corporate teams. The Health and Safety Governance Group reports to the Finance and Performance Committee and is chaired by the Associate Director of Governance. The cycle of business for the Health and Safety Governance Group includes the following areas:

- Action plan progress including any inspections
- POSH audit progress
- Audit schedule
- Fire safety
- Security
- Violence-Prevention-Reduction Standard
- Asbestos (via Chair's report)
- Waste (via Chair's report)
- Sharps safety (via Chair's report)
- Medical devices management (via Chair's report)
- Legionella water safety (via Chairs report)
- Infection prevention and control (via Chairs report)
- Radiation Protection Committee (via Chairs report)
- Joint Consultative Committee (via Chairs report)
- Incident reporting
- Health and safety
- RIDDOR
- Claims updates
- Occupational Health
- Compliance with relevant Safety Alerts
- Occupational Health update
- Moving and Handling update

Physical health and safety is overseen by the Health and Safety Manager to represent the estates division. They have a significant remit of reviewing and managing physical health and safety across the hospital sites. Health and safety performance oversight and management of health and safety governance operationally is delegated to the Health and Safety Manager. The Staff Side health and safety partnership lead is a member of the Health and Safety Governance Group. Their remit is to:

- Raise the profile of health and safety representatives within the organisation, so that staff and managers understand the support the role can offer and when there needs to be consultation with the representatives
- Contribute to the development of training and e-Learning modules related to leadership responsibilities for health and safety
- Proactively engage in the development, review and update of health and safety related policies including researching legislative changes
- Work collaboratively with the Health and Wellbeing team to support implementation of the aspects of their strategy which are linked with health and safety in particular stress and Covid-19 risk assessments
- Contribute to the development of the Violence Prevention and Reduction Strategy and implementation of the actions
- Work with the Physical Risk team to improve the quality and completion rates of risk assessments including undertaking audits
- Work with the Health and Safety Manager to support robust health and safety governance
- Support implementation of specific actions related to the POSHH audit and Health and Safety Executive inspections

Health and Safety Joint Consultative Committee (HSJCC) – the Committee is a forum for engagement with staff representatives on safety matters, meeting the statutory requirements of the Safety Representatives and Safety Committee Regulations 1977 (as amended) and the Health and Safety (Consultation with Employees) Regulations 1996. The meetings are productive and create positive engagement from all. The Associate Director of Governance attends HSJCC meetings and the elected Staff Side health and safety partnership lead is also a member of the HSJCC. This further supports engagement and involvement of staff representatives with the health and safety governance agenda.

The Trust also has a number of responsible officers whose role it is to co-ordinate and lead health and safety within their own particular area or service and these roles are supported with a programme and training to further upskill the Trust in health and safety management.

Prohibition or enforcement notices

The Trust has not received any prohibition or enforcement notices during the year.

Overseas operations

The Trust does not have any subsidiaries overseas.

This Performance Report is signed on behalf of the Board of Directors by:



Kevin McGee OBE
Chief Executive
28 June 2022

ACCOUNTABILITY REPORT 2021–22



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 and 418 of the Companies Act 2006 (section 415(4) and (5) and sections 418(5) and (6) do not apply to NHS Foundation Trusts) as inserted by SI 2013 (1970)
- 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 NHSI in its Annual Reporting Manual

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, IT, estates, commerce, quality and service improvement, health and social care, risk, governance and regulation, and education. The Board is balanced and complete in its composition, and appropriate to the requirements of the organisation.

Please note that (I) indicates that the Non-Executive Director is considered independent.

Non-Executive Directors

Professor Ebrahim Adia (Chairman) (I)

Appointment: 2 December 2019 to 1 December 2022

Ebrahim is currently Pro Vice-Chancellor at the University of Central Lancashire and a member of the Senior Executive Team.

Previously, Ebrahim served as Vice-Chair of a Primary Care Trust and as a Non-Executive Director of an NHS Foundation Trust. He has also served as Deputy Leader of Bolton Council and is currently an Elected Member.

Tim Watkinson, Vice Chairman (I)

Appointment: 1 April 2016 to 31 March 2023

Tim is a qualified accountant with over 25 years' experience in senior audit positions in the public sector. He was previously the Group Chief Internal Auditor for the Ministry of Justice and prior to that was a District Auditor with the Audit Commission, including terms of office in Lancashire County Council, Preston City Council and Chorley Borough Council. Tim has led national teams and taken a lead role for the Audit Commission in the development of methodology for improving the performance of local authorities. Tim has experience of working in major accountancy firms providing audit and consultancy services to the public sector including the NHS. He has also been employed as an accountant and a Chief Internal Auditor within the NHS.

Tim is the Vice Chairman of the Trust and the Chair of the Trust's Audit Committee. He is also the Non-Executive Board lead for Freedom to Speak Up and a member of the Rosemere Management Committee. Outside the Trust, Tim is an independent member of the UK Statistics Authority's Audit and Risk Assurance Committee.

Victoria Crorken, Non-Executive Director (I)

Appointment: 24 January 2022 to 23 January 2025

Victoria is an experienced senior leader within public sector and commercial environments. With 26 years' operational policing experience in Lancashire Constabulary, she has a deep understanding of the complex socio-economic and health challenges within local communities and has developed collaborative cross-sector partnerships to tackle inequality. Currently the Head of Risk for the Co-op Group Ltd, Victoria led the transformational change of the Crime, Security, Regulatory Compliance and Business Resilience strategy and her particular areas of expertise are stakeholder partnership collaborations, governance, risk management and regulatory oversight. Victoria has an MBA from the University of Central Lancashire Business School and is also the Vice-Chair of Governors for Co-op Academy Leeds.

Professor Paul O'Neill, Senior Independent Director (I)

Appointment: 4 March 2019 to 3 March 2025

Paul is Professor Emeritus at the Manchester University and Consultant Physician with special interests in elderly care and stroke medicine. He has been the Head of School and Deputy Dean for the Faculty of Medical and Human Sciences. He received a National Teaching Fellowship and has published extensively in medical education and clinical research, as well as co-authoring six books. Internationally, Paul was a member of Faculty for the Harvard-Macy medical educators programme and acts as an education consultant internationally. On behalf of the Medical Schools Council, he led the work on devising a new selection system for the Foundation Programme implemented in 2012. He has an interest in patient and public involvement in medical education and established the Doubleday Centre for Patient Experience at Manchester. In 2013, he was awarded the President's Medal of the Academy of Medical Educators for his achievements. Paul continues to work extensively for the General Medical Council in quality assuring undergraduate and postgraduate medical education and is a Consultant at the Manchester University Foundation Trust. Paul is the Chair of the Trust's Education, Training and Research Committee.

Paul was appointed as Senior Independent Director on 31 August 2019.

Ann Pennell, Non-Executive Director (I)

Appointment: 7 January 2019 to 6 January 2025

Ann has had a long Executive career in local Government including senior roles in children's services, corporate improvement and housing. She has held Non-Executive Director posts at Cheshire and Wirral Partnership NHS Foundation Trust and prior to that, she was Non-Executive Director and Vice Chairman at Southport and Ormskirk Hospital NHS Trust. Ann is the Chair of the Trust's Safety and Quality Committee and Non-Executive Director Lead for maternity safety and safeguarding. Ann is also the Trust's Board-level Maternity Safety Champion.

Kate Smyth, Non-Executive Director (I)

Appointment: 4 February 2019 to 3 February 2025

Kate was a chartered town planner and worked in planning and economic development for many years in local authorities across the North West. She then ran her own consultancy business for 25 years specialising in economic development and disability, and has extensive experience working in the public and community and voluntary sectors. From 2012 to 2019, she was the Lay Member (Patient and Public Involvement) at Calderdale CCG. Kate was also the equality lead and the lead for deprivation, poverty and housing. From 2010 to 2019, she was an independent Board member (latterly, the Deputy Chair) at Kirklees Neighbourhood Housing and the equality champion. She is currently a Lay Leader at Yorkshire and Humber Patient Safety Translational Research Centre and in 2019 was appointed to the North West Regional Stakeholder Network, established by the Cabinet Office Disability Unit. In March 2021, Kate was elected as Co-Chair of the Disabled NHS Directors' Network. Kate is the Chair of the Trust's Charitable Funds Committee.

Jim Whitaker, Non-Executive Director (I)

Appointment: 3 July 2017 to 2 July 2023

Jim is an experienced Executive currently working at BT Enterprise, where he is Director of Project Management. During his career, Jim has led many large scale IT transformation programmes for customers in the UK and abroad; these have typically been high complexity and operationally critical in nature. He has worked with customers in many sectors including Government, Defence, Investment Banking and Retail. Jim is a Chartered IT Professional with the British Computer Society and holds project management qualifications, which include APM RPP, MSP and Prince 2. His areas of particular expertise are strategic planning, managing change, governance, and risk management. Jim is the Chair of the Trust's Workforce Committee.

Tricia Whiteside, Non-Executive Director (I)

Appointment: 9 September 2019 to 8 September 2022

Tricia is a transformational leader with a wealth of financial services experience having held a number of senior leadership roles within large Fortune 500 and FTSE100 organisations. Her experience gathered over 25 years includes owning aspects of global control frameworks and assuring compliance to the expected standards of control, establishing Strategic Change Portfolios, operational delivery of integration programmes following organisational merges/acquisitions and lead upon significant business transformation. Over the last 11 years she successfully established her consultancy business which provided interim management support, with focus on setting up new operational functions and building sustainable internal capabilities, creating portfolios of strategic change to improve operational performance and financial stability, strengthening governance and control regimes, consulting on risk management strategies, and positively responding to increased regulatory scrutiny. Tricia is the Chair of the Trust's Finance and Performance Committee.

Executive Directors

Kevin McGee OBE

Permanent post – appointment from 1 September 2021

Kevin brings with him a wealth of experience within the NHS having held director and Chief Executive positions for over 23 years. In addition to his role at the Trust, Kevin is also the Chief Executive Lead for the Lancashire and South Cumbria Provider Collaborative.

Earlier in his career, Kevin, who is a qualified accountant, was Director of Finance and Information for North Sefton and West Lancashire Community Trust (1998–1999) and Ashworth Special Hospital Authority (1999–2000).

Kevin first came to Lancashire in 2000, joining University Hospitals of Morecambe Bay as the Director of Finance (2000–2004) before he became Chief Operating Officer (2004–2006) and then Acting Chief Executive (2006–2007).

Kevin then moved to NHS North Lancashire as the Director of Commissioning and Performance Management (2007–2010).

Kevin briefly left Lancashire for a four-year stint to take up Chief Executive roles at Heart of Birmingham Primary Care Trust (2010–2011) and George Elliot Hospital (2011–2014) before he returned to the County as Chief Executive at East Lancashire Hospitals NHS Trust in 2014. In 2019 he also became Chief Executive for Blackpool Teaching Hospitals NHS Foundation Trust and maintained responsibility for both Trusts until taking up his current role.

Kevin was awarded an OBE in the New Year's Honours list 2022 for services to the NHS.

Faith Button, Chief Operating Officer

Permanent post – appointment from 1 May 2019

After graduating Faith joined the NHS and has worked in a number of acute Trusts in senior roles in London and the South with over 20 years' experience. She has a strong background in senior operational management and performance management having been a Director of Performance at her last two Trusts. She joined the Trust in 2017 having been the Deputy Chief Operating Officer and was appointed to Chief Operating Officer in May 2019. Faith is the interim Chief Operating Officer across the Integrated Care Partnership.

Sarah Cullen, Nursing, Midwifery and AHP Director

Permanent post – appointment from 1 August 2019

Sarah is a Registered Nurse with experience in a variety of nursing and operational roles in a broad range of specialties. Sarah spent 18 years of her career at University Hospitals of Morecambe Bay and joined Lancashire Teaching Hospitals in 2017 as the Deputy Nursing, Midwifery and AHP Director becoming the Executive Nursing, Midwifery and AHP Director in 2019. Sarah is the Executive lead with responsibility for the hospital charity, governance, maternity, children and safeguarding. She is also a trustee of the post graduate education charity.

Gerry Skailes, Medical Director

Permanent post – appointment from 1 March 2018

Gerry graduated from Guys Hospital in London and spent the early years of her medical training in London and the South Coast before moving to the Christie Hospital to undertake specialist training in Clinical Oncology. She was appointed as a Consultant at the Royal Preston Hospital in 1997 with an interest in treating lung and gynecological cancers. She has held a number of leadership roles within the Trust and North West region including Clinical Lead for the Lancashire and South Cumbria Cancer Alliance and Deputy Medical Director of the Trust. Gerry continues to work as a Consultant in Oncology undertaking a weekly Acute Oncology ward round and is actively involved in a number of the ICP and ICS Committees. Gerry was appointed as the Trust's full-time Medical Director from March 2018 and is also our Caldicott Guardian.

Karen Swindley, Workforce and Education Director

Permanent post – appointment from 1 November 2011

(Strategy, Workforce and Education Director from 1 December 2018 up to 29 January 2022)

Karen was appointed to the role of Director of Workforce and Education in November 2011 prior to this appointment, having previously worked as Associate Director of Human Resources Development in the Trust since 2001. Having been employed in the NHS for over 26 years, she has held a number of senior posts in education, training and organisational development both in the NHS and the private sector. Karen is responsible for leadership and management of human resources, training and education, and research. Following the appointment of a Director of Strategy and Planning in January 2022, the strategic portfolio managed by Karen since December 2018 was realigned to that role. Outside of the Trust she is the Chairman and Trustee of Derian House Children's Hospice.

Jonathan Wood, Finance Director / Deputy Chief Executive

Permanent post – appointment from 1 August 2019

After graduating, Jonathan joined the North Western financial management training scheme in 1992 where he worked with a number of Health Authorities within Greater Manchester. Since qualifying he has worked for a number of NHS organisations, including Salford Royal, the North West Strategic Health Authority, East Lancashire Hospitals NHS Trust and Leeds Teaching Hospitals NHS Foundation Trust. He has supported a number of hospital developments over the years and enjoys working with teams in resolving complex problems.

Non-voting Board members

Ailsa Brotherton, Director of Continuous Improvement

Permanent post – appointment from 1 December 2017

Ailsa joined the Trust in 2017 from Manchester Foundation Trust where she was the Director of Transformation for the Single Hospital Programme. Prior to this Ailsa held clinical quality and improvement roles with the Trust Development Authority/NHSI. She has also held a post-doctoral senior research fellow post, has a Masters in Leadership (Quality Improvement) from Ashridge Business School and is a Health Foundation Generation Q Fellow. Ailsa has extensive experience of designing and delivering quality improvement and large scale change programmes. In 2019 Ailsa was awarded an honorary professorship in the School of Health and Wellbeing at the University of Central Lancashire and is working with our academic partners to ensure all our improvement programmes are evidence based and evaluated. She is a member of the Safety and Quality Committee, Education, Training and Research Committee and Workforce Committee and is a member of the national Improvement Directors' network.

Corporate Directors

Stephen Dobson, ICP Chief Information Officer

Permanent post – appointment from 1 April 2020

Stephen joined the Trust in April 2020 from Greater Manchester's Health and Care Partnership where he was the Chief Digital Officer. Prior to this Stephen spent eight years as Chief Information Officer for Wrightington, Wigan and Leigh NHS Foundation Trust. He has also spent over 10 years working for Pfizer Pharmaceuticals within the USA and UK within a variety of roles including Pharmacogenomics, Clinical Trials, Informatics and Knowledge Management. Stephen has a PhD in Molecular Genetics and extensive experience leading digital programmes. Stephen attends the Finance and Performance Committee.

Gary Doherty, Director of Strategy and Planning

Fixed-term post as Director of Service Development from 1 December 2020 to 29 January 2022

Permanent post – appointment from 30 January 2022

Gary joined the Trust in February 2020 and is an experienced NHS leader having worked in operational and planning roles at a range of levels including Chief Executive. He has over 25 years NHS experience and has worked in both the English and Welsh NHS, mainly in hospital provision but also at a regional level for the Department of Health. Gary attends the Safety and Quality and Finance and Performance Committees.

Naomi Duggan, Director of Communications and Engagement

Permanent post – appointment from 1 April 2020

Naomi joined the Trust in April 2020 in this newly created Director post, having previously undertaken a similar role at University Hospitals of North Midlands from October 2016 where she was a member of the Board and Executive team. Prior to this, Naomi has held senior communications and engagement roles at Tameside and Glossop Primary Care Trust, Oldham Metropolitan Borough Council and within private sector retail.

Naomi has run her own consultancy business and after her first degree she started her career as a Management trainee on the Blue Chip British Coal Corporation graduate scheme. Naomi has worked on a number of transformational projects for the NHS including Better Care Together in Morecambe Bay and Healthier Together in Greater Manchester, as well as controversial retail schemes which needed positive engagement to win the hearts and minds of a range of key stakeholders in order to secure planning permission and political and community support.

A graduate of Leeds University, Naomi has an MBA from Leeds University Business School, a Postgraduate certificate in Marketing from Sheffield Business School and the Chartered Institute of Marketing Diploma. She is also a member of the Chartered Institute of Public Relations.

Board members whose term of office ended during 2021–22

The following Board members' terms of office ended during 2021–22:

Geoff Rossington, Non-Executive Director (I)

Appointment: 4 September 2017 to 3 September 2023

Geoff stepped down from his role as a Non-Executive Director with effect from 30 September 2022.

Karen Partington, Chief Executive

Permanent post – appointment from 1 October 2011 to 31 December 2021

At the start of 2021, Karen indicated her intention to retire from the role of Chief Executive with effect from 31 December 2021. Between 1 September and 31 December 2021 Karen took up a portfolio of work across a number of partner organisations.

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 to the full Council as to appointments. The procedure for removal of the Chairman 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 Executive Directors. The Chief Executive is responsible for leadership of the Executive Team, 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. The Board is made up of a majority of independent Non-Executive Directors who have the skills to challenge management objectively. There is also a strong belief in the importance of ensuring continuity of corporate knowledge, whilst developing and supporting new skills and experience brought to the Board by new Non-Executive Directors.

Decisions on reappointments of Non-Executive Directors are made by the Council of Governors. A reappointment of a Non-Executive Director beyond six years is based on careful consideration of the continued independence of the individual Director and recognising the need to introduce new skills to the Board. Non-Executive Directors who are appointed beyond six years are always subject to annual reappointment, and the maximum term of office is nine years in aggregate, in line with the Trust's Constitution.

In recognition of our role as a teaching hospital, one of our Non-Executive Director posts is held by a University representative. This allows the post holder to use their detailed knowledge and their experiences within the field of academia to play a key role on the Board and this post is occupied by Professor Paul O'Neill, who was re-appointed on 4 March 2022 for a second three-year term.

Board meeting attendance summary 2021–22

Present	1st Apr 2021	3rd June 2021	5th Aug 2021	7th Oct 2021	2nd Dec 2021	3rd Feb 2022	A	B	Percentage of meetings attended
Ebrahim Adia	P	P	P	P	P	Ab	6	5	84%
Ailsa Brotherton	P	P	P	P	P	P	6	6	100%
Faith Button	P	P	P	P	P	P	6	6	100%
Victoria Crorken						P	1	1	100%
Sarah Cullen	P	P	P	P	P	P	6	6	100%
Stephen Dobson	P	P	P	P	P	P	6	6	100%
Gary Doherty	P	P	P	P	P	P	6	6	100%
Naomi Duggan	Ab	P	P	P	P	P	6	5	84%
Kevin McGee				P	P	Ab	3	2	67%
Paul O'Neill	P	P	P	P	P	P	6	6	100%
Karen Partington	P	P	P				3	3	100%
Ann Pennell	Ab	P	P	P	P	P	6	5	84%
Geoff Rossington	P	P	P				3	3	100%
Gerry Skailes	P	P	P	P	P	P	6	6	100%
Kate Smyth	P	P	P	P	P	P	6	6	100%
Karen Swindley	P	P	P	P	Ab	P	6	5	84%
Tim Watkinson	P	Ab	P	P	P	P	6	5	84%
Jim Whitaker	Ab	P	Ab	P	Ab	P	6	3	50%
Tricia Whiteside	P	P	P	P	P	Ab	6	5	84%
Jonathan Wood	P	Ab	P	P	P	P	6	5	84%

P = Present | Ab = Absent | A = Maximum number of meetings the Director could have attended | B = Meetings attended

Evaluating performance and effectiveness

In line with NHSI requirements that Trusts carry out a developmental review of their leadership and governance every three years, the Trust commissioned an independent review in 2020. The review was conducted in line with the Well Led Framework which consists of eight key lines of enquiry (KLOEs) and details descriptions of good practice that organisations and reviewers can use to inform their judgements. The eight KLOEs within the framework are as follows:

1 Is there the leadership capacity and capability to deliver high quality, sustainable care?	2 Is there a clear vision and credible strategy to deliver high quality sustainable care to people, and robust plans to deliver?	3 Is there a culture of high quality, sustainable care?
4 Are there clear responsibilities, roles and systems of accountability to support good governance and management?	Are services well led?	5 Are there clear and effective processes for managing risks , issues and performance ?
6 Is appropriate and accurate information being effectively processed, challenged and acted on?	7 Are the people who use services, the public, staff and external partners engaged and involved to support high quality sustainable services?	8 Are there robust systems and processes for learning , continuous improvement and innovation ?

The overall conclusion of the review was that Lancashire Teaching Hospitals NHS Foundation Trust is well led with the final report indicating a good level of awareness around the strengths of the organisation, as well as reflecting areas where greater improvement is required.

Update on progress with the Well Led and Governance Maturity Plan 2021–2023

The Well Led and Governance Maturity Plan has been developed to drive improvement in the ‘well led’ domain of the organisation. It incorporates recommendations based on the MIAA Risk Maturity Self-Assessment tool. Phase 1 of the plan focused on governance and risk maturity and delivery was tested as part of the internal audit plan in 2020–21 and assurance of delivery confirmed.

The Well Led and Governance Maturity Plan has incorporated recommendations from the MIAA developmental well led review and will be updated following each developmental review going forward remaining a responsive, live document. There are two associated plans that support the delivery of this. The first is the Board development plan incorporating the Board Safety and Experience programme. Progress against this reports directly to Board, and the second is the Executive Management Group development plan that has been created following the MIAA development leadership review and will be monitored going forward through Executive Management Group.

Further information on performance and effectiveness can be found in the Annual Governance Statement.

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 takes 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. 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.

Political donations

The Trust has neither made nor received any political donations during 2021–22.

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** or telephone **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 2021–22 Quality Account which will be available on the Trust website at the end of June 2022 and within our Annual Governance Statement (pages 88 to 102).

Continuous Improvement

The Trust has launched its second Continuous Improvement Strategy and the implementation of the delivery of the first year of this strategy has been delivered throughout the year. The Always Safety First improvement programme has been delivered in line with the Always Safety First Strategy (the Trust's response to the national Patient Safety Strategy), facilitating improvement in safety metrics across the organisation.

Cohort one of the Lancashire and South Cumbria Flow Coaching Academy has been delivered with the establishment of fourteen Big Rooms: Brain Cancer; Chemotherapy; Deteriorating Patients; Enhanced Care; End of Life; Endoscopy; Ear, Nose and Throat; Gynaecology; Lung Cancer; Nutrition; Respiratory; Transition into Adult Services; Heart Valve Transplant; and Vascular Surgery. The four Big Rooms from the initial training in Sheffield are continuing: Colorectal Cancer; Frailty; Inflammatory Bowel Disease; and Sepsis.

The second cohort of the Microsystem Coaching Academy programme has been delivered though there has been an impact of Covid-19 on the delivery of the programme.

There has been a significant focus throughout the year on building continuous improvement capability across the organisation through the delivery of the Continuous Improvement Building Capability Strategy in line with the NHS Improvement report and dosing formula for provider organisations for year one of the strategy.

Continuous improvement support has been provided to a number of the divisions and corporate teams with the design, testing and implementation of improvement priorities in response to specific requests (out with the formal improvement programmes), often in response to organisational pressures. In year, this has included supporting pharmacy to use a continuous improvement methodology to reduce medicines wastage, supporting the pain management psychology team to streamline referral processes, supporting the patient experience team to drive improvements in patient experience (including participating in the Imperial College and Health Foundation Scale, Spread and Embed Research Project), supporting the referral and triage process for the Nightingale Hub to ensure improved flow of patients into the Unit, utilising a continuous improvement approach to support the adoption of patient initiated follow up, testing of the National Rapid Release Policy for ambulance handovers, co-ordinating the Lancashire and South Cumbria Together Improvement Weeks in response to operational pressures, improvement project in maternity triage assessment unit and a patient flow improvement programme.

Always Safety First

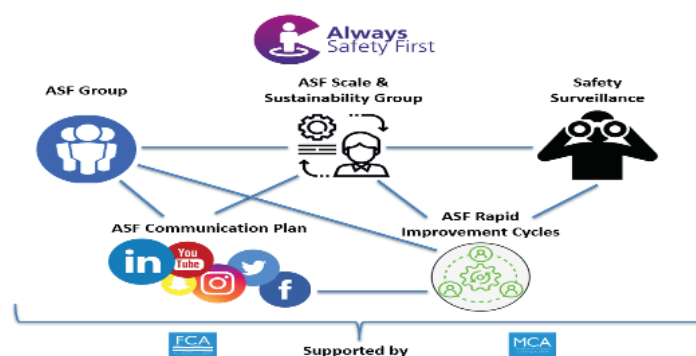
The Trust Board recognises the benefits of embedding a culture of continuous improvement across our organisation, supporting our staff to design, test, embed and sustain changes that benefit patients and our local population. To achieve a culture of continuous improvement in our patient safety metrics, the Trust developed Always Safety First, our long-term approach to transforming the way services are delivered for the better, utilising a robust improvement methodology. Always Safety First is based on proactive regular review of our safety metrics and safety intelligence to inform our priorities, improvement co-designed with our staff and patients, shared governance, collaborative working across divisions and clinical specialties, and learning to improve. Our work is underpinned by a real-time safety surveillance system, making our data visible from Ward to Board. Always Safety First is focused on achieving high reliability through standardisation, system redesign and ongoing development of pathways of care, built on a philosophy of continuous improvement led by frontline clinical staff.

How is our Continuous Improvement in patient safety, access and patient experience delivered?

In September 2021, the Trust launched its Always Safety First Strategy, which is our Trust response to the NHS National Patient Safety Strategy. This ambitious strategy outlines our plans and aspirations to improve quality of care and safety for our patients, service users and staff. To support the delivery of this strategy and Always Safety First Group was formed, chaired by our Trust Patient Safety Specialists with representation from a wide group of staff across the organisation. This specialist multi-disciplinary group is enabling a culture of continuous improvement and cross system working to build the will to improve safety, making safety everyone's role. By reviewing systematic data from harms, incidents, and our safety surveillance system the group is initiating new targeted programme design and delivery to tackle our biggest challenges around safety, including pressure ulcers and medication safety.

The Always Safety First programme is now maturing in its delivery and our teams are building on the learning from the initial launch and facilitation of virtual collaborative learning sessions. At these sessions participating teams were brought together to learn about the improvement interventions to be embedded, share learning and best practice, building improvement capability and actively participating, forming a positive continuous improvement culture.

We are now developing an Always Safety First Phase II approach which is focusing much more on the scale and sustainability of our improvements which were developed and tested through our founding Breakthrough Series Collaboratives. This new approach will combine our learning and new improvement methods to deliver rapid testing and development of change solutions, which can then be guided through a formal scale and sustainability process, supported by measurement, communication and governance to ensure our new improved ways of working are embedded.



Research participation in clinical research

In 2021–22 the number of patients recruited to participate in research approved by a Research Ethics Committee was 2,404 (to 22 March 2022) and by year end if likely to pass 2,500.

The Trust recruited 2,246 patients to National Institute for Health Research (NIHR) portfolio adopted studies in this period. It granted local confirmation for 74 new portfolio studies to commence during that time which is our best performance ever and a 50% uplift on performance last year. The Trust recruited a further 108 participants to non-portfolio studies. In total, there are currently 216 active research studies recruiting patients at the Trust.

Due to the ongoing pandemic and following guidance from the NIHR, we suspended a large number of studies to focus on Covid-19 research but have successfully re-opened studies and currently have 95% of all studies re-open to recruitment. This provides us with a balanced portfolio of studies including those related to Covid-19.

Key achievements to note are:

- Re-awarding of the NIHR Lancashire Clinical Research Facility status with 33% uplift in funding for 2022–25 of £1m
- Nichola Verstraelen completing her three years as NIHR 70@70 representative and being asked to lead an NHSE project on a research toolkit for the Matron's Handbook
- Research Scholars: having never had a successful application for the NIHR Northwest Coast Clinical Research Network's Scholar scheme (to train new consultant-level clinicians and nursing and allied health professionals as investigators), we are pleased to report that in year we have had four successful applications this time, the joint highest in the region. Congratulations to Dr Rob Shorten (Clinical Scientist), Dr Katherine Prior (Respiratory Consultant), Dr Malabika Ghosh (Occupational Therapy) and Sarah Edney (Speech and Language Therapy).

PATIENT EXPERIENCE 2021–22 PERFORMANCE REPORT

Patient care

Delivering excellent care with compassion relies on positive patient experiences within the organisation. Actively seeking to listen to the experience of patients, staff and families is a fundamental part of learning from lived experience. This year has seen the conclusion of our three-year Patient Experience and Involvement Strategy 2018–2021. The next Patient Experience and Involvement Strategy 2022–2025 is being coproduced and will be launched in quarter 2 of 2022. The delivery of the Patient Experience and Involvement Strategy 2021–22 has been underpinned by a fully diverse and inclusive Patient Experience and Involvement Group. The group consists of governors, patient representatives, carers, voluntary sector organisations and staff members and throughout the year has continued to shape and prioritise the focus of improvement work. This group reports directly into the Safety and Quality Committee.

Metrics that are used to determine outcomes relating to experience include.

- Friends and Family numeric and narrative responses
- Complaints
- Parliamentary Health Service Ombudsman (PHSO) reviews
- Compliments and Thank You messages
- National patient survey results

A comprehensive Patient Experience and Patient Advice and Liaison Service (PALS) team function in partnership with teams across the organisation and aim to provide a responsive, patient focused service supporting improvement in all services in partnership with teams and in a proactive way.

Experience is tested as part of the STAR quality assurance process and includes a 15-step process involving laypeople (outside of Covid-19 conditions) and governors to speak to patients and test their experience of care. More than 75% of areas are now achieving a silver rated or above STAR outcome. This is a core metric of Our Big Plan and is measured and monitored in the Safety and Quality Committee and by the Board of Directors.

A number of patient engagement forums are facilitated across the organisation and to ensure patients with protected characteristics, who are more likely to experience adverse outcomes, there are specific focused programmes of work to improve the experience of patients and families. Examples of this work include but are not limited to increasing the multi-faith services, increase in the number of induction loops, introduction of patient contribution to case notes, creation of dementia corridors and outside therapeutic areas.

Complaints and Concerns

Comparator data for Complaints 2015 to 2022

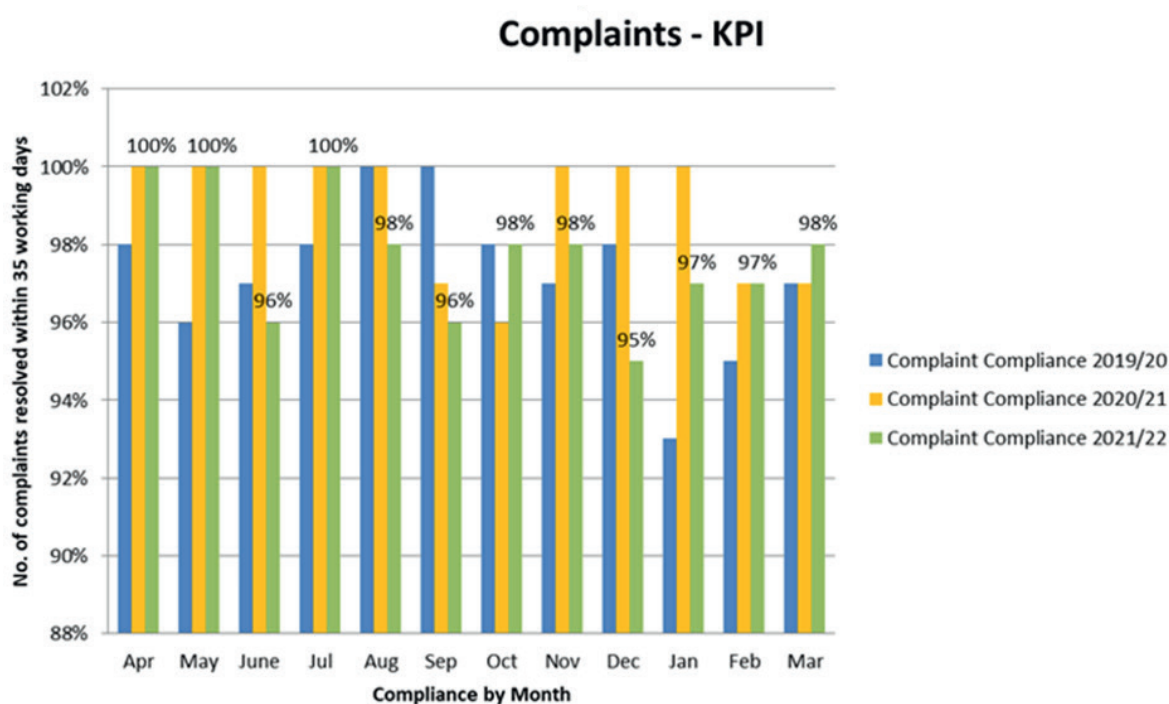
Year	Complaints received	Increase/reduction
2015–16	575	-4
2016–17	595	+20
2017–18	553	-42
2018–19	710	+157
2019–20	457	-253
2020–21	361	-96
2021–22	580	+219

Source: LTHTR Datix

During 2021–22 the Trust received 580 formal complaints, an increase of 264 (10%) from 2020–21. The impact of the pandemic led to fewer complaints in the previous two years and it is evident the number of complaints has now stabilised in comparison to the years pre-pandemic. The number of patients raising concerns relating to reduced visiting and extended waits on waiting lists has increased.

Of the 580 complaints received between April 2021 to March 2022, 509 (87.5%) related to care or services provided at the Royal Preston Hospital, 69 (12%) to care or services provided at Chorley and South Ribble Hospital and two (0.5%) to care or services provided by offsite services. In addition to the 580 complaints received, the Patient Experience and PALS team also responded to seven cases which were deemed to be outside of the timescale set out under the NHS Complaints Procedure.

Complaints answered within 35 days (April 2021 to March 2022)



Source: LTHTR Datix

Investigations that were undertaken into the 580 closed complaints concluded that 56 (10%) of the complaints had been upheld. 284 (49.5%) were partly upheld and 165 (28%) had not been upheld. The five (0.5%) remaining records were cases that were withdrawn, and 70 (12%) cases remain open.

The NHS Complaints Regulations determine that all complaints should be acknowledged within three working days of receipt. In the current reporting period, 99% of complainants received an acknowledgement within that timescale where complaints were received into the Patient Experience and PALS team.

Second letters may be received because of dissatisfaction with the initial response or as a result of the complainant having unanswered questions. During the year we received 27 second letters.

A total of 544 formal complaints were closed during the period 1 April 2021 to 31 March 2022 and 98% of complaints were closed within the 35-day timescale. Of note the organisation is not mandated to respond within 35 days, however the standard set is to ensure that complainants receive timely responses. During 2021–22 the Patient Experience and PALS Team have dealt with a total of 1,749 concerns and 7,347 enquiries.

The implementation of the governance and risk maturity plan across the organisation has led to the introduction of Datix 2 (the governance reporting system) for patient experience. This will provide opportunities going forward to ensure that there is a more complete understanding of the themes and trends from all concerns, not only complaints.

Complaints by division

Number of Complaints by Division (April 2021 to March 2022)

Division	Number (%)	Division	Number (%)
Medicine	247 (42.5%)	Women and Children's Services	79 (14%)
Surgery	198 (34%)	Diagnostics and Clinical Support	48 (8%)
Estates and Facilities	2 (0.5%)	Corporate Services	46 (1%)

Source: LTHTR Datix

Themes from complaints

Communication is the most common cause for complaints, this has been compounded by the limited access families have experienced in the previous year. Steps have been taken to mitigate this for patients and families including the use of media however the impact has been most significant. The new Always Safety First strategy includes communication and safety culture as core components of achieving safety and will introduce communication training as part of this. The Big Rooms feature patient stories to ensure the patient is in the room and central to the improvement work and, where possible, patients themselves will attend and share their experience first-hand, increasing the impact of the experience and provide a driver for change and improvement.

Parliamentary Health Service Ombudsman (PHSO)

Complainants have the right to request that the PHSO undertakes an independent review into their complaint in instances where local resolution has not been achieved. Between the period 1 April 2021 to 31 March 2022 there were five cases referred to the PHSO; one was not upheld and four are ongoing. During this period the PHSO sent final reports for four cases which were opened prior to April 2021 and the outcome of these were that three were not upheld and one was partly upheld. There were a further three cases referred to the PHSO prior to April 2021 which are still under investigation and a final decision is yet to be reached. Also, during this period a further two cases have been referred to the PHSO which are being actioned through the PHSO's local dispute resolution process: one has been resolved, and one is ongoing and a meeting date is to be arranged.

Compliments

The Trust receives formal and informal compliments from patients and their families in relation to their experience of care. During 2021–22 a total of 2,071 compliments and thank you cards were received by wards, departments and through the Chief Executive's Office.

Patient experience feedback

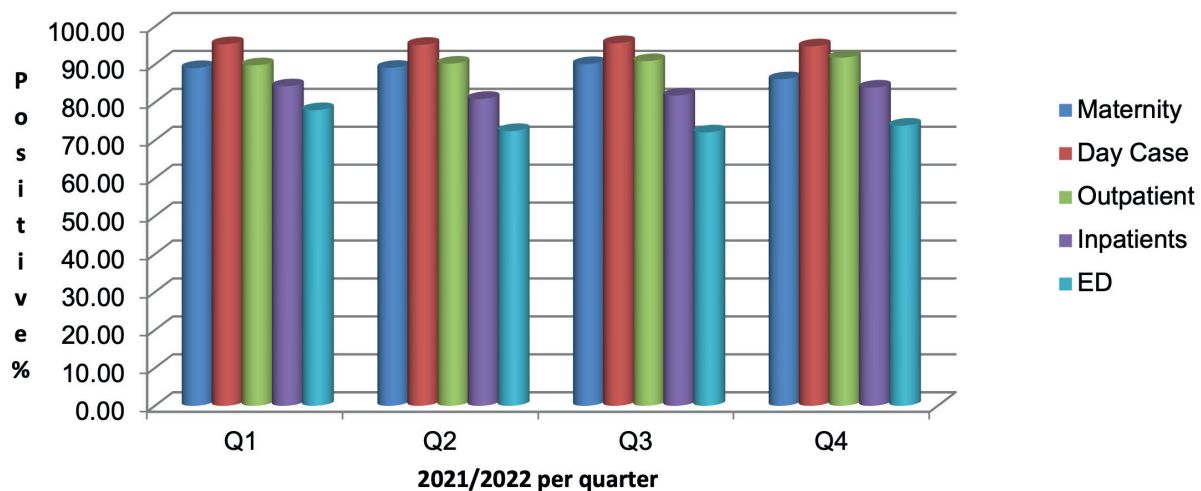
Friends and Family Test (FFT)

The FFT is used as a national measure to identify whether patients would or would not recommend the services of our hospitals to their friends and family. FFT is reported at departmental level, to the Safety and Quality Committee and through to the Board of Directors. The national requirement is to report on the following areas:

- Maternity
- Day Case
- Outpatients
- Inpatients
- Emergency Department

Quarterly percentage of positive responses (FFT)

Patient % Response Quarterly 2021/2022

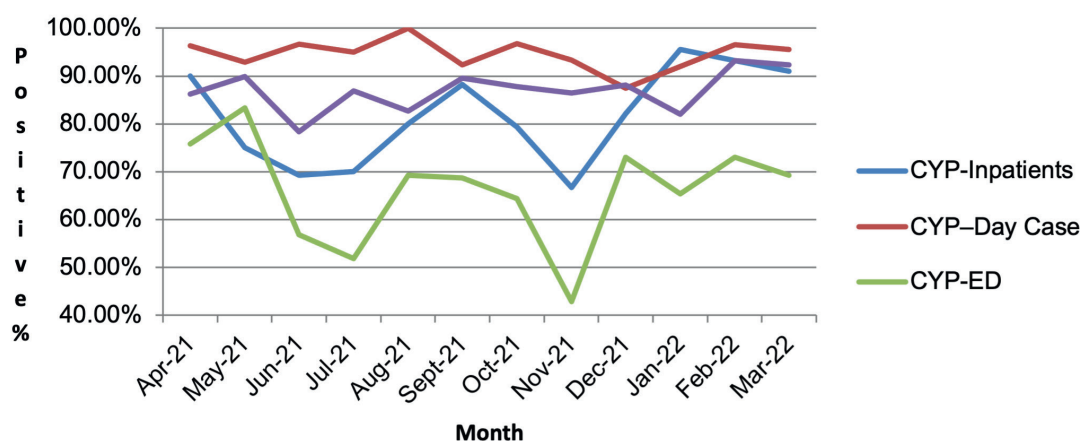


Source: FFT data CIVICA

Historically, a target of 90% was set for patients who would recommend services to friends and family in four of the areas, with a target of 85% in the Emergency Department. Maternity achieved the target in quarter 3, day case has consistently achieved in excess of 90% throughout the year, and outpatients have achieved the target for the past three quarters. Inpatients and the Emergency Department remained under the target percentage in all four quarters.

Children and Young People (CYP) quarterly percentage of positive responses (FFT)

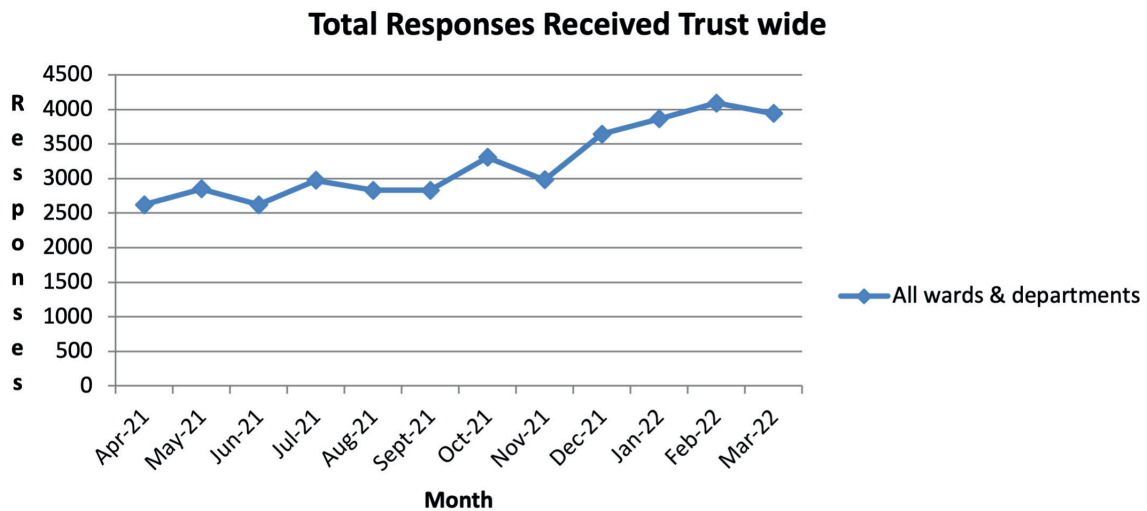
FFT Children and Young People Positive Response %



Source: FFT data CIVICA

Although not a national requirement, the Trust undertakes surveys in Children and Young People's Services to ensure an equitable approach to measurement of experience. The neonatal service has maintained a positive response rate of 100% throughout the year. Children within the Emergency Department have been adversely affected by increased in demand associated with Respiratory Syncytol Virus (RSV). The department has increased in size and staffing numbers to reflect continued growth in demand. This is evaluating more positively alongside increasing the number of written responses provided on site now the Covid-19 restrictions have lifted.

Friends and Family percentage response



Source: FFT data CIVICA

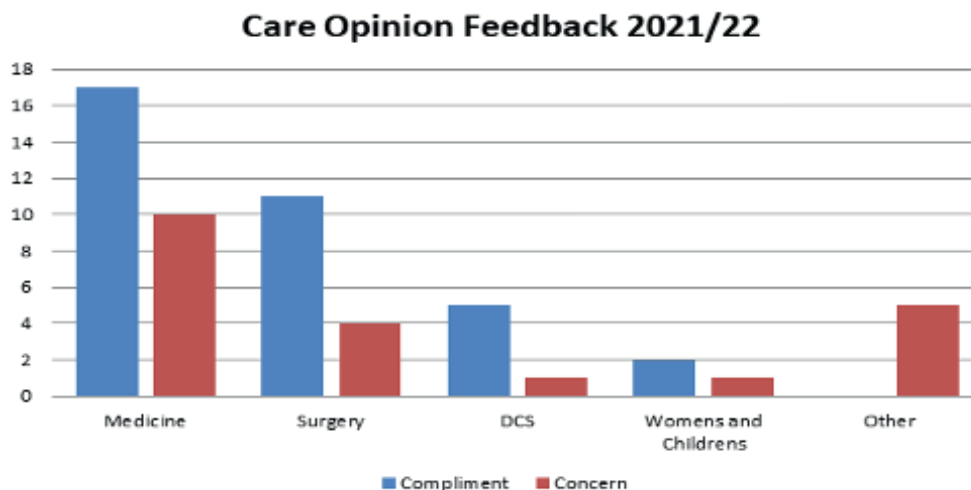
The data above demonstrates an overall increase in responses. The number of responses for FFT has gradually increased over the last 12 months as paper responses and QR codes have been introduced. Since April 2021 to March 2022, we have received 1,468 surveys completed using the QR codes/online links, 2,829 paper surveys, 3,684 telephone surveys and 36,128 SMS surveys. 30 bespoke surveys have been created in addition to the 15 FFT surveys.

Care Opinion website (www.careopinion.org.uk)

Care Opinion is a place where patients can share their experience of health or care services and help make them better for everyone. It provides patients with the ability to post reviews for both Royal Preston (which includes Preston Business Centre) and Chorley and South Ribble Hospitals.

The Care Opinion website is monitored and responded to on a regular basis by the Patient Experience and PALS Team. All reviews are responded to in order to acknowledge them, provide assurance that their feedback will be shared and provide the Patient Experience and PALS Team contact details for those who wish their concerns to be raised or looked into further. All feedback and compliments are logged on Datix and shared with the relevant divisions and staff. A CCG quarterly quality report is provided from the reviews left on Care Opinion and shared with the Trust Governance team.

It is difficult to establish themes due to the low numbers provided. During the past financial year, there have been a total of 57 reviews posted on the website consisting of 35 compliments and 22 concerns.



Health Inequalities

Mental Health, Learning Disabilities, Autism and Dementia

In recognition of the impact mental health, learning disabilities, autism and dementia may have on outcomes, work continues to provide specific focus on experience in these groups. These include;

Mental Health:

- Development, consultation and implementation of all age Mental Health Strategy (October 2021–2025) which notes patient experience as a commitment, aims to increase the skills and knowledge of the workforce in delivering patient centred care, and has a future vision for co-production with experts by experience.
- Development of the Children and Young Person Emotional Health and Wellbeing friends and family feedback form, in collaboration with the Paediatric teams.
- Implementation of the Mental Health Risk Tool and e-learning package which emphasises the need for collaboration with patients to understand triggers, helpful strategies and collaborating a risk management plan.
- Continued drive for parallel assessment by the Mental Health Liaison Team (MHLT) and Children and Young People's Mental Health Services (CAMHS), documentation from our mental health services and joint working.

Learning Disability and Autism:

- Continued provision of easy read information (including a PALS leaflet) and social stories for patients – increasing the information shared to discuss care options, for patients to understand their health needs and access healthcare, making adaptations/easy read options to increase the patients ability to consent and to reduce any anxieties the patient may have in their journey.
- Continued focus on use of the Hospital Passport (noted as good practice by LeDeR 'Learning from Lives and Deaths – people with a learning disability and autistic people') and within the Special Educational Needs and Disability agenda.
- Identifying, flagging and ensuring reasonable adjustments to best support patients – working across the Trust with specialist teams.
- Active multi-disciplinary team involvement and linking into the CCG where care and treatment reviews and care, education and treatment reviews are indicated.
- Consultation in March 2022 at the Learning Disability Partnership Board (including multi-agency partners and people with a learning disability) into the Trust's proposed Learning Disability and Autism Strategy. With an agreed focus on re-establishing the 'Live Healthier, Live Longer' co-production groups, importance of Hospital Passports recognised and easy read to support decision-making (or mental capacity act and best interest decision-making where capacity is questioned).
- The completion of the 4th year of NHSE/I Learning Disabilities Benchmarking Standards (results of 2021 not yet available). Available patient feedback in 2020 – five out of 50 responses, 2019 – 16 out of 50 responses and 2018 – four out of 50 responses which will guide completion of the Learning Disabilities and Autism Strategy 2022.
- Biannual review of learning disability deaths, specific learning from deaths shared and triangulated with national learning.

Dementia:

- Development, consultation, and implementation of the Dementia Strategy (July 2021–2025).
- Establishment of the Dementia Strategy Task and Finish Groups including people living with dementia, families, carers, governors, patient experience lead and multi-agency partners (for example, Alzheimer's Society and NCompass).
- Development of the Dementia Corridor to raise the profile of dementia, signpost and provide simple activity suggestions.
- Development of single-use activity packs during Covid-19, access to resources on the intranet, purchasing of dementia-friendly activities for the Emergency Departments at both hospitals and specified medical wards, and the development of reminiscence therapy boxes (yet to be fully implemented in 2022) – with the message that activity maintains cognition and engagement provides a therapeutic environment.

National Patient Survey Results

There are several national surveys carried out across the organisation each year that provide a snapshot in terms of the experiences of patients. All surveys are administered externally by Picker UK and the results are provided once the CQC removes their embargo. The results are then published to ensure transparency of information. The surveys carried out in 2020 for Inpatients, Children and Young People and Maternity have all shown an improved position for the Trust.

National Picker Surveys Summary

The information below provides a narrative on the results of the four National Patient Picker Surveys that have been reported on during 2021–22. These are Maternity, Children and Young people, Inpatient and Urgent and Emergency Care. All areas show an improved position on the previous surveys.

Maternity Survey 2020

Lancashire Teaching Hospitals NHS Foundation Trust is ranked 11th out of the 66 Trusts nationally surveyed by Picker. This is compared to the 2019 survey, where the Trust was ranked 10th out of 63 Trusts surveyed. The response rate to the Maternity survey had a significantly higher response rate (59%) compared to the national average of 54%.

There were no areas identified where the Trust was significantly better than the 2019 survey:

- We were significantly worse than the last survey on the following five questions
- Not left alone when worried (during labour and birth) – 81% compared to 91% in 2019
- Treated with kindness and understanding (in hospital after birth) – 95% compared to 100% in 2019
- Had a telephone number for midwives (postnatal) – 94% compared to 99% in 2019
- Received help and advice about feeding their baby (first six weeks after birth) – 91% compared to 100% in 2019
- Received help and advice from health professionals about their baby's health and progress (first six weeks after birth) – 91% compared to 100% in 2019

We were significantly better than the national Picker average on the following five questions:

- Given a choice about where postnatal care would take place – 52% compared to 38%
- Given enough information about where to have baby – 89% compared to 78%
- Offered a choice of where to have baby – 92% compared to 80%
- Involved enough in decision to be induced – 93% compared to 83%
- Received support or advice about feeding their baby during evenings, nights or weekends – 79% compared to 70%

We were significantly worse than the national Picker average on the following five question:

- Received help and advice about feeding their baby (first six weeks after birth) – 81% compared to 86%
- Felt midwives aware of medical history (postnatal) – 72% compared to 73%
- Had a telephone number for midwives (postnatal) – 94% compared to 95%
- Felt midwives or doctor aware of medical history (antenatal) – 82% compared to 83%
- Felt midwives listened (postnatal) – 95% compared to 96%

Overall, the results for our Trust showed:

- 97% treated with respect and dignity (during labour and birth)
- 95% had confidence and trust in staff (during labour and birth)
- 96% involved enough in decisions about their care (during labour and birth)

Key theme summation

It is worth noting that percentage deterioration was around 3% points on the majority of the domains. There were 11 new measures introduced in the latest survey and the Trust performed above Picker average for 2021 on all the measures. Significant performance on the new measures was around providing information during hospital interventions. With a marked improvement on discharge without delay from 59.6% in 2019 to 66.3% in 2021 which is above the Picker average of 63.8%. Good progress regards supporting patients with mental health interventions and providing information where the Trust performed above Picker average in the newly introduced outcome measure. The Trust performed significantly better in six domains and there was no significant difference in 46 areas as compared to other Trusts.

Children and Young People's Survey 2020

We have seen an increase for the year 2020 in satisfaction of the parents, children and young people surveyed based on the 2018 survey. The Trust is ranked 31st out of the 67 Trusts nationally. This is compared to the 2018 survey, where the Trust was ranked 58th out of 66 Trusts surveyed. Parents rated experience of care as seven out of 10 or more and this is at par with the Picker national average.

We were significantly better than the last survey on the following seven questions:

- Parents had new members of staff introduce themselves – 97% compared to 92% in 2018
- Parent felt that Wi-Fi was good enough for child to do what they wanted – 81% compared to 57% in 2018
- Parent kept informed by staff about what was happening – 90% compared to 92% in 2018
- Parent had access to hot drinks facilities in hospital – 84% compared to 74% in 2018
- Parent felt that staff were available when child needed attention – 97% compared to 93% in 2018
- Parent felt hospital room or ward was clean – 99% compared to 96% in 2018
- Child felt hospital was quiet enough to sleep – 86% compared to 68% in 2018

We were significantly worse than the last survey on the following question:

- Parents felt that there was not enough for their child to do – 73% compared to 91% in 2018

We were significantly better than the Picker average on the following two questions:

- Parent had access to hot drinks facilities in hospital – 84% compared to 78%
- Parent able to prepare food in hospital – 70% compared to 41%

We were significantly worse than the Picker average on the following question:

- Parent rated overnight facilities as good or very good – 50% compared to 69%

Overall, the results for our Trust showed:

- 93% parent felt well looked after by staff
- 93% child felt well looked after in hospital
- 94% parent felt staff agreed a plan with them for child's care

Key theme summation

Parents rated experience of care as seven out of 10 or more and this is at par with the Picker national average. This was noted to be an improvement from the previous survey in comparison from 86% to 91.8% in patient experience. The Trust performed significantly better in 21 domains and there was no significant difference in 62 areas as compared to other Trusts. The percentage improvement was around 2% on most of the domains with a 1% deterioration in the domains which had reduced outcomes. Improvement on children feeling the ward was suitable for their age from 92.5% to 97.8% compared to previous survey results. There is a significant deterioration in parents feeling that there is enough therapeutic activities from 90.6% to 73.3% compared to previous survey results. This has moved the organisation below the Picker national average of 79.6%. Domain of therapeutic activities witnessed a significant drop in satisfaction.

Wi-Fi facilities were noted to be 80.8% and above the Picker national average of 69.9%. This is a significant improvement from a percentage score of 57% in the previous Trust survey. Overnight facilities were noted to be below the national Picker average. However, in terms of promoting better sleep, there was a marked improvement from 68.3% to 85.7% compared to the previous survey. This is still below the national Picker average of 87.8%. After care arrangements following discharge were still below the Picker national average although the Trust achieved about 2% increase in most areas under the domain compared to previous survey.

Urgent and Emergency Care Survey 2020

The results demonstrate an improved position for the Emergency Departments compared to the last National Picker survey in 2018. The Trust is ranked 34th out of 66 Trusts nationally. This is compared to the 2018 survey, where the Trust was ranked 47th out of 69 Trusts surveyed. Patients rated experience of care as seven or more out of 10 and this is above the Picker national average.

We were significantly better than the last survey on the following three questions:

- Waited under an hour in the ambulance – 97% compared to 89% in 2018
- Waited under an hour in A&E to speak to a doctor/nurse – 90% compared to 82% in 2018
- Staff helped control pain – 90% compared to 84% in 2018
- We were significantly worse than the last survey on the following question
- Right amount of information given on condition or treatment – 74% compared to 83% in 2018

We were significantly better than the Picker average on the following five questions:

- Understood results of tests – 99% compared to 97%
- Saw the cleaning of surfaces – 82% compared to 74%
- Saw tissues available – 83% compared to 78%
- Did not feel threatened by other patients or visitors – 96% compared to 93%
- Staff discussed transport arrangements before leaving A&E – 61% compared to 50%

We were significantly worse than the Picker average on the following question:

- Spent under 12 hours in A&E – 88% compared to 94%

When rated against all 126 Emergency Departments the Trust's overall scores demonstrated 'about the same' therefore comparable to similar organisations.

Overall, the results for our Trust showed:

- 88% rated care as seven or more out of 10
- 97% treated with respect and dignity
- 95% doctors and nurses listened to patients

Key theme summation

Patients rated experience of care as seven or more out of 10 and this is above the Picker national average. This was noted to be an improvement from the previous survey – 80% to 88.2% versus the Picker average score of 85.6%. The Trust performed significantly worse in five domains and there was no significant difference in 38 areas as compared to other Trusts.

The shift on improvement or deteriorated areas was plus or minus 3% in the majority of areas. It is worth noting that there were 16 domains measured in the current survey that were not indicated in the previous year. The current survey indicated that 90.1% of patients waited under an hour to speak to a nurse/doctor compared to 81.9% from the previous survey. This is above the national Picker average of 86.6%. This is mirrored positively with 96.5% of patients reporting that they waited under an hour in the ambulance compared to 89.2% in the previous survey. This is above the national Picker average of 95.3%.

Right amount of information being given to patients deteriorated from 82.6% to 74.2% with the Picker national average percentage score at 77.5%. A similar percentage drop on patients being given test results before discharge from 82% to 76% which is below the Picker average score of 80.4%. Pain management satisfaction witnessed a percentage improvement from 84.2% to 90.3% which is above the Picker national average. The Trust performed better in all domains on cleanliness compared to the national Picker average, scoring higher in comparison to the previous survey. Patients on the whole reported that they felt safe from other patients and visitors with a score above the national Picker average.

Positive satisfaction was also noted on social distancing as the Trust score was above the national average. Patients scored the Trust low on information provision as compared to the national average on medication, symptoms and after care upon discharge. Patient transport arrangements after discharge were scored above the national average with 61.2% against the Picker national score of 49.6%.

The Trust performed low in comparison to other Trusts on patients waiting under 12 hours in A&E with a score of 87.7% compared with the national Picker average of 94.1%. However, the Trust performed highly on supporting patients whilst waiting, with a score of 65.9% compared to national average of 58.8%. Positive results were also noted in the domain of dignity and respect where the Trust performed above the national average.

Inpatient Survey 2020

The Trust is ranked 61st out of the 71 Trusts surveyed by Picker. This is compared to the 2019 survey where the Trust was ranked 51st out of 77 Trusts surveyed. This year has seen a reduction in satisfaction of the inpatients surveyed based on last year. It is worth noting that some of the benchmarking asked this year was not part of the survey in 2019 survey. Patients rated quality of care as 11% compared to 8.1% from the previous survey; this is below the national average of 13.7% although it was an improvement for the organisation. Experience of care was rated at 80.2% which is a slight drop from the previous survey of 82.8% which remains lower than the national average of 85.3%.

We were significantly better than the last survey on the following two questions:

- Nurses answered questions clearly – 97% compared to 94% in 2019
- Given written/printed information about what they should or should not do after leaving hospital – 72% compared to 64% in 2019

There were no areas identified as significantly worse than the 2019 survey. There were no areas identified as significantly better than the Picker average.

We were significantly worse than the Picker average on the following 4 questions:

- Got enough help from staff to eat meals – 77% compared to 85% in 2019
- Staff did not contradict each other about care and treatment – 65% compared to 66% in 2019
- Right amount of information given on condition or treatment – 77% compared to 80% in 2019
- Rated overall experience as seven or more out of 10 – 80% compared to 83% in 2019

Overall, the results for our Trust showed:

- 80% rated experience as seven or more out of 10
- 98% treated with respect or dignity
- 98% had confidence and trust

Key theme summation

The percentage improvement was around plus or minus 2% on the majority of the domains. With a plus or minus 1% deterioration in the domains which had reduced outcomes. Patients rated quality of care as 11% compared to 8.1% from the previous survey: this is below national average of 13.7% although it was an improvement for the organisation. Experience of care was rated at 80.2% which is a slight drop from the previous survey of 82.8% which remains lower than the national average of 85.3%.

There were 17 more domains rated in the current survey where the Trust performed marginally lower than the national average with a percentage gap of about plus or minus two points.

The Trust gained a marginal improvement on dignity, respect, and confidentiality although the organisation scores are still below the national Picker average. Patients rated the Trust the same on the discharge support plan which remains below the national average of 78.4% when compared to year-on-year for the Trust of 74.4%. The survey indicated a below national average score year-on-year on staff contradicting each other on information regarding treatment and care. The Trust continues to make improvements on food satisfaction although it remains below national average at 63.5% compared to the Picker average score of 70.2%. Patients rated the organisation below national average on promoting better sleep. This was mirrored in the rating score on staff providing information on why patients need to move wards at night as it remains below the national average. Staffing numbers were rated as an improvement from the previous year although it remains below the national average .

Summation of results

Survey title	Position 2021	Previous position	Number of areas improved comparison to previous survey	Number of areas deteriorated in comparison to previous survey
Maternity	11 out of 66 Trusts	10 out of 63 Trusts	5	35
Children and Young People's Survey 2020	31 out 67 Trusts	58 out of 66 Trusts	41	17
Urgent and Emergency Care Survey 2020	34 out of 66 Trusts	47 out 69 Trusts	11	15
Inpatient Survey 2020	61 out 71 Trusts	51 out 77 Trusts	14	9

National Cancer Patient Experience Survey

The Cancer Patient Experience Survey 2020 is the tenth iteration of the survey first undertaken in 2010. The Cancer Patient Experience Survey 2020 published November 2021 provides analysis of the experiences of care provided for adults aged 16 or over with a confirmed diagnosis of cancer, discharged from an NHS Trust after an inpatient episode or day case attendance for cancer related treatment, in the months of April, May and June 2020. The survey is carried out annually with the previous Cancer Patient Experience Survey undertaken in 2019.

The Cancer Patient Experience Survey 2020 differs from all previous years in that it involved only 55 NHS Trusts as it was voluntary due to the pandemic. As not all NHS Trusts participated in the survey no comparisons to scores nationally are shown. Out of 33,266 people, 19,610 people responded to the survey, yielding a response rate of 59%. The Trust response rate was 59%.

A total of 52 questions were used in the 2020 survey, of these 47 can be compared to questions in 2019. Compared to the 2019 survey rating of 8.9, the Trust has maintained a satisfaction score of 8.9 overall however Urology scored 9.4.

The following questions were included in phase one of the Cancer Dashboard developed by Public Health England and NHS England:

- 89% rated overall care as very good/good
- 80% patients definitely involved as much as they wanted in decisions about care
- 93% patients were given the name of a Cancer Nurse Specialist (CNS) who would support them
- 88% patient found it very or quite easy to contact their CNS

- 90% patients always felt they were treated with respect and dignity while in hospital
- 97% patients were told by staff who to contact after leaving hospital

When comparing the results to 2019 the Trust scored significantly higher in four questions:

- Patient given a care plan
- Confidence in ward nurses treating them
- Nearly always enough nurses on duty
- Hospital staff asked the patient what name they preferred to be called by

When comparing the results to 2019 the Trust scored significantly lower in one question:

- Hospital staff told patients they could get free prescriptions

Actions taken to develop services experienced by patients with Cancer

- Each multi-disciplinary team to complete annual action plans. Monitoring of the action plans will be through the tumour site operational meetings and the Network Site Specific Group (NSSG) CNS meetings, overseen by the Trust Lead Cancer Nurse. Any tumour specific actions are added to the Quality Surveillance Work Programme to facilitate change.
- Due to low numbers of responders' local surveys are performed every two years for Sarcoma and Brain to enable monitoring on an ongoing basis.
- Macmillan Right by You manager in post to ensure personalised care in cancer has been rolled out
- All Patients have access to support / CNS at diagnosis.
- Holistic needs assessments are offered to all patients at diagnosis and post treatment.
- Treatment summaries are provided post treatment.
- Patient stratified follow up pathways implemented for Breast Colorectal and Urology and for all tumour sites by 2024 – plan being developed with the Cancer Alliance.
- Development and expansion of the Macmillan Cancer Information and Support Service, (MCISS) has been completed to improve patient access to information and support and ensure information and support is available to all inpatients and day surgery patients, improving educational and training for staff in these areas. Increased support available for all patients for employment and financial advice provided by the MCISS. This will need to include promotion of free prescriptions for patients

Summary of actions to improve patient experience

- Recruit and embed Patient Safety Partners in order to provide patients with a voice as part of the Always Safety First programme of work.
- Continually embed Always Safety First Live Patient Feedback and general live feedback initiative
- Sharing of patient lived experience in team meetings
- Quarterly complaints quality review
- Embrace and continually develop Patient Experience and Involvement Group
- Continuously develop and evolve to always incorporate what matters to patients/carers in the STAR Quality Assurance Framework
- Promote co-production via Patient Contribution to Case Notes project
- Participate in the Imperial College project
- Continue progress in supporting women in the maternity division with mental health interventions
- Therapeutic activities review is required in the Children and Young People's division to promote engagement.
- Ensure real-time feedback is gathered and reported upon within all inpatient wards
- Demonstrate change through continuous improvement from the benchmarking of lost property
- Develop a Patient Experience and PALS Newsletter to share feedback and learning

- Develop an e-learning package for leaders to understand the principles of local resolution, concerns and complaints and what a good response looks like
- Ensure communication of involvement projects is delivered in a structured approach to all Trust staff and accessible to everyone and in all areas
- Extend involvement in the local community and through support groups/forums to learn what patients want and achieve improvements
- Continue to provide forums for patients, carers and families to learn and act on information
- Focus on projects with diverse communities, appreciating differences with a view to delivering a positive patient experience

MAJOR SERVICE DEVELOPMENTS

Despite the well-documented challenges presented by the Covid-19 pandemic, we continued to implement a number of major service developments during 2021–22. This is testament to the resilience of our hard working and dedicated staff and key partners who have remained committed to improving the care we deliver to our patients and the experience they received. The major service developments during the past year are outlined below.

Surgical Enhanced Care Unit (SECU) at Chorley and South Ribble Hospital

In May 2021, we opened the Surgical Enhanced Care Unit (SECU) at Chorley and South Ribble Hospital. It is important to keep surgical patients Covid-19 free and SECU offers an elective 'green stream' for patients whose operations have been postponed due to the pandemic. This means that patients isolate at home before their operation, are tested upon arrival and throughout their stay. The unit comprises four beds and operations focus on orthopaedic patients as well as some other specialities.



The unit provides more optimal levels of monitoring for patients after surgery than would be expected on a postoperative ward but who do not require admission to critical care. SECU patients therefore get enhanced care, whilst postoperative critical care beds are preserved for those who really need them.

New renal services



Our Trust is responsible for providing renal services across Lancashire and South Cumbria. Accessibility and travel times is an important issue for patients and we have therefore focused on providing more local facilities.

In July 2021, we opened the Furness Renal Centre in Ulverston, bringing both haemodialysis treatment and outpatient clinic facilities closer to home for patients. Read more on the Trust [website](#).

Shortly after, in October 2021, we opened the John Sagar Renal Centre in Burnley, named in tribute to

East Lancashire gentleman John Sagar, who was the former Chair of the Lancashire and South Cumbria Kidney Patients Association. Read more on the Trust [website](#).

We have also recently partnered with East Lancashire Hospitals NHS Trust to build a new renal dialysis centre on the Royal Blackburn Teaching Hospital site to improve services in East Lancashire. The purpose-built facility will feature 24 dialysis stations as well as clinical facilities. More about the development is available on the Trust [website](#).

Ribblesdale refurbishment

In October 2021, we opened Rosemere Cancer Centre's new 24-bed Ribblesdale Ward at Royal Preston Hospital.

The Ribblesdale Ward is the only inpatient oncology-specific ward in Lancashire and South Cumbria and supports patients with a wide range of clinical needs and end of life care. The ward was transformed after receiving funding of over £1m from the Rosemere Cancer Foundation following its hugely successful 20th anniversary appeal.

The state-of-the-art ward consists of shared and single bedroom spaces for patients being cared for by a specialist cancer team, with additional areas for relatives to visit their loved ones. Nature-inspired interiors will promote a healthy recovery and positive wellbeing through bespoke wood designs that feature back-lit art panels, floor vectors, and skylights that can be tailored to the time of day. More about the development is available on the Trust [website](#).



Chorley and South Ribble Hospital Day Case Theatres



In November 2021, we opened three new day case theatres at Chorley and South Ribble Hospital. The new theatres, which now make nine in total, are a much welcomed addition to the site and will help for patients who are currently awaiting elective procedures.

The multi-million pound project, developed by construction company Tilbury Douglas, has already welcomed many patients, with many more scheduled for treatment over the coming months. The theatres will treat patients from across Lancashire and South Cumbria for a range of surgical specialty day case procedures such as Orthopaedic, Plastic Surgery and General Surgery. Read more on the Trust [website](#).

Lancashire Eye Centre

Following a multi-million point investment, we were delighted to officially open our new Ophthalmology development at Chorley and South Ribble Hospital in December 2021. Known as the Lancashire Eye Centre, this modern technologically advanced facility provides increased capacity to patients across Lancashire and South Cumbria including urgent and emergency clinics, cataract services and other specialist ophthalmic services including glaucoma, retina, paediatric, neuro-ophthalmic, oculoplastic and cornea.

The three-tier building includes a dedicated outpatient and diagnostic space as well as three additional theatres to provide extra capacity for patients requiring a variety of day case procedures.



The new unit has been designed with the patient experience at the forefront. The various segments of the building are even colour coded to ease patient navigation and improve accessibility for those who need additional support. Read more on the Trust [website](#).

Nightingale Surge Hub Preston



Originally planned to deal with a potential surge in the number of cases of the Omicron variant of Covid-19, it was agreed with NHS England that Preston's Nightingale Surge Hub would open in January 2022 to help alleviate sustained and severe pressures and high bed occupancy across the Lancashire and South Cumbria ICS.

The hub is a high quality and well-equipped space, which provides care for low acuity patients awaiting discharge who do not have Covid-19.

With the additional bed base allowing us to free up space within Lancashire's emergency departments and within its hospitals, the use of the facility was extended from the initial three month period until the end of June 2022. Read more on the Trust [website](#).

Covid-19 Vaccination Programme

Following the opening of our original vaccination hub at Royal Preston Hospital on 8 December 2020, our services have expanded to delivering doses from Chorley and South Ribble Hospital and from February 2021, St John's Vaccination Hub in Preston.

Throughout 2021–22, teams from multi-disciplinary divisions across Lancashire Teaching Hospitals have helped to deliver over 100,000 Covid-19 vaccinations from first doses to fourth doses. Countless staff and volunteers have worked incredibly hard to deliver the service to ensure everyone who wishes to receive a Covid-19 vaccine is able to receive the vaccine at a convenient location.



STAKEHOLDER RELATIONS

Stakeholder relations have never been more important than during the pandemic, ensuring communities have been proactively informed and engaged along the way, helping them to protect themselves and their loved ones from the effects of Covid-19 as well as understanding how they can continue to access other services safely. This joint aim of maintaining and enhancing patient care has driven increased collaborative working amongst NHS and social care professionals and provides a strong foundation for further collaborative working as changes to the NHS architecture come into effect.

Whilst difficult to capture the full extent of this work in full, the below provides several key examples:

Joint Hospital and Out of Hospital Cell

The Trust has been integral to a number of command and control cell structures including the Joint Hospital and Out of Hospital Cell.

The role of the cells has been to provide Executive strategic oversight and decision making, co-ordinate joint activity, review risk and mitigation and ensure effective links between sub-cells, places, Trusts, CCGs, Councils and other partners.

This has included the provision of mutual aid and shared responsibility for patient care across the whole system, breaking down traditional barriers and ensuring a more equitable approach.

Lancashire and South Cumbria Provider Collaborative

Five NHS provider Trusts in Lancashire and South Cumbria have formed a collaborative to improve local healthcare, including: Blackpool Teaching Hospitals NHS Foundation Trust, East Lancashire Hospitals NHS Trust, Lancashire and South Cumbria NHS Foundation Trust, Lancashire Teaching Hospitals NHS Foundation Trust and University Hospitals of Morecambe Bay NHS Foundation Trust.

The aim of the collaborative is to reduce health inequalities and improve services by providing patients with equal access to the same high-quality care wherever they live.

The collaborative has a clear vision which is to work together as one to ensure the best health and wellbeing of our population, high-quality services, a happy and resilient workforce and financial sustainability.

Throughout the 2021–22 year, a new governance architecture has been in development and a Provider Collaborative Board (PCB) agreed with membership including David Flory as Independent Chair and Kevin McGee as PCB lead Chief Executive Officer with other provider Trust Chief Executives and Chairs making up the PCB. Subgroups have also been established with lead Trust Executives representing professional groups.

Lancashire and South Cumbria Integrated Care Board (ICB)

A new Health and Care Bill (2021) is currently going through Parliament aiming to join up health and social care through Integrated Care Systems (ICSs), so that NHS, local councils and other organisations will work together.

If the Bill is passed, the eight CCGs in Lancashire and South Cumbria will be closed down and a new organisation will be set up, known as an Integrated Care Board (ICB). Locally, this will be called NHS Lancashire and South Cumbria.

Work has been ongoing throughout 2021–22 to establish the ICB subject to the passage Bill through Parliament from 1 July 2022.

Appointments have been made to a number of designate positions who will help to drive health and care services across the region with the purpose of the organisation to:

- Improve outcomes (population health and care)
- Tackle inequalities in outcomes and access
- Enhance productivity and value for money
- Support broader social economic development

Lancashire and South Cumbria Pathology Collaboration

Work has been progressing to form a single pathology service for Lancashire and South Cumbria and there is an absolute commitment from all partners in the collaboration to deliver the benefits this will bring in relation to quality, resilience and improved outcomes for patients.

All acute Trust partners (including Blackpool Teaching Hospitals NHS Foundation Trust, East Lancashire Hospitals NHS Trust, Lancashire Teaching Hospitals NHS Foundation Trust and University Hospitals Morecambe Bay NHS Foundation Trust) are represented on the Pathology Collaboration Board and have been fully involved in the development of the plans to date and sighted on the direction of travel. The strategic case and outline business case for the future service has been agreed by all Trusts and their respective Trust Boards.

At the time of writing, the Pathology Collaboration Board has taken a pragmatic decision to pause any further work on the development of a single service and the full business case associated with the future delivery model for the service to ensure that all employees who work in pathology services have been fully engaged and listened to in developing the vision for how the service will run in future. The pause will also ensure that all options have been explored for securing the capital required for developing the future service. There are no plans for any privatisation initiatives in any form for pathology services across Lancashire and South Cumbria.

This pause in the programme of work will provide a positive opportunity to do some further and more in-depth engagement with the pathology workforce. This will be done with transparency and undertaken in partnership so that the Board can be confident that all options have been explored before moving forwards together with this important work.

New Hospitals Programme

The New Hospitals Programme has progressed at pace throughout 2021–22 to provide communities in Lancashire and South Cumbria with a once-in-a-generation opportunity to transform our local hospitals by 2030.

By creating a network of brand new and refurbished facilities, the Programme will help local people live longer, healthier lives. By doing this, it will also make Lancashire and South Cumbria a world-leading centre of excellence for hospital care.

In March 2022, the Programme announced its shortlist of proposals which plans to develop new, cutting-edge facilities, offering the absolute best in modern healthcare and addressing significant problems with the ageing Royal Preston Hospital and Royal Lancaster Infirmary buildings.

The shortlisted proposals are:

- A new Royal Lancaster Infirmary on a new site, with partial rebuild/refurbishment of Royal Preston Hospital
- A new Royal Preston Hospital on a new site, with partial rebuild/refurbishment of Royal Lancaster Infirmary
- Investment at both Royal Lancaster Infirmary and Royal Preston Hospital, allowing partial rebuilding work on both existing sites
- Two new hospitals to replace Royal Lancaster Infirmary and Royal Preston Hospital (new sites)

These proposals also include investment in Furness General Hospital, required due to its geographically remote location, its proximity to some of the UK's major strategic national assets, and its need to meet NHS environmental goals.

Communications

Throughout the last 12 months the Communications team has continued to be involved in activity at a national, regional ICS and local ICP level. The Trust has been proactive in facilitating television, radio and press interviews, particularly surrounding the importance of Covid-19 vaccinations and wider NHS England messaging. The Trust has also facilitated the filming of an observational Channel 5 documentary aiming to provide insight into the work of the Coroner's office on behalf of Lancashire County Council. We have also launched a [new website](#) to provide patients, visitors and key stakeholders with a more user-friendly, vibrant and accessible site. Social media activity continues to grow and colleagues continue to receive a range of internal communications in email, print, digital and video format.

Education, research and innovation

Lancashire Teaching Hospitals continues to be at the forefront of education, research and innovation across the region.

The Trust continues to support its partnership with the University of Lancaster and Lancashire and South Cumbria NHS Foundation Trust to deliver the National Institute for Health and care Research (NIHR) Clinical Research Facility. The Trust has embedded research across its services with 90 active Research Champions and Research Boards in every clinical area.

The UK Clinical Research Facility Network (UKCRF Network) collaborates with CRFs and other experimental medicine infrastructure across the UK and Ireland to develop, share and implement excellence in operational practice to ensure the efficient and effective delivery of studies, and drive forward initiatives that improve quality of patient experience. In March 2021, the Trust's Head of Research and Innovation (Paul Brown) was appointed the UKCRF Interim Director to continue leading this work and promote the UK as the place for broader investment in and economic growth from health research.

The Trust has also been involved in a number of Covid-19 research trials, many of which were Department of Health priorities while continuing its work alongside the University of Central Lancashire (UCLan) which has resulted in further honorary appointments at professorial level.

The Trust continues to have positive stakeholder relationships with Manchester Medical School and other local Academic Institutions and has successfully graduated its first cohort of staff from its ICS level Assistant Practitioner to Registered Nurse apprenticeship programme alongside Northumbria University.

There continues to be a priority focus on innovation and the Trust is benefiting from close working relations with the UCLan to develop our innovation pathway, linking with small and medium-sized enterprises. This is demonstrable with the recent work of Professor Shondipon Laha for work alongside academia and business to trial lip reading software that uses AI algorithms to decipher speech from lip movements, for patients with a tracheostomy.

National networks

Executive team members have maintained their membership in professional networks throughout the year to ensure partnership working at a national level. These include the Medical Directors' network, the Chief Nurses' network, the Chief Operating Officers' network, the Human Resources Directors' network, the Finance Directors' network, the Improvement Directors' network and the Communications Directors' network. This has enabled shared learning nationally to adopt best practice for our local population and included shared learning with the wider networks from innovation and best practice adopted within our Trust.

Non-Executive Director, Kate Smyth, also continues her work with the Disabled NHS Directors' Network after co-founding the network in 2020. The Network set out to raise the standards of disability across all NHS Boards, raise awareness of the benefits of diversity in leadership positions, provide a supportive environment for members to share issues and lobby for improved selection processes for Non-Executives and Lay Members to ensure more accurate representation of the communities that Boards represent – especially in relation to disabled people. The Network is currently producing an accessible website which is set to go live in 2022–23.

Local Networks

The Trust now has four established Inclusion Ambassador Forums which include: Living with Disabilities Forum, LGBTQ+ Forum, Black, Asian and Minority Ethnic Forum and Multi-faith Forum. The Forums help provide a voice, give support, discuss issues, review policies/procedures and educate colleagues to truly embrace and celebrate difference. The Forums have Board level sponsors and help promote Lancashire Teaching Hospitals as an inclusive employer.

We understand that it is important that our patients, their loved ones and the local population are involved in decision making about the care and services that we provide. Patient and Public Involvement (PPI) provides a platform for staff to engage and consult with patients and the public to identify their needs. The Trust has several service user groups and forums covering all different aspects of patient care. The most recent is the establishment of a Carers' Forum in collaboration with Lancashire Carers Services and n-compass.

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 NHSI 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 NHS Improvement 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 Chairman and other Non-Executive Directors. The Appointments, Remuneration and Terms of Employment (ARTE) Committee, as a Committee of the Board, deals with the pay and conditions of senior Executives.

Nominations Committee

The Committee comprises the Chairman (except where there is a conflict of interest in relation to the Chairman’s role, when the Vice Chairman or Senior Independent Director will attend), three elected governors and one appointed governor. The elected governors have a nominated deputy who attends in their place if they are unable to attend themselves, as does the appointed governor representative. The Company Secretary and the Workforce and Education Director provide support to the Committee as appropriate, and the Chief Executive is invited to attend all meetings.

The Council of Governors appoint the members of the Nominations Committee for a two-year period and elections are held to replace any Committee member who ceases to be a governor following the annual governor elections or retirement of a governor in-year. In 2021–22 the ballot for appointment to the Nominations Committee resulted in a tied vote for the elected governor seat therefore the terms of reference were flexed for the year to cover this exceptional circumstance and membership was brought back in balance at the end of March 2022.

The composition of the Committee during 2021–22 is detailed in the attendance summary below.

Nominations Committee attendance summary

Name of Committee member	A	B	Percentage of meetings attended (%)
Ebrahim Adia, Chairman	8	8	100%
Professor Paul O'Neill, Senior Independent Director	2	2	100%
Rebecca Allcock, Staff Governor	9	6	67%
Alistair Bradley, Appointed Governor	9	7	78%
Steve Heywood, Public Governor	9	9	100%
Janet Miller, Public Governor	8	8	100%
Mike Simpson, Public Governor	9	8	89%
Substitutes			
Pav Akhtar, Public Governor	0	0	-
Eddie Pope, Appointed Governor	0	0	-

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

Work of the Committee

During 2021–22, the Committee met on nine occasions which enabled it to:

- Receive, consider and recommend to the Council of Governors proposals for changes to remuneration of Non-Executive Directors taking account of the recommendations in the Ockenden Review for a designated Non-Executive Safety Champion
- Receive, discuss and approve the job description, person specification, recruitment process and longlist/shortlist for the replacement Non-Executive Director, followed by approval of the recommended candidate
- Receive information on the intention to recruit Associate Non-Executive Director posts to provide opportunities for aspiring Non-Executive Directors, including involvement in the shortlisting process
- Review and agree the terms of reference of the Nominations Committee
- Receive feedback on the outcome of the Chairman's appraisal for 2020–21
- Receive feedback on the outcome of the Non-Executive Directors' appraisals for 2020–21
- Receive, consider and recommend to the Council of Governors re-appointment of four Non-Executive Directors whose terms of office were due to come to an end during 2021–22
- Receive, discuss and approve the job description, person specification and recruitment process for the replacement Chairman

Following the resignation of Geoff Rossington from his Non-Executive Director role, Victoria Crokken was appointed and joined the Trust in January 2022. Victoria's profile can be found on page 28 of the report.

Appointments, Remuneration and Terms of Employment Committee

All Non-Executive Directors are members of the Committee. The Chief Executive and Workforce and Education Director 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.

During 2021–22 the Committee did not use any independent advice or services from any Director of the Trust to materially assist in consideration of any matters although did obtain advice from its solicitors (Hempsons). During the year, the Committee did commission advice and services of an Executive Search Agency (Gatenby Sanderson) to provide support in the recruitment of the Chief Executive and the replacement Non-Executive Director. The Executive Search Agency was appointed through the recognised procurement framework at a total cost of £19,000 and £15,750 respectively, excluding vat.

Appointments, Remuneration and Terms of Employment Committee attendance summary

Name of Committee member	A	B	Percentage of meetings attended (%)
Ebrahim Adia	11	11	100%
Victoria Crocken	2	2	100%
Paul O'Neill	11	6	55%
Ann Pennell	11	9	82%
Geoff Rossington	7	5	71%
Kate Smyth	11	11	100%
Tim Watkinson	11	10	91%
Jim Whitaker	11	8	73%
Tricia Whiteside	11	6	55%

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

Work of the Committee

During 2021–22, the Committee met on 11 occasions with the majority of its focus in the first part of the year on the appointment of a replacement Chief Executive. In addition, Committee meetings involved a range of business in line with its terms of reference which enabled it to:

- Consider and approve the exit strategy for the outgoing Chief Executive
- Consider and approve the process for competitive recruitment of a substantive Director of Strategy and Planning, followed by approval of the appointment
- Receive feedback on the outcome of Executive Directors' appraisals for 2020–21
- Consider and approve revisions to the Very Senior Managers' remuneration policy
- Receive and approve changes to the Fit and Proper Person Test policy

As part of its cycle of business every three years the Committee undertakes a benchmarking exercise to review the baseline salaries of senior managers for which it is responsible. Such a review was undertaken in 2021–22. 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.

As mentioned earlier, during 2021–22 the Committee approved two Executive Director appointments – the Chief Executive and a substantive Director of Strategy and Planning. The Committee also approved alignment of the Director of Communications and Engagement and Company Secretary under the terms and conditions of the Appointments, Remuneration and Terms of Employment Committee.

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 line with the Trust's agreed policy, the annual national pay award was applied to all VSM posts in the year. In addition, during 2021–22, in line with the Trust's VSM remuneration policy and ARTE Committee's terms of reference, a salary review was undertaken for all very senior managers. This review was based on national benchmarking data for comparable organisations and was completed in November 2021. The review identified that a number of posts within the Trust were paid below the median for comparable organisations and a decision was taken to adjust salary levels to the national median. This resulted in changes to the salaries of the Medical Director, Nursing, Midwifery and AHP Director and the Chief Operating Officer.



Professor Ebrahim Adia
Chairman of the 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 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
- Deputy Chief Executive/Finance Director
- Nursing, Midwifery and AHP Director
- Medical Director
- Chief Operating Officer
- Workforce and Education Director

Other Executives

- Director of Communications and Engagement
- Director of Continuous Improvement
- Director of Strategy and Planning
- ICP Chief Information Officer
- Company Secretary

Details on membership of the ARTE Committee and individual attendance can be found on page 58 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 ARTE Committee. When setting levels of remuneration, the Committee takes into account the remuneration policies and practices applicable to our other employees, along with any guidance received from the sector regulator and the Department of Health. In addition the Committee takes into account the need to ensure good use of public funds and delivering value for money. The maximum of any component of senior managers' remuneration is determined by the ARTE Committee.

Each year, the Chief Executive undertakes appraisals for each of the senior Executives, and the Chairman undertakes the Chief Executive's appraisal. The results of these appraisals are presented to the ARTE Committee and they are used to inform the Committee's discussions. The Committee considers matters holistically when considering Executive remuneration, such as the individual Executive's performance, the collective performance of the Executive Team and the performance of the organisation as a whole. A revised process for senior Executive appraisal was implemented in 2019–20.

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 AFC 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 in line with the national guidance on remuneration of Non-Executive Directors. Current rates are:

- £13,000 p.a. for Non-Executive Directors
- £2,000 p.a. as additional responsibility payment payable to the Vice Chair, Senior Independent Director and Ockenden Champion
- £50,500 p.a. up to 30 November 2021 and £55,000 p.a. from 1 December 2021 for the Chairman

Additional benefits: Gym membership discounts with NHS identification

- Access to NHS staff benefits offered by retailers
- Onsite therapies at discounted rates
- Salary sacrifice schemes

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

All senior Executives are employed on 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.

During the year no Executive Director, Non-Executive Director or Very Senior Manager received a payment for loss of office.

Annual report on remuneration

Details of the total number of Board members in post during 2021–22 are included on pages 27 to 32. Details of our Council of Governors are included on page 105, together with information on expenses paid to them in 2021–22.

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:

	2020-21	2021-22
Total number of Directors in office as at 31 March:	19	19
Number of Directors receiving expenses:	4	6
Aggregate sum of expenses paid to Directors (£00s):	£258	£1,747

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 the notes to the accounts.

Each of the Chief Executive's, the Finance Director's and the Medical Director's salary is above £150,000 per annum but within or below 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 and Social Care. 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.

Remuneration Report 2021-22:

		2020/21				2021/22			
Name	Title	Salary and Fee (bands of £5,000)	Taxable Benefits (to the nearest £100)	All pension related benefits (bands of £2,500)	TOTAL of all items (bands of £5,000)	Salary and Fees (bands of £5,000)	Taxable Benefits (to the nearest £100)	All pension related benefits (bands of £2,500)	TOTAL of all items (bands of £5,000)
		£'000	£	£'000	£'000	£'000	£	£'000	£'000
Kevin McGee	Chief Executive Officer (from 1st Sept 2021)	0	0	0	0	150-155	4,700	0	155-160
Karen Partington	Chief Executive Officer (left 31st Dec 2021)	180-185	0	10.0-12.5	195-200	140-145	0	55.0-57.5	195-200
Faith Button	Chief Operating Officer	135-140	0	37.5-40.0	170-175	140-145	0	65.0-67.5	205-210
Jonathan Wood	Finance Director / Deputy Chief Executive	165-170	0	140.0-142.5	305-310	170-175	0	65.0-67.5	240-245
Geraldine Skailles	Medical Director	170-175	0	42.5-45.0	210-215	185-190	0	145.0-147.5	330-335
Sarah Cullen	Nursing, Midwifery and AHP Director	130-135	0	62.5-65.0	190-195	130-135	800	30.0-32.5	160-165

Karen Swindley	Strategy, Workforce and Education Director	130–135	0	27.5–30.0	160–165	135–140	0	52.5–55.0	190–195
Ailsa Brotherton	Director of Continuous Improvement	105–110	0	22.5–25.0	130–135	110–115	0	67.5–70.0	180–185
Stephen Dobson	Chief Information Officer	105–110	0	0	105–110	115–120	0	37.5–40.0	150–155
Gary Doherty	Director of Service Development (from 1st Dec 2020)	55–60	0	0	55–60	130–135	0	0	130–135
Naomi Duggan	Director of Communications and Engagement (from 4th Nov 2021)	0	0	0	0	45–50	0	35.0–37.5	80–85
Ebrahim Adia	Chairman	40–45	200	0	40–45	45–50	0	0	45–50
Tim Watkinson	Vice Chairman	15–20	0	0	15–20	15–20	0	0	15–20
Ann Pennell	Non-Executive Director	10–15	0	0	10–15	10–15	0	0	10–15
James Whitaker	Non-Executive Director	10–15	0	0	10–15	10–15	0	0	10–15
Geoff Rossington	Non-Executive Director (left 30th Sept 2021)	10–15	0	0	10–15	5–10	100	0	5–10
Kate Smyth	Non-Executive Director	10–15	0	0	10–15	10–15	0	0	10–15
Paul O'Neill	Non-Executive Director	10–15	0	0	10–15	10–15	0	0	10–15
Tricia Whiteside	Non-Executive Director	10–15	0	0	10–15	10–15	0	0	10–15
Victoria Crorken	Non-Executive Director (from 24th Jan 2022)	0	0	0	0	0–5	0	0	0–5

Notes: All members have been in post for the whole year unless otherwise stated

Non-Executive Directors do not receive any pensionable remuneration

The role of Director of Communications and Engagement changed to a senior management role under the ARTE Committee in November 2021

Pension benefit:

2021/22								
	Real increase in pension at pension age (bands of £2,500)	Real increase in pension lump sum at pension age (bands of £2,500)	Total accrued pension at pension age at 31 March 2022 (bands of £5,000)	Lump sum at pension age related to accrued pension at 31 March 2022 (bands of £5,000)	Cash Equivalent Transfer Value at 1 April 2021	Real increase in Cash Equivalent Transfer Value (CETV)	Cash Equivalent Transfer Value at 31 March 2022	Employer's contribution to stakeholder pension
	£000	£000	£000	£000	£000	£000	£000	£000
Kevin McGee Chief Executive (1)	0	0	0	0	0	0	0	0
Karen Partington Chief Executive	2.5–5.0	2.5–5.0	95–100	285–290	2,232	95	2,369	0
Jonathan Wood Finance Director / Deputy Chief Executive	2.5–5.0	2.5–5.0	70–75	150–155	1,238	95	1,339	0
Geraldine Skailies Medical Director	7.5–10.0	12.5–15.0	85–90	215–220	1,739	201	1,949	0
Sarah Cullen Nursing, Midwifery and AHP Director	0.0–2.5	0	30–35	55–60	426	34	462	0
Ailsa Brotherton Director of Continuous Improvement	2.5–5.0	0	55–60	0	793	77	875	0
Karen Swindley Strategy, Workforce and Education Director	2.5–5.0	0.0–2.5	50–55	100–105	930	78	1,013	0
Faith Button Chief Operating Officer	2.5–5.0	2.5–5.0	40–45	85–90	628	71	702	0
Stephen Dobson Chief Information Officer	2.5–5.0	0	20–25	0	283	43	328	0
Naomi Duggan Director of Communications and Engagement	0.0-2.5	0	20–25	0	263	16	305	0

Notes

(1) Kevin McGee joined the board in September 2021 and his accrued pension benefits at that point are not available, therefore the increases in benefits cannot be calculated. He has also chosen not to be covered by the NHS pension arrangements during the reporting year having opted out in April 2021.

(2) Gary Doherty chose not to be covered by the NHS pension arrangements during the reporting year, having opted out of the scheme in October 2017.

Details of off-payroll arrangements for any senior managers are included within the Staff Report on page 79. There are no current off-payroll arrangements for Board level posts.

We are required to disclose the relationship between the remuneration of the highest-paid director in our organisation against the 25th percentile, median and 75th percentile of total remuneration of our organisation's workforce.

The banded remuneration of the highest-paid director in Lancashire Teaching Hospitals NHS Foundation Trust in the financial year 2021–22 was £260,000 - £265,000 (2020–21, £180,000 - £185,000). This is a change between years of 41.5% (2020–21, 0%). The relationship to the remuneration of the organisation's workforce is disclosed in the below table.

The increase between years for the remuneration of the highest-paid director is the result of a new appointment to the post having been vacated in year.

Set out below, the total remuneration of the employee at the 25th percentile, median and 75th percentile, is further broken down to disclose the salary component. The pay ratio shows the relationship between the remuneration of the highest-paid director in Lancashire Teaching Hospitals NHS Foundation Trust against each percentile of the remuneration of the organisation's workforce.

Pay ratio information table:

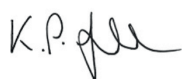
	2021/2022			2020/21			
	25th percentile	Median	75th percentile	25th percentile	Median restated	Median audited	75th percentile
Total remuneration (£)	20,863	27,739	40,139	20,227	26,970	30,269	38,890
Salary component of total remuneration (£)	20,863	27,739	40,139	20,227	26,970	30,269	38,890
Pay ratio information	12.6	9.5	6.5	9.0	6.8	6.1	4.7

In 2021–22, 2 (2020–21 restated, 34 / 2020–21 audited, 0) employees received remuneration in excess of the highest-paid director in 2021–22. Remuneration ranged from £18 to £313,536 (2020–21 restated, £11 to £325,509 / 2020–21 audited £852 - £184,862). Some prior year numbers have been restated to include all elements of pay that had been incorrectly excluded from the 2020–21 calculation.

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

The average percentage change from the previous financial year for salaries and allowances (based on total for all employees on an annualised basis, divided by full time equivalent number of employees; both excluding the highest-paid director) for employees of the Trust as a whole is 4.2% (2020–21, 3.8%). On the same basis, the average percentage change from the previous financial year for performance pay and bonuses payable is down 7.3% (2020–21, down 12.6%).

This Remuneration Report is signed on behalf of the Board of Directors by:



Kevin McGee OBE
Chief Executive
 28 June 2022

STAFF REPORT

Our people

As at 31 March 2022, we employed 9,379 substantive members of staff. This number is broken down as show in the below table; note that some staff hold roles that fall under different staff groups, thus the figures in the below table do not sum to the stated distinct headcount.

Staff Group	Headcount
Additional Clinical Services	2,141
Additional Professional, Scientific and Technical	209
Administrative and Clerical (<i>including Non-Executive Directors</i>)	1,787
Allied Health Professionals	611
Estates and Ancillary	861
Healthcare Scientists	274
Medical and Dental (<i>excluding Lead Employer Doctors</i>)	776
Nursing and Midwifery Registered	2,726
Total	9,385

A comparison of our workforce over the past three financial years is provided in the table below, and our staff turnover can be accessed via the information published by NHS Digital at the following link: [NHS workforce statistics - NHS Digital](#).

	2021–22 HC	% of Total HC	2020–21 HC	% of Total HC	2019–20 HC	% of Total HC
Age (years)						
Under 20	57	0.6 %	61	0.7 %	45	0.5 %
20 - 29	1,778	19.0 %	1,404	15.8 %	1,096	12.9 %
30 - 39	2,359	25.2 %	2,161	24.3 %	2,034	24.0 %
40 - 49	2,091	22.3 %	2,043	23.0 %	1,950	23.0 %
50 - 59	2,157	23.0 %	2,173	24.4 %	2,179	25.7 %
60 - 69	890	9.5 %	998	11.2 %	1,093	12.9 %
70 and over	47	0.5 %	53	0.6 %	86	1.0 %
Ethnicity						
BAME: Asian	1,637	17.5 %	1,308	14.7 %	1,176	13.9 %
BAME: Black	196	2.1 %	153	1.7 %	136	1.6 %
BAME: Mixed	141	1.5 %	136	1.5 %	116	1.4 %

BAME: Other	144	1.5 %	120	1.3 %	109	1.3 %
White: Other	267	2.8 %	254	2.9 %	241	2.8 %
White: UK & ROI	6,897	73.5 %	6,847	77.0 %	6,623	78.1 %
Not Stated	97	1.0 %	75	0.8 %	82	1.0 %
	2021–22 HC	% of Total HC	2020–21 HC	% of Total HC	2019–20 HC	% of Total HC
Gender						
Male	2,200	23.5 %	2,068	23.3 %	1,883	22.2 %
Female	7,179	76.5 %	6,825	76.7 %	6,600	77.8 %
Recorded Disability	396	4.2 %	346	3.9 %	294	3.5 %

As at 31 March 2022, the gender split of our Board of Directors (including Non-Executive Directors) was six male and eight female. The gender split of our senior executives, as defined by the Appointment, Remuneration and Terms of Employment Committee, was four male and six female, with an average age of 51.67 years.

As an organisation we are required to publish our Gender Pay Gap report annually – here is the link to our Trust website where the Gender Pay Gap report is housed:

<https://www.lancsteachinghospitals.nhs.uk/equality-and-diversity>.

Attendance management

Sickness absence data is reported on a calendar year basis (January to December 2021):

Figures Converted by Department of Health to Best Estimates of Required Data Items:	
Average FTE 2021	7,964
Adjusted FTE days lost <i>(to Cabinet Office definitions)</i>	105,896
Average sick days per FTE	13.3
Statistics published by NHS Digital from ESR Data Warehouse:	
FTE days available	2,906,798
FTE days recorded sickness absence	171,788

*Source: NHS Digital - Sickness Absence and Publication - based on data from the ESR Data Warehouse
Period covered: 1 January 2021 to 31 December 2021*

The 12-month average sickness absence rate for the period 1 April 2021 to 31 March 2022 was 5.98%, compared to 5.48% in the previous year. There have been rising trends in both long-term and short-term sickness absence throughout the year which have contributed to staffing pressures, particularly when compounded by an annualised Covid-19 absence rate of 1.68% (compared to 2.99% in 2020).

A number of factors have driven the increased sickness absence rate, including prolonged long-term absence because NHS surgery or treatment has been delayed as a result of the pandemic; and Covid-19 related sickness absence. Colleagues who have tested positive for Covid-19 have frequently been too unwell to return to work after the initial self-isolation period and a number are absent from work due to 'Long Covid'. It is important to recognise that colleagues have been working under considerable pressure for the last two years; and burnout, exhaustion and trauma are increasingly reasons for colleagues seeking support from our wellbeing services.

Supporting the mental health of our workforce is a high priority for us and during the year we have further expanded our psychological wellbeing offer with new mindfulness programmes and group therapy pathways, complementing access to a range of individual psychological therapies. Group support sessions have also been delivered for colleagues from Black and Asian Minority Ethnic backgrounds, those returning to work following shielding and individuals redeployed as a result of the pandemic. We have also worked closely with the Lancashire and South Cumbria Resilience Hub ensuring that colleagues experiencing Covid-19 related trauma access the most appropriate support pathway. A range of lifestyle and social factors can affect mental health and our externally delivered Employee Assistance Programme, which offers advice and support around issues such as family relationships, addiction and finance has been well received by colleagues, with access trebling in the last twelve months.

Our wellbeing strategy is holistic and other key achievements include:

- the launch of a Carers' Passport and information resources for carers
- establishment of a support network and education for colleagues experiencing menopause and other significant hormonal changes
- introduction of wellbeing conversations in appraisal
- appointment of a Board level Wellbeing Champion
- a new flexible working policy which broadens access to flexible working opportunities
- implementation of agile working as a long-term strategy
- upgrade of junior doctor mess areas and refurbishment of a centralised break area at Chorley; and the opening of a sleep pod area at Preston. These schemes have been made possible through charitable donations and grants
- provision of physical health checks (including Vitamin D screening, antibody screening, blood pressure and BMI checks) for colleagues at higher risk of serious illness from Covid-19
- introduction of Schwartz Rounds which provide a forum in which colleagues can come together to reflect on the emotional rewards and challenges of delivering healthcare
- development of a violence prevention and reduction strategy
- delivery of approximately 6,300 flu vaccinations and 25,000 Covid-19 vaccinations to colleagues

We were delighted to be reaccredited with the Workplace Wellbeing Charter in summer 2021, achieving the highest standard of excellence in five out of eight standards and external recognition of our continuous improvement journey in supporting health and wellbeing.

Priorities for the next year include the refurbishment of a number of local break areas and the development of Charters restaurant as a modernised rest and recreation space, improving access to food and drink for shift workers, enabling access to the physiotherapy gyms for colleagues and a renewed focus on preventing musculoskeletal injury at work. We will also be working closely with colleagues from the Lancashire and South Cumbria ICS to share practice and develop system-wide wellbeing approaches.

Equality and diversity

To achieve our vision statement of providing Excellent Care with Compassion, we have in the last six months developed an Equality, Diversity and Inclusion Strategy for 2021–2026. The vision behind the strategy is to be ‘consciously inclusive in everything we do for our colleagues and communities’. Through this we commit to treating everyone we come into contact be they patients, their families, carers, colleagues, temporary workers, volunteers and colleagues from other organisations with dignity, respect, kindness and understanding. The strategy was developed jointly with governors and colleagues via our Ambassador Forums.

The Equality, Diversity and Inclusion strategy spans patients, our communities and our workforce. The strategy outlines a set of five principles which aim to provide a framework of ideas and options to create systemic changes, these are:

- 1. Demonstrating collective commitment to equality, diversity and inclusion**
- 2. Being evidence-led and transparent**
- 3. Recognising the importance of lived experienced**
- 4. Being representative of our community**
- 5. Bringing about change through education and development**

Since the strategy has been published in November 2021 a number of key programmes of work have been progressed, these include:

- creation of a standardised approach for all Trust-wide strategies to ensure adequate consideration to equality and inclusion is given under its remit including the requirement to evidence co-production and consultation with minority groups and the need for specific actions which support the delivery of the equality and diversity agenda.
- scoping and creation of a holistic zero tolerance approach which includes a refreshed communication campaign, sets of expectations, development and awareness activities, a toolkit and policy.
- a process for monitoring of protected characteristics of our patients to include all protected characteristics.
- Ensuring all workforce policies are gender neutral with the content, approach described in the policy and supporting equality impact assessments being reviewed by relevant Ambassador Groups.

The Equality, Diversity and Inclusion Strategy Group monitor progress against the delivery and tangible impact of the actions outlined in the strategy. The group also provides support, guidance, direction and engagement to our divisions in the localisation of equality, diversity and inclusion actions in clinical services and to improve colleagues with protected characteristics experience of work. The Equality, Diversity and Inclusion Strategy Group reports to the Board of Directors, with aspects of the strategy reporting to the Workforce Committee. Both the Board and the Workforce Committee receive a number of key equality-driven performance reports within its routine cycle of business alongside strategy update-specific reports.

Staff engagement and consultation

The staff engagement approach is driven through the Workforce and Organisational Development Strategy with a distinct strategic aim which encompasses the underpinning programmes of work. The approach to measuring, understanding and improving staff engagement, satisfaction and experience of work is delivered through the following methods:

- **Annual National Staff Survey** – this is undertaken electronically (during September to November each year) with all colleagues invited to participate including temporary bank colleagues. Colleagues are invited to organisation-wide ‘Sprint Sessions’ where they are encouraged to share their views about specific aspects of their satisfaction. In conjunction with this, divisions are encouraged to engage with their teams to share the results and invite views on what would support improvement. Both corporate-level and divisional-level action plans are drawn up and progressed, with the Trust’s Workforce Committee and divisional Workforce Committees responsible for oversight.

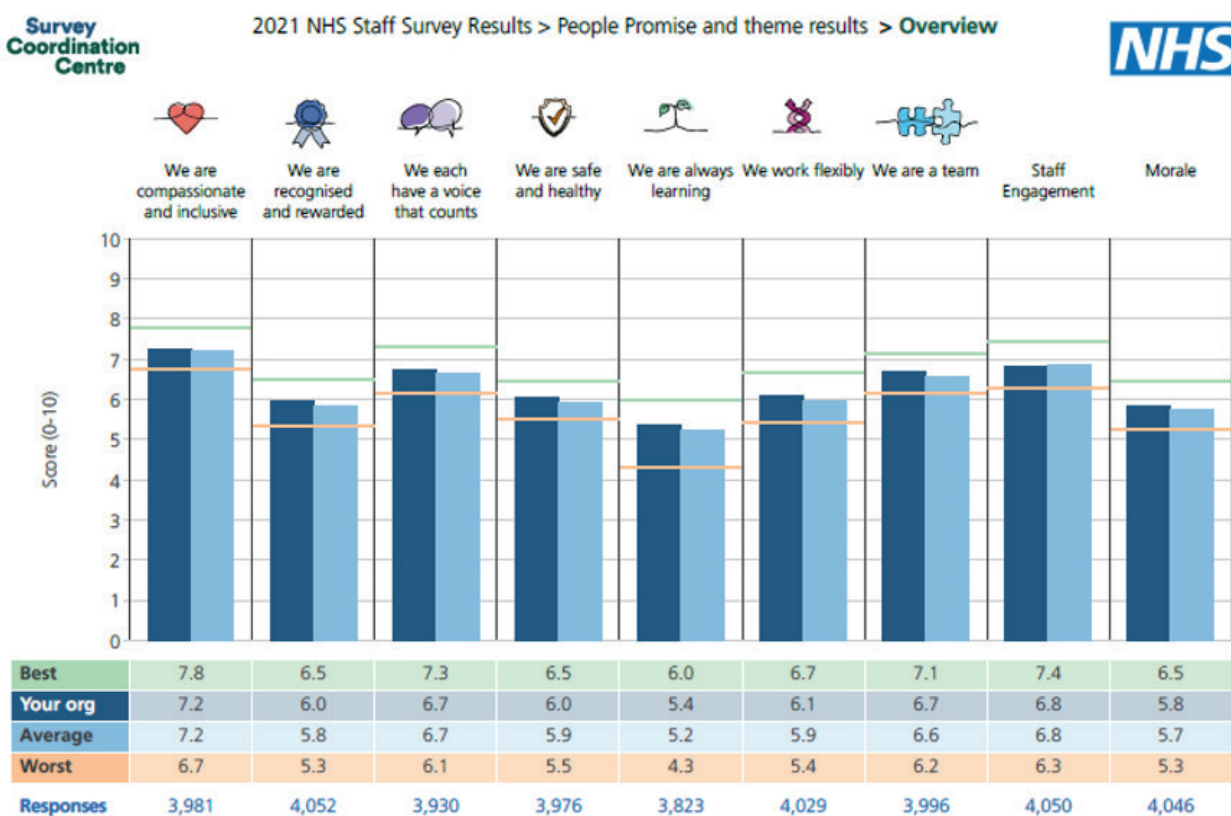
- **National Quarterly Pulse Survey** – this is undertaken electronically (in quarters one, two and four) with all colleagues invited to participate. The response rate for this engagement method is typically between 15–20%, going forward a priority will be to find ways to increase participation and demonstrate progress and improvements to colleagues based on their feedback.
- **Annual Cultural Values Assessment** – this is undertaken electronically (during May and June each year) with all colleagues invited to participate including temporary bank colleagues. The response rate in 2021 for this assessment was 35%. A new strategy for 2022 is in place which aims to see increases in participation and a more holistic approach to further engaging colleagues to outline the culture and the steps they believe would support culture change and achievement of the desired cultural values.
- **Team Engagement and Development (TED) Tool** – the TED tool has been used across the organisation for the last six years. In 2021–22 the TED tool has been sponsored by NHS England and NHS Improvement to enable the tool to be used by other Trusts. The TED tool is designed to be used by team leaders to enable them to have a conversation with their team about their levels of team effectiveness and engagement. TED enables team leaders to understand what matters to their team, to drive up levels of satisfaction which should in turn improve overall organisational performance as measures through the annual staff survey. A key priority in 2022–23 will be to ensure all teams use the TED tool on an annual basis as described in the organisation's Big Plan.

NHS Staff survey

The NHS staff survey is conducted annually. In 2021 the nine indicators were refreshed as were a number of the question items in the survey itself in order to be in line with the National People Promise, therefore it was not possible to compare each of the nine indicators like to like across the last three years. The indicator scores are based on a score out of 10 for certain questions with the indicator score being the average of those.

The response rate to the 2021 survey was 45% (this is 5% lower than the 2020 response rate of 50%) and is broadly in line with the national average of 46%. Scores for each indicator together with that of the survey benchmarking group (Acute and Acute and Community Trusts) are presented below.

In summary against the nine elements, we have performed at or above the national average for all the people promise elements in 2021: this is the first time we have achieved this. Whilst we are not yet reaching our aspiration of being the best in the NHS, we have a positive level of engagement and satisfaction from which to move forward.



In summary out of the 117 questions asked as part of the survey, 92 can be scored positively, with 60 of these able to be historically compared. The pie charts below show how our 2021 scores have compared against how we performed in 2020 and against the Picker average. The narrative which follows provides the themes.

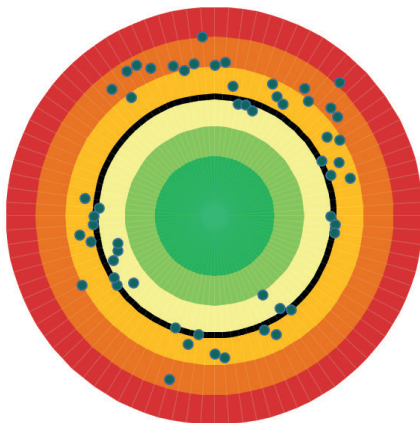
Comparison to 2020*



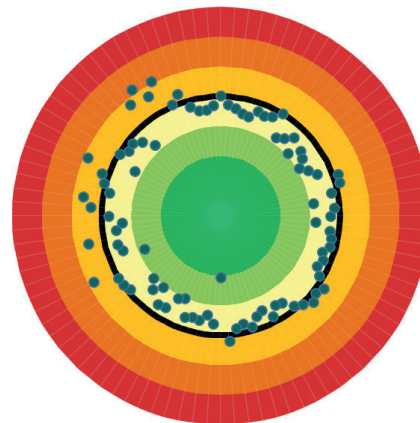
Comparison with average*



Current scores vs. historical scores



Current scores vs. similar organisations



KEY



This score is considerably better than the comparison score



This score is considerably worse than the comparison score

Staff Engagement

The scores below detail the overall staff engagement score for 2021 and the breakdown of scores for items which measure the three facets of team engagement, namely motivation, involvement and advocacy. The results compare our scores against our 2020 results and the national average for this year. As indicated below, all but two of the items for staff engagement have seen a deterioration since 2020 results, however when comparing our Trust scores against the national benchmarking average we have scored above average in the majority of areas, with the exception of advocacy around care, recommending as a place of work and colleagues looking forward to going to work. Detailed findings are in the table and narrative.

Description	Organisation 2020	Organisation 2021	National Average
Motivation	7.2	↓ 7.0	7.0
I look forward to going to work.	56.8%	↓ 51.8%	52%
I am enthusiastic about my job.	74.1%	↓ 68.7%	67.6%
Time passes quickly when I am working.	77.2%	↓ 75.5%	72.9%
Involvement	6.8	↑ 6.9	6.7
There are frequent opportunities for me to show initiative in my role.	73.6%	↓ 74.8%	72.4%
I am able to make suggestions to improve the work of my team / department.	76.5%	↓ 73.6%	69.8%
I am able to make improvements happen in my area of work.	55.5%	↓ 53.7%	53.3%
Advocacy	7.0	↓ 6.6	6.8
Care of patients/service users is my organisation's top priority.	78.8%	↓ 72.6%	75.5%
I would recommend my organisation as a place to work.	63.6%	↓ 56.2%	58.4%
If a friend or relative needed treatment I would be happy with the standard of care provided by this organisation.	69.1%	↓ 61.9%	66.9%
Overall Staff Engagement Score	7.0	↓ 6.8	6.8

To summarise the staff engagement findings:

- Our 2021 results are broadly in line with the national average benchmarking data.
- Our overall staff engagement score has slightly reduced since 2020 by 0.2 points, however, is at the national average.
- We saw deterioration in engagement levels for the questions relating to motivation specifically in relation looking forwards to going to work and feeling enthusiastic about work, however, these scores were in line with national average.
- Scores remained largely stable for involvement and above the national average, with increase in satisfaction for opportunities to show initiative, however, a slight dip in colleagues feeling able to make suggestions in areas of work, and for the item about making improvements happen.
- The overall score for advocacy saw the greatest drop since last year, reducing by 0.4 points and is 0.2 points below the national average. This score is driven by a deteriorating perception in our colleagues with regards to if they would recommend the organisation as a place of work and if a friend or relative needed treatment they would be happy with the standard of care.

Future priorities and targets

There are a number of key priorities and targets to be achieved in the next 12 months which will be delivered through the Workforce and Organisational Development Strategy and the priorities outlined below will be incorporated within the strategic aims and have clear impact measures. Progress against priorities and measurement of impact will be reported to the Workforce Committee through the regular cycle of business.

Co-production and consultation

The key priorities and area of focus following publication of the staff survey results are to engage colleagues across the organisation in understanding what is driving their lower levels of engagement and satisfaction with regards to advocacy (specifically recommend the organisation as a place to work, care of patients is the organisation's top priority and if a friend or relative needed care or treatment I would be happy with the standard of care provided by this organisation). Following consultation, actions will be developed through co-production with colleagues, managers, staff side colleagues and Inclusion Ambassador Forums.

Supporting teams to improve

Other areas of focus will be to support the teams who have lower levels of staff engagement and satisfaction, seeking to undertake more in-depth work to understand the causes and influencing factors which are driving lower scores. The work will include providing Workforce, Organisational Development and, where appropriate, Continuous Improvement team support, working in partnership with multi-disciplinary team managers to address areas of concern or dissatisfaction.

Improving the experience of colleagues with protected characteristics

We will continue to prioritise, understand and improve the experience of work colleagues who have protected characteristics. This will be achieved through co-production with Ambassador Groups and the Equality, Diversity and Inclusion Strategy Group to formulate strategic-level action plans whilst simultaneously working with divisions to address more localised or context-specific areas for improvement. Progress will be measured through the annual staff survey, the Workforce Race Equality Standard and the Workforce Disability Equality Standard on an annual basis.

Feeling healthy and safe at work

As indicated by the 2021 results we need to continue to invest in the health and wellbeing of our workforce, by continuing to advance the health and wellbeing offer, providing psychological and physical wellbeing support. Furthermore, we recognise that as part of future priorities we need to ensure our colleagues feel supported for their whole selves and managers have the awareness and competence to have supportive conversations with colleagues with regards to protected characteristics, factors which may impact on wellbeing at work (such as disability, levels of pressure) and how home life may impact on wellbeing at work (such as caring responsibilities).

In 2022 we will deliver a refreshed zero tolerance approach which is aligned to both the Health and Safety Strategy and the Equality, Diversity and Inclusion Strategy. This approach is designed to support colleagues to feel protected from violence, aggression and harassment in work so they feel safe, able to fulfil their duties without fear, whilst feeling secure in the knowledge that the organisation and their team is there to support them.

Culture change

We will seek to continue on our culture change journey, taking a review of our cultural values in May 2022, helping us to take stock as well as to understand corporately the current culture colleagues experience and the cultural values they aspire to be present in the way we go about our work. As part of the culture change programme of work, we will continue to promote the civility at work agenda, roll out of our shared responsibility framework and delivery of culture counts training to raise the awareness of managers of how to talk and bring about cultural change.

Reward and recognition

Colleagues continue to work in challenging circumstances. In 2022 we will refresh our reward and recognition approach to find new ways to value the work of our teams and individual colleagues.

Volunteers

Our volunteers provide a huge service to the Trust giving up their time to provide support to our patients, families, visitors and staff. Many of our volunteers support us because of a personal connection to our hospitals or because they want to give something back. For others, it is an opportunity to develop new skills, knowledge and experience to support their employability prospects. Whatever their reason, we truly value the role they play and the contribution they make.

At the present time we have approximately 570 volunteers registered with us. This included Baby Beat, third party volunteers such as Royal Voluntary Service (RVS), Families and Babies, Galloways and Macmillan. We currently have 120 volunteers who are actively supporting our wards and departments.

During the year we have linked with colleagues across other Trusts in Lancashire and South Cumbria and wider partner organisations to work collectively to mobilise our volunteer resources across the region in support of the pandemic and Covid-19 vaccination. Some of the roles and activities undertaken by our volunteers during 2021–22 include:

- **Marshalling vaccination clinics** – helping facilitate and act as marshals at our busy mass vaccination areas
- **Meet and Greet and assistance** – helping patients and visitors to find their way and assisting with wheelchair transportation. Feedback from patients tells us how valued this is
- **Mask distribution** – support at Meet and Greet desks ensuring visitors are wearing masks
- **Chaplaincy support** – visiting patients and providing pastoral support. This has been particularly important whilst visitor restrictions have been in place and so valued by our patients
- **Therapy dog** – two specially trained dogs and their volunteer handlers have been visiting specific patients. They have also been visiting staff and teams on a weekly basis to help support morale. The feedback on this has been very positive
- **Clinic support** – outpatient clinics, blood clinics, cardiorespiratory and discharge lounge
- **Administrative support** – helping with photocopying, envelope filling, delivering information and making phone calls
- **Ward and clinic support** – helping with hot drinks and snacks for patients and staff as necessary, arranging flowers and undertaking errands

Engagement

We have worked hard to keep in touch with all our volunteers whether they are actively volunteering or not throughout the year, including:

- sending them the CEO communication briefs
- informing them of new volunteering opportunities that they may be interested in trying
- sending regular email updates on anything of interest taking place within the Trust and also the health and wellbeing newsletters and information
- having an open-door approach on both sites when active volunteers can arrange to meet us, socially distanced, to discuss any issues they may have and telephone support is always available on both sites

We celebrated Volunteers Week in 2021 by handing out boxes of treats to all our active volunteers which was really well received. We also sent all active volunteers a special card which was designed by one of our own volunteers to say 'Thank You'.

Raising visibility of our volunteers and the work they do

We have invested in new uniforms for all volunteers this year. After engaging with our volunteers, we opted for a bright colour to make them more visible and so they can be easily identified alongside all the different staff uniforms. We will be launching a media information package to inform staff, patients and visitors about the change to branding and how to identify a volunteer for assistance.

Colleagues and networks

To stay in touch with colleagues across our networks, we attend regular virtual meetings with the National Association of Voluntary Service Managers as well as the NHS England Futures Platform. This has enabled us to discuss and share ideas, best practices and to hear what others up and down the country are doing. We have recorded videos with our volunteers service and submitted them to local Universities to share and work with our recruitment colleagues to promote volunteering at community events and job centres.

Recruitment

We have welcomed a number of new volunteers throughout 2021/22. We have also seen volunteers try completely new roles to support Covid-19 vaccination hubs, after years in their original role. Feedback received shows this has been really motivating and all volunteers have reported learning lots of new skills.

We have been engaging with staff groups to develop new roles and increase the profile of volunteers across the Trust.

Going forward, linked to our equality and diversity plan, we will be concentrating on improving representation across our volunteers. We will be looking at ways to engage and share the roles and opportunities we have with all ages, backgrounds and ethnicity.

We have developed our social media channels and increased recruitment activity on Facebook, Instagram, LinkedIn and Twitter.

Identifying where volunteers are needed

We have been considering ways to expand the support volunteers can offer and developing new roles. These include:

- **Discharge lounge** – to assist with beverages, chatting and message running
- **Dementia team** – to assist with distraction therapy
- **Gardening** – to manage and maintain therapy gardens
- **Patient Experience and PALS team** – assisting with distributing and collecting new boxes for response cards to the Friends and Family Test survey

We plan to do more work this year ensuring all wards and departments can easily engage with us if they want to request a volunteer and simplify the process.

Key areas and priorities

Some of our key areas of focus over the next 12 months are:

- Develop and deliver a volunteer service recovery plan to return our volunteers to the roles they love, as well as continuing to attract and recruit new volunteers from all backgrounds and communities.
- Launch the volunteer handbook and monthly newsletter.
- Audit our volunteer electronic staff record and investigate new methods of recording volunteer movement and attendance on rosters, so we can provide better visibility of the impact our volunteers continue to make.
- Develop the profile and visibility of volunteers across the Trust which will include the development of a new intranet site with information for our managers.

- Continue engagement with colleagues around new roles such as support for winter pressures, volunteer use in the Emergency Department and dementia support. We want to ensure best use of volunteering to facilitate the release of additional nursing and clinical time and support the achievement of the Trust's targets, for example 4-hour A&E and discharge, development of Befriender, distraction therapy and discharge support volunteer programmes, as part of existing ward volunteer roles.
- To raise the profile of how volunteers can proactively support service delivery ensuring our volunteers are embedded into clinical areas and are pro-actively supported in the workplace.
- Improve positive celebration of volunteering through case studies, awards, tweets, posters and communications for an immersive and uplifting culture of volunteering.
- Develop a volunteer action plan as a result of Big Conversation feedback.
- Conduct a bespoke volunteer engagement survey and implement actions as a result.

Learning and Development

The Education and Training team has focused on a range of key deliverables during 2021–22, many of which have been linked to reinitiating areas of work that have been placed on hold during the pandemic. This section provides an overview of key achievements with further detail available in the Education and Training annual report which is produced in June each year.

Mandatory training compliance improved during 2021–22 with core skills training compliance demonstrated in 19 out of 26 Core Skills Training Framework (CSTF) domains, including conflict resolution which was introduced as a new training domain in February 2021. This was from a baseline of compliance in nine out of 26 subjects in April 2021. Face-to-face training components were suspended during 2021–22 due to ongoing critical service pressures and these are the areas where CSTF compliance remains challenged, namely resuscitation and moving and handling. These training components will be restored in May 2022. In addition, there has been a review of core skills training for postgraduate trainees and a robust system has been developed and implemented that ensures alignment with CSTF and enables a proactive approach to driving training compliance.

Medical device training compliance has increased from 69.5% to 74.4% during 2021–22, with progression towards 90% compliance impacted by service and staffing pressures. All medical devices now have a training risk assessment recorded. Targeted work has focused on high intensity medical device users with significant improvements in compliance in Critical Care and the Emergency Department. Work is ongoing to improve medical device competency training including a refresh of target audience to ensure devices are assessed against the correct staff.

The Clinical Skills Education team has expanded during 2021–22 to establish a dedicated mask-fitting service in line with the national framework for FFP3 resilience. Over the last year the team has carried out over 3,000 mask fit tests on staff and this ongoing programme will ensure the Trust can maintain emergency preparedness, resilience and response. Despite the challenges associated with Covid-19 safe working protocols, over 2,000 face-to-face clinical skills teaching sessions were delivered as part of supporting 363 new international nurses, 469 newly qualified nurses on the Preceptorship programme, 300 medical students and existing nursing, allied health profession and medical staff as well as developing teaching models to deliver over 500 teaching sessions through remote technology. The resuscitation defibrillator replacement programme commenced in December 2021 and this will ultimately replace all defibrillators with modernised equipment. Other activity includes:

- Integrated approach to delivering adult and paediatric life support training
- 286 healthcare assistants completed the induction programme
- 22 days of clinical competency assessment medical student examinations
- Breaking Bad News video produced to support staff working with very sick or dying patients and their relatives

The Student, Trainee and Placement Support (STAPS) team has successfully placed 798 students into clinical environments. During 2021–22 the team has further embedded its multi-professional focus with an expansion of the Clinical Placement Support team aligned to the growth in student and learner volumes. With a continued commitment to support the government's targets for workforce growth, the placement expansion programme has continued during the last year with focus on digital enhancements to support placement learning. Rotational learning models have been introduced so that students and learners can broaden their exposure across clinical

environments. In addition, the Collaborative Learning in Practice placement model has been introduced in Dietetics and, if successful, will be further rolled out to other allied health professionals. Learner boards are being installed across ward and clinical areas which provide enhanced information for learners in the Trust. Our health and wellbeing support offer for students and learners has been enhanced through a full review of the service delivery model which has resulted in the service being offered internally with growth in the service provision to accommodate the growing numbers of learners. The STAPS team has continued to engage in a broad range of external activity to support workforce developments at local, regional and national level. Some key examples include:

- Ongoing engagement in the national and regional Reducing Pre-registration Attrition and Improving Retention (RePAIR) programmes
- As part of the RePAIR programme, implemented the Practice Development programme which will be fully evaluated during the next financial year
- Engagement with the Enabling Effective Learning Environments programme, including being awarded £80,000 to host the InPlace project on behalf of the region to scope implementation of placement management software

The Postgraduate Medical Education (PGME) team has successfully developed the Skills in Practice course with 35 trainees during 2021–22. With the Covid-19 restrictions for overseas trainees being lifted, numbers undertaking this course will increase in future years. Other achievements in PGME include:

- 300 trainee portfolios completed
- 41 trainee supervisors completed new portfolio system training sessions
- Additional Longitudinal Integrated Foundation Training (LIFT) track awarded for Foundation Trainees
- Increased from four to seven Staff, Associate Specialist and Specialty (SAS) courses

The Medical Intern Programme (MIP) that successfully launched in 2020 has seen a second cohort of nine international doctors recruited, with a 100% programme retention rate to date. The nine doctors recruited to the 2020 cohort have all applied to go on to specialty training therefore will be remaining in the UK. The current focus of the programme is to extend across the Lancashire and South Cumbria area with Blackpool Teaching Hospitals NHS Foundation Trust being the first Trust partner to agree a planned intake in 2022. Work is now focusing on adopting the principles of MIP to develop a similar programme for middle grade doctors. These programmes are important in offering additional medical workforce supply to address some of the chronic medical workforce shortages.

The Professional Education Department (PED) team supports the development of innovative non-medical professional workforce supply solutions. The first cohort from the Registered Degree Nurse Apprenticeship (RDNA) completed in March 2022 with all seven qualifiers taking up registered nurse employment in the Trust. There are currently 60 learners on the RDNA programme with 35 due to complete in 2022–23. A further 30 places are available following which the funding available to support the apprentices will be fully used and opportunities for continued delivery of the programme will need to be explored. Other achievements of the PED team include:

- Delivering clinical skills sessions for 102 Bolton University adult nursing students
- Supporting trainee Nurse Associates with 16 qualifying in 2021–22
- Delivering the support requirements for 363 international nurses recruited during 2021–22
- Securing £77,000 for upskilling for Physician Associates

During 2021–22 the Nurse Training Programme has progressed at pace, largely focused on the procurement process to ensure an academic partner. This programme of work will progress to full implementation in 2022–23 and aims to offer an additional pre-registration nursing pathway that:

- supports widened access to pre-registration nursing
- enables multiple small cohorts offering multiple programme exit points
- focuses on growing our own workforce through a significantly enhanced proportion of programme delivery being hospital-based

Apprenticeships continue to offer significant benefits to the Trust, including pathways to meaningful employment and a range of apprenticeships that deliver workforce supply and skills gaps. Over the required four-year reporting period, the Trust achieved 2.85 of new staff apprenticeship starts against a public sector target of 2.4%. The portfolio of apprenticeship pathways offered internally has been reviewed during 2021–22 and an agreed outcome to focus on delivering the Level 3 Healthcare Support Worker and Learning Mentor pathways and deliver leadership and management development through non-apprenticeship programmes. Over the past 12 months the pathways have delivered 98 qualified learning mentors with 10 awaiting end point assessment results, and 58 senior healthcare support workers. The Trust has achieved 70.8% qualification and achievement rate against a target of 62%. An inspection by the Office for Standards in Education, Children’s Services and Skills (Ofsted) is expected and the team has been preparing for the inspection through a self-assessment against the Education Inspection Framework.

The Widening Participation team continues to offer career inspiring pathways to employment to our local community. Despite the impact of ongoing Covid-19 safe working restrictions, the team has delivered a number of events and programmes targeted towards those at a disadvantage who aspire to a career in the NHS. We work in collaboration with a wide range of organisations such as local colleges, Department for Work and Pensions, Prince’s Trust, Lancashire County Council, SHOUT network and care charities, which ensures we extend our reach into local communities. During 2021–22 key achievements include:

- Promotional material developed and published to support obtaining future sponsorship for the LIFE Centre
- Supported 68 unemployed people back into work
- Provided 24 learners with online work experience
- Supported 16 students on the Preston Widening Access Programme
- Work Familiarisation Programme for 28 learners with additional learning needs
- 3 full weeks of virtual careers events

The Education Governance (EG) team is responsible for collecting learner feedback and monitoring compliance against internal and external quality standards. Significant progress has been made this year to align internal activity against the new Health Education England Quality Framework, NHS Education Contract 2021–2024 and wider governance framework, with improved reporting across all programme areas to be implemented across the divisions from 2022–23. In 2021–22 the EG team oversaw the successful re-accreditation of both Matrix and Skills for Health quality kite marks, implemented more rigorous governance processes for our apprenticeship provision introducing Programme Quality Review Panels and structured audits, as well as forging closer links with divisions through the expansion of the allied health professionals’ quality assurance process. The team undertook 194 focus groups and carried out 45 internal surveys during 2021–22 with data used to evidence compliance, support continuous quality improvement and the development of action plans. In addition, a new policy for education complaints, compliments and suggestions has been developed and implemented. Other key achievements to note include:

- Successfully awarded in excess of £700,000 to support workforce upskilling and training recovery
- Over 96,000 page views of the refreshed Health Academy website
- Working across the Lancashire and South Cumbria ICS to prepare for the introduction of T Level placements
- Completion of the mandatory training Skills Passport project delivering enhanced alignment of mandatory training across ICS partners and identification of potential ongoing system improvements that could be delivered with additional investment
- Ongoing focus on digital developments to embed immersive and virtual reality technology that enhance the learner experience and offer alternative approaches to educational delivery

Occupational health

2021 was a period of change for our Occupational Health provider, Wellbeing Partners, with one of the original three partners in the joint venture, Bolton NHS Foundation Trust, withdrawing from the partnership in April 2021. We have since refreshed the partnership agreement with our remaining partner, Wigan, Wrightington and Leigh NHS Foundation Trust and reviewed service level agreements for the provision of core occupational health services. As part of the change process, we have brought physiotherapy and counselling services for colleagues back in-house, enabling more effective alignment with our proactive and preventative health and wellbeing offer.

Staff costs

			2021/22	2020/21
	Permanent	Other	Total	Total
	£0	£0	£0	£0
Salaries and wages	316,873	32,077	348,950	331,155
Social security costs	30,612	3,150	33,762	31,273
Apprenticeship levy	1,577	160	1,737	1,586
Employer's contributions to NHS pensions	49,388	5,020	54,408	50,463
Pension cost – other	161	16	177	176
Other post-employment benefits			0	-
Other employment benefits			0	-
Termination benefits			0	-
Temporary staff		21,021	21,021	19,274
NHS charitable funds staff			0	-
Total gross staff costs	398,611	61,444	460,055	433,927
Recoveries in respect of seconded staff			0	-
Total staff costs	398,611	61,444	460,055	433,927
Of which				
Costs capitalised as part of assets	-	-	-	-

Consultancy costs	
2021/22	2020/21
£0	£0
116,000	19,000

Average number of employees (WTE basis)

			2021/22	2020/21
	Permanent	Other	Total	Total
	Number	Number	Number	Number
Medical and dental	961	63	1,024	934
Ambulance staff	2	0	2	2
Administration and estates	1,312	72	1,384	1,319
Healthcare assistants and other support staff **	2,703	400	3,103	2,927
Nursing, midwifery and health visiting staff	2,239	315	2,554	2,397
Nursing, midwifery and health visiting learners			0	-
Scientific, therapeutic and technical staff	718	14	732	711
Healthcare science staff	243	4	247	239
Social care staff			0	-
Other	34		34	23
Total average numbers	8,212	868	9,080	8,552
Of which:				
Number of employees engaged on capital projects	-	-	-	-

** The PY number has been restated (was 4,264) due to a double count being identified in the working paper.

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 the notes to the accounts and on pages 61 to 64 of this report.

Off-payroll arrangements

Table 1: The number of off-payroll engagements as at 31 March 2022 earning at least £245 per day:

Number of existing engagements as of 31 March 2022	1
Of which:	
Number that have existed for less than one year at time of reporting	0
Number that have existed for between one and two years at time of reporting	1
Number that have existed for between two and three years at time of reporting	0
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four years or more	0

Table 2: All off-payroll appointments engaged at any point during the year ending 31 March 2022 and earning more than £245 per day:

Number of off-payroll workers engaged during the year ended 31 March 2022	1
Number assessed as within the scope of IR35	0
Number assessed as not within the scope of IR35	1
Number of engagements reassessed for consistency/assurance purposes during the year	0
Of which:	
Number of engagements that saw a change to IR35 status following review	0
Number of engagements where the status was disputed under provisions in the off-payroll legislation	0
Number of engagements that saw a change to IR35 status following review	0

Table 3: All off-payroll engagements of Board members and/or senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022 Trusts must also disclose:

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 must include both off-payroll and on-payroll engagements	0

Staff exit packages

Exit package cost band	2021/22			2020/21		
	Number of compulsory redundancies Number	Number of other departures agreed Number	Total number of exit packages Number	Number of compulsory redundancies Number	Number of other departures agreed Number	Total number of exit packages Number
<£10,000	1	2	3	0	0	0
£10,000 - £25,000	0	1	1	0	1	1
£25,001 - £50,000	1	0	1	1	0	1
£50,001 - £100,000	0	1	1	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0
> £200,000	0	0	0	0	0	0
Total number of exit packages by type	2	4	6	1	1	2
Total resource cost	£40,000	£103,000	£143,000	£41,000	£11,000	£52,000

Exit packages: non-compulsory departure payments

	2021/22		2020/21	
	Payments Agreements Number	Total Value of Agreements £000	Payments Agreements Number	Total Value of Agreements £000
Voluntary redundancies including early retirement contractual costs	1	16	1	11
Mutually agreed resignations (MARS) contractual costs	0	0	0	0
Early retirements in the efficiency of the service contractual costs	0	0	0	0
Contractual payments in lieu of notice	2	7	0	0
Exit payments following Employment Tribunals or court orders	1	80	0	0
Non-contractual payments requiring HMT approval	0	0	0	0
Total	4	103	1	11
Non-contractual payments requiring HMT approval made to individuals where the payment value was more than 12 months' of their annual salary	0	0	0	0

Value of special severance payments approved by NHS Improvement

Minimum value	£0
Maximum value	£0
Median value	£0

Facilities and Time Off for Union Representatives

The 2021–22 collation and reporting of facilities and time off for union representatives falls outside of the timing of this report. Based on 2020–21 however the organisation had a headcount of 46 local trade union representatives, equating to 38.88 whole-time equivalents. Two of these were seconded into our Partnership team for 100% of working hours. Of the remaining representatives:

- One representative had between 51% and 99% of their working hours as facilities time
- 14 representatives had between 1% and 50% of their working hours as facilities time
- 29 representatives had 0% of their working time as facilities time

The hours spent totalled 2,297.25 and of these 476 hours (20.72%) were for paid trade union duties. The total cost of facility time was £44,855.97, representing 0.0001128% of the pay bill.

DISCLOSURES SET OUT IN THE NHS FOUNDATION TRUST CODE OF GOVERNANCE

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

The NHS Foundation Trust code of governance contains guidance on good corporate governance. NHSI, as the healthcare sector regulator, 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

NHSI 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.	11, 32, 104
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.	27–29, 33, 57, 58, 115
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.	104, 105
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.	105, 106
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.	27–29, 32

Code ref.	Summary of requirement	See page(s):
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.	27–29
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	27–32
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.	32, 56, 57
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.	NOT APPLICABLE
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.	27
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.	52–55, 103, 104
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.	33, 34, 57, 60, 88–102
B.6.2	Where there has been external evaluation of the board and/or governance of the trust, 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.	33, 34, 95, 102
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).	35, 87, 112
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.	88–102, 111–112
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.	114
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

Code ref.	Summary of requirement	See page(s):
C.3.9	<p>A separate section of the annual report should describe the work of the audit committee in discharging its responsibilities. The report should include:</p> <p>the significant issues that the committee considered in relation to financial statements, operations and compliance, and how these issues were addressed;</p> <p>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</p> <p>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.</p>	111–115
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
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.	103, 106, 107, 109, 110
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.	108–110
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.	35, 107, 110
FT ARM	<p>The annual report should include:</p> <p>a brief description of the eligibility requirements for joining different membership constituencies, including the boundaries for public membership;</p> <p>information on the number of members and the number of members in each constituency; and</p> <p>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.</p>	108–110
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.	94, 104

'FT ARM' indicates that the disclosure is required by the NHS Foundation Trust Annual Reporting Manual rather than 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.	68–72
The foundation trust's policies in relation to disabled employees and equal opportunities.	22, 23, 89, 94, 95
Information on health and safety performance and occupational health.	24, 25, 72, 78, 89, 91
Information on policies and procedures with respect to countering fraud and corruption.	24, 89, 111, 115
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.	21
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.	54, 95, 98
Consultation with local groups and organisations, including the overview and scrutiny committees of local authorities covering the membership areas.	54, 95, 98
Any other public and patient involvement activities.	55, 100
The number of and average additional pension liabilities for, individuals who retired early on ill-health grounds during the year.	Note 5.1 to the accounts
Detailed disclosures in relation to "other income" where "other income" in the notes to the accounts is significant.	Note 2.5 to the accounts
A statement that the NHS Foundation Trust has complied with the cost allocation and charging guidance issued by HM Treasury.	
Sickness absence data.	66, 67
Details of serious incidents involving data loss or confidentiality breach.	95, 100

Voluntary disclosures

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

Summary of disclosure	See page(s):
Sustainability / environmental reporting	22
Equality reporting	22, 23, 66, 68, 72, 95
Slavery and human trafficking statement (Modern Slavery Act 2015)	34

NHS SYSTEM OVERSIGHT FRAMEWORK

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

- quality of care, access and outcomes
- preventing ill health and reducing inequalities
- finance and use of resources
- people
- leadership and capability

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

Segmentation

NHS England and NHS Improvement placed the Trust in segment 3.

On 12 November 2021 enforcement undertakings were revised and these were formally accepted by the Trust on 2 December 2021. For details of the enforcement undertakings and the Trust's progress made against them, please see the Annual Governance Statement (pages 88 to 102)

This segmentation information is the Trust's position as at 31 March 2022.

Current segmentation information for NHS Trusts and Foundation Trusts is published on the NHS England and NHS Improvement website:

<https://www.england.nhs.uk/publication/nhs-system-oversight-framework-segmentation/>

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 NHS 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 NHS Improvement.

NHS Improvement, in exercise of the powers conferred on Monitor by the NHS Act 2006, has given Accounts Directions which require Lancashire Teaching Hospitals NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis required by those Directions. 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, other items of comprehensive income and cash flows for the financial year.

In preparing the accounts and overseeing the use of public funds, the Accounting Officer is required to comply with the requirements of the Department of Health and Social Care Group Accounting Manual and in particular to:

- observe the Accounts Direction issued by NHS Improvement, 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 (and the Department of Health and Social Care Group Accounting 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
- confirm that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS Foundation Trust's performance, business model and strategy and
- prepare the financial statements on a going concern basis and disclose any material uncertainties over going concern.

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 them 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.

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

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



Kevin McGee OBE
Chief Executive
28 June 2022

ANNUAL GOVERNANCE STATEMENT 2021–22

Scope of responsibility

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

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 2022 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

Leadership and accountability

The Chief Executive, with overall responsibility for risk within the Trust, ensures the work of the Committees of the Board, including sub-groups, is reviewed by the Board of Directors. The Chief Executive has overall responsibility for having effective risk management systems in place within the Trust, and for meeting all statutory requirements and adhering to guidance issued by NHSI and other regulatory bodies in respect of risk and governance.

The Trust ensures it has capacity to handle risk achieved through delegated responsibilities in place as defined in the Scheme of Reservation and Delegation of Powers and the Risk Management Strategy, both documents being approved by the Board of Directors. The Strategy outlines the Trust's approach to risk, accountability arrangements and the risk management process including identification, analysis, evaluation and approval of the risk appetite.

The accountability arrangements for risk management in 2021–22 involved the following:

- (a). the Board of Directors has overall responsibility for ensuring robust systems of internal control, encouraging a culture of risk management, routinely considering risks and defining its appetite for risk;
- (b). the Committees of the Board undertake the detailed scrutiny of those risks that fall within their terms of reference on behalf of the Board of Directors, recommending new or revised risks to the Board as appropriate;
- (c). the Audit Committee on behalf of the Board of Directors ensures that the Trust's risk management systems and processes are robust;
- (d). the Executive Management Group reviews risks relevant to its remit and advises all Committees of the Board on potential/existing strategically significant risks, as well as liaising with the Divisional Management Boards to ensure the consistency of risk reporting and also overseeing the Trust's Risk Register;
- (e). the Chief Executive, as the Trust's Accountable Officer, has overall responsibility for the risk management processes and Risk Management Strategy;
- (f). the Nursing, Midwifery and AHP Director, supported by the Associate Director of Governance, advises the Trust Board on all matters relating to governance, risk and quality;
- (g). each member of the Executive Team has responsibility for the identification and management of risks within their executive portfolios;
- (h). the Executive Finance Director/Deputy Chief Executive has responsibility for ensuring that the Trust had sound financial arrangements that are controlled and monitored through financial regulations and policies;

- (i). the Chief Information Officer is responsible for ensuring that there are mechanisms in place for assuring the quality and accuracy of the performance data which informs reporting; and
- (j). the Director of Governance was the Nominated Individual with the CQC and upon their retirement in October 2021 the role transferred to the Deputy Associate Director of Risk and Assurance as the Nominated Individual with the CQC from November 2021 through to the end of May 2022. The Associate Director of Risk and Assurance commences in post with effect from May 2022 and will become the Nominated Individual with the CQC taking over directly from the Deputy Associate Director of Risk and Assurance from the beginning of June 2022.

The Board Assurance Framework and Risk Register have been regularly scrutinised and reviewed through the Trust's governance structure and have been subject to various internal and external reviews. The Trust's strategic intentions, policies, procedures, Board Assurance Framework and supporting documentation are openly accessible via the intranet for all staff to reference.

The existing organisational management structure and Risk Management Strategy illustrates the Trust's commitment to effective governance and quality governance including risk management processes. As Accounting Officer, I have overall accountability for risk management within the Trust, however our Risk Management Strategy describes the responsibility of every member of staff to recognise, respond to, report, record and reduce risks while they are undertaking work for the Trust.

Training and learning

Trust policies are available on the Trust's intranet and internet and relevant staff are encouraged to participate in the consultation of new and updated policies. Newly approved policies are published through a network of policy leads and also in the monthly briefing issued to staff.

To ensure that the Trust's approach to risk management is successfully implemented and maintained, staff of all levels are appropriately trained in key elements of risk management. All staff are required to regularly update their knowledge and skills and maintain their personal awareness of their responsibilities for risk management via an ongoing training programme which includes adverse incidents, health and safety, fire safety, infection control and prevention, safeguarding children and vulnerable adults, information governance, moving and handling, conflict resolution, complaints handling, care, fraud awareness, and equality and inclusion. This training is mandatory for all staff and is identified via a training needs analysis that is reflected in the Trust's Induction and Mandatory Training Policy.

Through a comprehensive training programme, which includes governance and risk management awareness, all staff are trained and equipped to identify and manage risk in a manner appropriate to their authority, duties and experience.

There is regular reinforcement of the requirements of the Trust's Mandatory Training Policy and training needs analysis.

Monitoring of training compliance and escalation arrangements are in place via the Education, Training and Research Committee and the Divisional Improvement Forums to ensure that the Trust maintains the good performance seen and can ensure targeted action in respect of areas or staff groups where performance is not at the required level, for example bank staff. Where performance is below expected levels, the Trust Executive Team oversees tailored support for the Divisions and Corporate Teams in line with the Accountability and Oversight Framework to underpin sustainable improvement and delivery of plans, objectives and required outcomes.

To support continuous improvement during 2021–22 the series of risk maturity workshops held during 2020/21 continue across the Trust's Corporate Services as well as the four clinical divisions. The purpose of these workshops is to support an improvement in the quality of operational risks on the risk register, including staff understanding of controls, assurances and connectivity of operational risks registers with strategic ambitions and the Board Assurance Framework.

The Trust also delivers additional risk management training and development to Board members (both Executive and Non-Executive Directors). During 2021–22 a risk maturity workshop has taken place with Executive and Non-Executive Directors and as a result of these the Board has reviewed and updated the risk appetite statement developed during 2020–21 to ensure it remains fit for purpose.

The risk and control framework

The management of risk

The development of effective risk management across the organisation is underpinned by clear processes and procedures which include:

- (a). overarching strategic aims for risk management;
- (b). the Trust's Risk Management Strategy;
- (c). the Trust's Risk Management Policy;
- (d). the organisational process for risk identification and analysis;
- (e). a definition of significant risk and acceptable risk within the organisation;
- (f). organisational risk management structures;
- (g). the development and application of risk registers within the organisation;
- (h). incident reporting;
- (i). the accountability and responsibility arrangements for risk management; and
- (j). the Board Assurance Framework.

Throughout the reporting period the Safety and Quality Committee, Finance and Performance Committee, Workforce Committee and Education, Training and Research Committee were the Committees of the Board charged with scrutinising the arrangements in place for specific areas of risk. They are supported by a number of sub-groups, including:

- Divisional Management Groups
- Health and Safety Group
- Infection Prevention and Control Committee
- Medicines Governance Committee
- Patient Experience Improvement Group
- Safeguarding Board
- Mortality and End of Life Care Committee
- Safety and Learning Group
- Capital Planning Forum
- Information Governance Forum
- Emergency Preparedness, Resilience and Response Committee
- Always Safety First Committee
- Raising Concerns Group

These arrangements are supported by the work of the Audit Committee which receives assurances on the effectiveness of the risk management framework annually by receiving the Head of Internal Audit Opinion. This is based on a robust Internal Audit Programme which tests key aspects of the Trust's governance arrangements through a series of reviews undertaken throughout the year which are also reported to the Audit Committee.

The Risk Management Strategy

The Trust's Risk Management Strategy provides a framework for managing risk within the Trust and outlines the objectives of risk management; the structure in place to support the management of risk across the organisations; and the systems and processes to ensure identification, management and control of risk.

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. It details the Trust's approach to:

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

Each division has governance arrangements in place including a systematic process for assessing and identifying risk in line with the strategy. The risk assessments are rated and this information is utilised to populate the relevant divisional risk register via our online system. Responsibility for the management and control of a particular risk rests with the division concerned.

Risks are escalated to the Executive Management Group when an action to control a particular risk falls outside the control or responsibility of that division, or where local control measures are considered to be potentially inadequate, require significant financial investment or the risk is 'rated high'. The Group may escalate a particular risk to the appropriate Committee of the Board for further consideration when required.

The Trust has in place a Board Assurance Framework (BAF), which is designed to provide a structure and process to enable the Trust to identify those strategic and operational risks that may compromise the achievement of the Trust's high level strategic objectives and is made up of two parts: the **Strategic Risk Register**, those risks that threaten the delivery of the strategic objectives and are not likely to change over time, and the **Operational Risk Register**, those risks that sit on the divisional and corporate risk registers and may affect and relate to the day-to-day running of the organisation. They mainly affect internal functioning and delivery and are managed at the appropriate level within the organisation.

Strategic risks are removed from the BAF and managed through the operational risk register once the target score falls below 15 and Board approval is given. Responsibility for reviewing and updating the risk and providing assurance to the Board on the controls and mitigations in place is retained by the relevant Executive Director. The BAF is also presented in full to the Audit Committee at each meeting once given approval by the Board. The Audit Committee has gained assurance over the processes for identifying, understanding, monitoring and addressing current and future risks and agreed to escalate as an example of good practice to the Board.

All operational risks are categorised in line with the Trust Ambition that they predominantly impact upon. As operational risks are aligned to the strategic ambitions rather than strategic aims, any operational risks associated with the strategic aims are realigned to a strategic ambition as appropriate. Any higher scoring operational 15+ risks are also presented to Committees of the Board to which the strategic ambitions are aligned.

Over the last 12 months, work has continued to review and cleanse the operational risk register and strengthen the Accountability Framework and risk KPI's continue to show improvements. This focus on risk maturity, despite the pressures of Covid-19 has seen a reduction in risks overall from 503 in April 2021 to 482 in March 2022. This has been achieved through continued embeddedness of risk management within the Trust by various means, including:

- Streamlining/amalgamation of similar risks within Divisional operational risk registers
- Focus on long-standing risks amongst Divisional operational risk registers
- Robust action plans which support the mitigation of risks across the Trust
- Deep dive review of operational risks leading to updated controls, assurances and risks being identified as being sufficiently controlled in line with the Trust Risk Appetite Statement.

Over the last 12 months the proportion of high risks on the operational risk register has increased from 75 in April 2021 to 93 in March 2022 and is reflective of pressures experienced from the Covid-19 pandemic and adjusting to living with Covid. High risk themes in March 2022 which were less prevalent in April 2021 include:

- Physical environment/estate being suboptimal
- Use of escalation areas
- Mental health care provision
- Suboptimal staffing
- Suboptimal capacity to meet targets/manage backlog following Covid-19
- Increase demand for high dependency care

There is a continued focus on risk maturity, despite the pressures of Covid-19 this is being achieved through continued embeddedness of risk management within the Trust by various means, including:

- The Risk Management Strategy, which is available to all staff through the Trust's internet and intranet sites.
- Effective use of the strategic risk registers and operational risk registers at both divisional and corporate level and the BAF.
- Integrating the use of the risk appetite and defining the components and nomenclature of the BAF throughout the organisation i.e. Strategic Risk Register + Operational Risk Register = BAF and improve staff understanding of this.
- Compliance with the mechanisms for the reporting of all accidents and incidents using an online incident reporting system.
- Ensuring that there is a robust process in place to escalate all risks, including divisional risks, with a rating of 15+ to the Board via the BAF.
- Redesigning and relaunching the Datix Risk Register module to support improvement programmes.
- Extending the use of dashboards to include themes, risk appetite, heat-maps, trajectory of risk and qualitative narrative on actions and mitigations.
- Implementation of governance dashboards for each division, monitored as part of the accountability framework in divisional improvement forums with specific risk key.
- Strengthening of divisional accountability and holding to account processes through Divisional Boards and the Accountability Framework through challenging performance of risk at Clinical Business Unit and Speciality Business Unit level.
- Enhancing training and support at all levels of the organisation in line with the National Patient Safety Strategy
- Engaging with the Board of Directors using risk information to drive the Board workshop agenda.
- Enhancing lessons learned from risk management integrated into the learning to improve bulletins.
- The Executive Management Group as a forum to discuss risk and share learning from the management of risks cross divisionally with the Executive Team. This is achieved through presentation of a high risks report which contains key performance indicators each month alongside divisional and corporate risk registers on a cyclical basis.

- Actively monitoring all serious incidents at the Safety and Quality Committee on a quarterly basis and the Board annually.
- Using outcomes from complaints, incidents, claims, STAR visits and internal and external reviews, to mitigate future risks and aggregating these to identify Trust-wide risks.
- Connecting performance across the Trust at Board, Committee, Divisional and Speciality level using integrated performance reports which provides Ward to Board reporting that includes a range of metrics encompassing each of the elements of Our Big Plan by strategic ambition and includes quality, operations, finance and workforce.
- Creating an open and accountable reporting culture whereby staff are encouraged to identify and report risk issues.
- Report cover sheets linked to the Trust strategic aims and ambitions.
- Information within specific reports are categorised by and presented by strategic ambitions – for example, Chief Executive's report and integrated performance report.
- Risks within Committee papers are connected to strategic risks within the BAF.
- 'Freedom to Speak Up' team in place and 'Valuing Your Voice' designated inbox for staff to raise concerns, both of which are promoted within the Trust and triangulated with other processes for management, improvement and shared learning.
- Use of a quality impact assessment policy which links to the planning framework and outlines the requirements of divisional management and Board members in assessing and monitoring the impact of service changes with a quarterly report presented to the Safety and Quality Committee.
- Quality impact assessment policy outlines requirements of Board members in describing service.

Principal risks

The most significant risks that threaten the achievement of the Trust's aims and ambitions are identified within the BAF, alongside controls and assurances which describe how the Trust manages and mitigates these risks. These are robustly monitored by the Board and Committees of the Board to ensure achievement of the Trust's strategic objectives.

During 2021–22, the principal risks related to:

- **The inability to consistently deliver excellent care**, provide a positive patient experience and demonstrate sufficient responsiveness in the organisation's recovery and restoration plans due to a shortage of suitably trained staff and high occupancy levels further impacted by Covid-19 and the requirement to configure services differently to accommodate infection status.

To mitigate this, the Trust continues to execute novel and targeted recruitment and retention campaigns, expand and develop relationships with community leaders and partners with increased focus on reducing health inequalities, reduce inefficiencies in internal processes and strengthen system wide partnerships to enhance the flow of patients in and out of the hospital. During 2021–22, the Trust continued to respond to the pandemic in undertaking recovery and restoration plans by using the established control structure and by continuing to incorporate lessons learned and innovative solutions from the pandemic response. The Trust has also increased the bed base to respond to extended lengths of stay within the Emergency Department as a result of continued increases in patients no longer meeting the criteria to reside.

- **The inability to deliver value for money** due to the ageing hospital estate and workforce challenges associated with multi-site clinical delivery. An ongoing reliance on temporary workforce continues to materially impact the financial pressures. System-wide solutions are being sought to adopt optimum service configurations and improve operational efficiencies, including the New Hospitals Programme. This will support effective financial management by delivery of planned efficiencies that enables provision of sustainable services by ensuring the Trust's estate, infrastructure and plans are all focused on the long term, supported by effective business and clinical systems. The Trust is working to deliver its plans for the second half of 2021–22 noting that delivery of these plans continues to have material risks which in the main relate to external factors.

- **The inability to be a great place to work** due to the increasing psychological impact of the Covid-19 pandemic on staff resilience, coupled with local and national workforce shortages and an ageing estate. To ensure effective and sustainable solutions are implemented, the Trust has increased the provision of psychological support for staff, identified innovative ways of engaging with staff and enhanced its focus on equality, diversity and inclusion. Over the next four years, the Trust will be participating in the Magnet4Europe research study which has a specific aim to improve the mental health and wellbeing of staff and reduce staff burnout.
- **The inability to be fit for the future including sustained delivery of specialist services** due to the ability to develop and implement key change programmes within required timescales. To mitigate this, we continue to successfully drive change through the Trust's Our Big Plan Strategy, Governance and Risk Maturity Programme, Continuous Improvement Strategy, the Clinical Strategy and a number of other key programmes of work, including research. Over the next 12 months, the Trust will continue to enact the new ways of working as a result of the Covid-19 pandemic and maintain and enhance relationships it has developed with system partners.
- **The inability to drive innovation through world class education, training and research.** The impact of the pandemic on social distancing and recruitment continues to impact the Trust's education, training and research functions, although travel and Covid-19 restrictions are starting to reduce. However, to continue to mitigate the impact the Trust continues to operate through the use of virtual, original and hi-tech solutions as part of the Trust's ambition to develop our reputation as a provider of choice, sustain our position in the market, support business growth and our status as a teaching hospital.

All the principal risks listed are reported to the Trust Board and appropriate Committees of the Board for reviewing, monitoring and reporting the effectiveness of controls and mitigation plans identified to achieve the risk target as determined by the risk appetite approved by the Trust Board.

Internal and External Assurance

The Board receives independent assurance that the Trust's Risk Management System is in a place that meets the requirements of Risk Management Standards through the process of internal and external audit, including the CQC inspections, Royal College Reviews, national audits and national staff surveys.

Care Quality Commission

Lancashire Teaching Hospitals NHS Foundation Trust was last subject to a full inspection between 2 July and 8 August 2019. Services that were inspected were Urgent and Emergency Services and Medical Care at Royal Preston Hospital and Chorley and South Ribble Hospital and Surgery and Critical Care at Royal Preston Hospital only. Overall, we retained a rating of 'Requires Improvement', with 'Good' for caring and a new 'Good' for well led.

The Foundation Trust is fully compliant with the registration requirements of the CQC.

Declarations of Interest

The Trust has published on its website an up-to-date register of interests, including gifts and hospitality, for decision-making staff, as defined by the Trust's Policy TP-200 Code of Conduct, within the past twelve months and as required by the 'Managing Conflicts of Interest in the NHS' guidance.

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.

Equality and Diversity Legislation

Control measures are in place to ensure that all the organisation's obligations under equality and diversity legislation are complied with and as a requirement for NHS healthcare providers through the NHS Standard Contract the Trust completes and publishes compliance against the Workforce Race Equality Standard process and the Workforce Disability Equality Standard.

Safety Triangulation Accreditation System

The Trust ensures assurance of delivery of CQC standards and recommendations through the Trust's Safety Triangulation Accreditation System (STAR) which provides evidence of the standard of care delivery, including what works well and where further improvements are required through:

- **STAR Monthly reviews** – 17 audit questions are undertaken by the Matron or Professional Lead for each area.
- **STAR Accreditation Visits** – an in-depth CQC-style audit is undertaken by the Quality Assurance Team with support from staff, governors and volunteers from across the Trust.

New Hospitals Programme

The Trust will transform its ageing infrastructure through the Government's flagship New Hospitals Programme and has agreed to work collaboratively with University Hospitals of Morecambe Bay NHS Foundation Trust to maximise seed funding and healthcare opportunities to develop infrastructure plans which will range in scale across the region. The transformation will provide residents and other service users with access to up-to-date facilities. Currently a number of options appraisals are being consulted on and the New Hospitals Programme Lead provides regular updates to Committees and the Board of Directors.

Well Led Review

Currently the CQC has rated the Trust as Good for Well Led and a review by MIAA last year also concluded that the Trust is Well Led. The Trust, as a whole, reviews its own leadership and governance arrangements periodically, in line with the requirements of NHSI that providers carry out developmental reviews.

Effectiveness of Governance and Risk Maturity

The effectiveness of the Trust's governance structures continued to be internally tested during 2021–22 via the Annual Internal Audit Programme.

Following a review of the Trust's divisional governance arrangements by the Quality Governance Lead from the Nursing Directorate at NHSE/I that identified the Trust as an exemplar organisation, the Trust continues to work with organisations that have been signposted by NHSE/I as requiring additional governance support.

In January 2022 MIAA concluded a review of the NHS England Serious Incident Framework with the overall objective to identify and evaluate the controls in place to ensure that the Trust is compliant with regard to reporting and investigating serious incidents, and there are appropriate mechanisms for learning in order to reduce the risk of reoccurrence. The review provided 'Substantial Assurance' that there is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently. However, for one objective for timeliness of StEIS initial and 72-hour reporting the review provided 'Limited Assurance'. An action plan has been developed and reported to Audit Committee advising that of the eight recommendations made seven have been delivered and one recommendation is on track for delivery by the agreed timescales.

Clinical Audit

With respect to clinical audit, the Trust has an annual clinical audit and effectiveness plan for the year 2021–22 which incorporates national audits, corporate audits, audits associated with Trust-wide priorities, audit of national guidelines as well as other audits commissioned specifically in response to areas of identified risk and concern. The Audit Committee and the Safety and Quality Committee both receive audit and effectiveness reports to provide assurance that the Trust has effective controls in place and is responsive to areas of concern, which may have been highlighted through the audit process, as well as audit outcomes which demonstrates best practice.

Head of Internal Audit Opinion 2021–22

The overall opinion for the period 1 April 2021 to 31 March 2022 provides Substantial Assurance that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently.

Safety and Quality

The Trust has in place a range of mechanisms for managing and monitoring risks in respect of safety and quality including:

- A Patient Experience and Involvement Strategy 2018–2021. This will be refreshed in 2022.
- A Safety and Quality Committee which meets monthly and is chaired by a Non-Executive Director.
- Publication of an Annual Quality Account as a separate document to the Annual Report.
- The integrated performance report (IPR) includes a quality report, which highlights progress against the key quality objectives in year, submitted monthly to the Trust Board.
- Arrangements and monitoring processes to ensure ongoing compliance with NICE guidance and service accreditation standards.
- The Medical Director is the Trust Lead for mortality and reports regularly to the Safety and Quality Committee in respect of mortality.
- STAR Quality Assurance Framework is transacted in all clinical departments.
- A Board Safety and Experience Programme is in place to maintain Board visibility and contact with staff delivering services. These have been conducted virtually during the pandemic.
- A safe staffing dashboard is in place to monitor nurse staffing levels across all wards and departments and a monthly staffing report is presented to the Safety and Quality Committee through the mandated safe staffing report. This is triangulated with measures of harm (for example hospital acquired infections) and patient experience (friends and family test) for maternity services, children and neonatal services and adult inpatients including the Emergency Department.
- The Trust routinely considers and acts upon the recommendations of national quality benchmarking exercises, e.g. national patient surveys and other national publications e.g. the Ockenden Report.
- The Trust acts upon patient feedback from complaints and concerns and from feedback from Patient and Public Involvement representatives, such as HealthWatch and Trust governors.
- Patient and staff stories are presented to the Trust Board and actions and lessons learned are widely shared.
- Any whistleblowing concerns raised to the CQC are presented to the Safety and Quality Committee for further consideration and challenge.
- A robust process for the management of all patient safety and medical device alerts, field safety notices, estates and facilities alerts, service disruption alerts and all alerts that arise as a result of actions identified by NHSI or other national bodies are acted upon.
- Where appropriate, risk alerts are made to partner organisations in line with statutory responsibilities, such as for safeguarding purposes.
- Operational and quality breaches are discussed at the relevant operational and governance forums and CCG meetings with remedial action plans enacted.

Capacity and Flow Waiting

The NHS continues to be faced with unprecedented times in 2021–22 and like all other NHS Trusts across the country Lancashire Teaching Hospitals continues to be challenged by the Covid-19 pandemic. As a result, performance across the board, both emergency and elective, remains impacted with operational pressures experienced through the year resulting in non-compliance in relation to a number of key standards.

A whole health economy system pressure in response to Covid-19 demand resulted in high bed occupancy throughout the year and then additional pressures with the requirement to transition to restoration of services. A health economy system-wide action plan remains in place to address the urgent care system and pressures; with identified primary and social care initiatives/schemes delivering a level of sustainability across the health economy.

During 2021–22 as the impact of the Covid-19 pandemic continues to be felt the Trust has a range of measures in place including:

- Additional medicine bed capacity to meet increases in demand
- Re-zoning of our estate to meet infection, prevention and control requirements
- Same Day Emergency Care
- Integrated frailty model and a dedicated rehabilitation ward
- Additional Critical Care Unit surge beds with additional staffing through redeployment
- Implemented digital health to reduce inappropriate admissions to hospital
- Use of continuous improvement methodology to make improvements in discharge including delayed transfers of care and reducing length of stay

Alongside internal work, the Trust continues to undertake collaborative work with other partners in the local health economy through:

- A health economy-wide action plan to address the urgent care system and pressures; with identified primary and social care initiatives/schemes expected to deliver a level of sustainability across the health economy.
- A range of continuous improvement and transformational work streams of which patient flow has a significant work plan attached.
- The Flow Coaching Academy which applies team coaching skills and improvement science at care pathway level to improve patient flow and experience through the healthcare system.

We recognise that the longevity of system resilience is dependent on all stakeholders across our local health economy and we anticipate that there will be continued operational and subsequent compliance issues against key access targets during 2022–23 with the development of the Trust's new Planning Framework that identifies areas of improvement and their level of contribution to safety, quality, patient and staff experience and financial improvements.

Financial Sustainability

During the 2021–22 financial year the Trust's underlying financial deficit position has been temporarily addressed by the arrangements put in place by the Department of Health and Social Care to support the NHS to deal with the pandemic. This has resulted in the Trust delivering a small surplus in the financial year. Ongoing changes to the financial regime for Trusts with the shift away from activity-based payment to block income contracts have also helped give greater certainty over income levels. However existing expenditure trends continue in that usage of agency staff at premium rates, and significant operational pressures remain in place. This means that the Trust expects to revert to an overspending position at some point in the future and is planning its budgets for 2022–23 and beyond to include the assumption that significant financial improvement is required to deliver break even.

The pandemic and associated operational pressures in 2021–22 have meant that savings have been delivered but largely on a non-recurrent basis, and the Trust has received significant additional income to support the pandemic response.

At the end of 2021–22 there remained two outstanding areas in relation to our existing enforcement undertakings to the regulator:

- (i). Long term sustainability: With respect to the Trust's long-term sustainability, both clinically and financially, we recognise that sustainable financial balance needs to come through engagement with the wider health economy; this requires not only the Trust to achieve service efficiencies but to maximise the use of its sites and support the wider transformational change in service delivery. The Trust is an activity participant in the ICS delivery boards which aim to implement robust pathways of care. We are also working within the ICS on specific projects to maximise efficiency opportunities. These arrangements will transition to the ICB from 1 July 2022. We along with our local and system partners are together seeking sustainable solutions through the New Hospitals Programme we are working towards producing a range of options for the future provision of services. We will then complete a pre-consultation business case containing evidence of the work undertaken through the solution design process, following which a formal public consultation will be required.
- (ii). Funding conditions and spending approvals: With respect to this undertaking the Trust will endeavour to adhere to the terms and conditions relating to financing that is provided, will comply with reporting requests that are made by NHS England and NHS Improvement, and will comply with any spending approvals processes that are deemed necessary by NHS England and NHS Improvement.

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

We have continued to develop our systems and processes to help us deliver an improvement in the financial performance, including:

- Trust-wide commitment to the adoption of a Continuous Improvement approach, which has involved undertaking extensive staff engagement to identify priorities for improvement and is informing the development of a system wide Continuous Improvement Strategy for the whole health economy;
- approval of the annual budget by the Board;
- monthly Finance and Performance Committee meetings to ensure Directors meet their respective financial targets reporting to the Board;
- monthly Divisional Improvement Forums attended by members of the Executive Team to ensure that Divisions meet the required level of performance for key areas;
- continued grip and control activities for both requisitions and filling of vacancies by the Vacancy Control Panel, by ensuring established vacancy prior to recruitment and review of budgets before approval to recruit, improvements have been made to the business planning processes with a clearer separation of business cases with a return on investment and net funding which might be required for a development or safety and quality issue;
- we have further strengthened the budget setting processes to give greater visibility to not only agreeing a budget but also to agreeing a funded establishment. We have had our nursing controls and establishment reviewed by NHS England and NHS Improvement which gave a positive assurance on our approach;
- the Divisions continue to play an active part in ongoing review of financial performance including cost improvement requirements;
- monthly reporting to the Board of Directors on key performance indicators covering finance and activity; quality and safety; and workforce targets through the Integrated Performance Report; and
- the Trust continues to have in place a Quality Impact Assessment and robust governance systems that require clinical approval of all cost improvement programme schemes that have a clinical impact.

Going concern

Guidance from the Department of Health and Social care indicates that all NHS bodies will be considered to be going concerns unless there are ongoing discussions at department level regarding the winding up of the activity of the organisation. There are no such conversations regarding this Trust and as such it is regarded as a going concern.

Greener NHS programme

The Trust published its Green Plan in January 2022 where it has confirmed its commitment to working towards the 'Delivering a Net Zero Health Service' standards for the Greener NHS programme.

The ICS Governance and a Trust Clinical Strategy

In support of the draft strategy 'Our Integrated Care System Strategy' published by the ICS, the Trust is supporting clear governance arrangements for the planning and delivery of the Trust's Clinical Strategy. This in turn enhances the requirements for the CQC's assessment on Use of Resources as it acts as an enabler for best use of public sector investment to be considered on a population health outcomes basis incorporating the wider determinants of health with the Trust recognised by the ICP and System Delivery Boards as an anchor institution. The Trust is committed to the development of ICS arrangements as it seeks to deliver improved health and wellbeing of local communities, joined-up care closer to home and safe and sustainable, high-quality services and reduce inequalities. However, the Trust is cognisant of the challenges associated with any proposed reconfiguration and the interdependences and risks which may impact on the Trust as a result of decisions outside the Trust's control being made at an ICS level.

Workforce

To ensure that short, medium and long-term workforce strategies and staffing systems are in place, the Trust has an annual workforce plan in place aligned to the Operational Planning cycle and with a focus on resourcing strategies to fill our long term, or hard to fill, workforce gaps.

This is reviewed and approved by the Workforce Committee and commended to Board. The workforce plan has taken into account changes to services, investment and cost improvement plans, recruitment issues, turnover, and predictive workforce supply. It also considers external factors that may influence services including commissioning strategies, local demographics, service transformations, service sustainability, nursing acuity reviews and local workforce challenges such as gaps in establishment, retention issues, roles which are difficult to fill, new roles, training opportunities and apprenticeships.

To balance workforce supply and demand, workforce plans and regular skills gap analysis have taken place to inform localised or profession-specific recruitment and retention plans, these plans detail the programme of activity to reduce gaps through proactive campaigns.

Actions have also been identified to look at opportunities to work across the ICS to support workforce supply. The plan continues to provide details of our recovery programme in relation to workforce including strategies to look after our people and help them recover, new ways of working and delivering care, growth for the future and any continued Covid-19 workforce resource planning.

Monthly recruitment trajectories are produced to monitor and review progress against the plan for hard to fill roles. These include medical, nursing and more lately health care support worker roles. Regular updates are provided to the Trust's Workforce Committee in relation to recruitment. A significant recruitment strategy for the future is a focus on international recruitment for registered nurses.

Succession plans are in place at Trust and divisional level to ensure a continual supply of staff with the skills to be effective in business-critical roles in the future.

Developing workforce safeguards reports are presented to the Safety and Quality Committee.

Since the start of the pandemic, staffing levels have been closely monitored to ensure safe staffing levels could be maintained and this was overseen by the Strategic Operations Group, weekly Nurse, Midwifery and AHP Operational Groups and daily safe staffing review meetings.

Patient and Public Involvement in managing risk

The Trust works with a multitude of partners including NHSE, CCGs, local Councils (including social care and education), Police, Prisons and the voluntary sector, together with the Trust's regulators. The Executive Team and senior managers work closely with the partners, to provide a local integrated service to our public and stakeholders.

The key ways in which public stakeholders are involved in managing risks which impact on them include:

- the Council of Governors at quarterly meetings take the opportunity to hold the Non-Executive Director members of the Board to account on its performance, including quality and risk;
- the Trust's commitment to the commissioners, Chief Officer and Chief Executive meetings and consultation as required with the Overview and Scrutiny Committees and Healthwatch;
- consultation for the Quality Account involves key stakeholders;
- consultation with key stakeholders regarding key change programmes, service development and capital schemes – including the OHOC programme; and
- Executive Team, senior management and clinician involvement in the ICS and associated meetings.

In addition, the Trust is involved in a range of multi-agency arrangements which assist with the management of risks across wider health and social care systems. As a member of the Lancashire and South Cumbria ICS, the Trust works with representatives from NHS providers in Lancashire with local GPs, social care colleagues and representatives of the voluntary sector for the integration of health and social care.

Data Quality and Information governance

It is recognised that good quality information is vital to enable individual staff and the organisation to evidence they are delivering high quality care.

Information Governance

The confidentiality and security of information regarding patients, staff and the Trust are maintained through governance and control policies, all of which support current legislation and are reviewed on a regular basis. Personal information is, increasingly, held electronically within secure IT systems. It is inevitable that in a complex NHS organisation a small number of data security incidents occur. The Trust is diligent in its reporting and investigation of such incidents, in line with statutory, regulatory and best practice obligations. Any incident involving a breach of personal data is handled under the Trust's risk and control framework, graded and the more serious incidents are reported to the Department of Health and the Information Commissioner's Office (ICO) where appropriate.

The Trust experienced four externally reportable serious incidents in the 2021–22 period, only one of which reached the reporting criteria sent to the ICO. This incident was in relation to an allegation for unauthorised access and full internal onward processes followed. All four incidents were reported using the Data Protection and Security Toolkit.

As part of our annual assessment, the Data Security and Protection Toolkit (DSPT) is reviewed annually and updated to ensure Trust standards are aligned with current best practice. The status for the 2021–22 DSPT is 'standards met'.

The Trust has established a dedicated information risk framework with Information Asset Owners throughout the organisation which is embedded with responsibilities in ensuring information assets are handled and managed appropriately. There are robust and effective systems, procedures and practices to identify, manage and control information risks. Alongside training and awareness, incident management is part of the risk management framework and is a mechanism for the immediate reporting and investigation of actual or suspected information security breaches and potential vulnerabilities or weaknesses within the organisation. This will ensure compliance in line with the General Data Protection Regulations (GDPR) and Data Protection legislation.

Although the Board of Directors is ultimately responsible for information governance it has delegated responsibility to the Information Governance/Records Committee which is accountable to the Finance and Performance Committee. The Information Governance Committee is chaired by the Medical Director who is also the Caldicott Guardian. The Board appointed Senior Information Risk Owner (SIRO), is the Finance Director.

The Information Governance Management Framework brings together all the statutory requirements, standards and best practice and in conjunction with the Information Governance Policy, is used to drive continuous improvement in information governance across the organisation. The development of the Information Governance Management Framework is informed by the results from Data Security and Protection Toolkit assessment and by participation in the Information Governance Assurance Framework.

Annual Quality Account

In line with the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 prior to the pandemic there was a requirement to prepare quality accounts for each financial year. However, during the year 2020–21 NHSI issued guidance that NHS Foundation Trust Boards were not required to produce a Quality Account due to the impact of the pandemic. The Trust made the decision to continue with business as usual and a Quality Account for 2020–21 was produced.

NHSE/I has updated the guidance for 2021–22 and confirmed that NHS Foundation Trusts are no longer required to produce a Quality Report as part of their Annual Report. This is confirmed in the FT Annual Reporting Manual for 2021–22. NHS Foundation Trusts will continue to produce a separate Quality Account for 2021–22. There is no national requirement for NHS Trusts or NHS Foundation Trusts to obtain external auditor assurance on the Quality Account with approval from within the Trust's own governance procedures being sufficient.

Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS Trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the information provided in this annual report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board 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 detailed some examples of the work undertaken and the role of the Board, the Audit Committee, the BAF, internal audit and external audit in this process:

- The Head of Internal Audit, which provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. The Head of Internal Audit Opinion for 2021–22 is that Substantial Assurance can be given that there is an adequate system of internal control. Despite Substantial Assurance that there is an adequate system of internal control, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some of the organisation's objectives at risk.
- The Assurance Framework and the monthly performance reports, which provide me with evidence that the effectiveness of the controls in place to manage the risks to the organisation achieving its principal objectives have been reviewed.
- The internal audit plan, which is risk-based, and 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 and a Committee Chair's report are considered at Board meetings.
- Internal audit's review on the Assurance Framework and the effectiveness of the system of internal control as part of the annual internal audit plan to assist in the review of effectiveness, which concluded the Trust's Assurance Framework is structured to meet the NHS requirements, is visibly used by the Board and clearly reflects the risks discussed by the Board.

- The Board undertakes bi-monthly reviews of the Assurance Framework and the Committees of the Board at each meeting undertake detailed scrutiny of assurance received or gaps identified in relation to risks assigned to that particular Committee.
- The Audit Committee reviews the establishment and maintenance of an effective system of integrated governance, risk management and internal control across the whole of the organisation's activities (both clinical and non-clinical) that supports the achievement of the organisation's objectives.
- 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 findings of the MIAA Well Led review noted governance structures were working effectively.

All of the above measures serve to provide ongoing assurance to me, the Executive Team and the Trust Board of the effectiveness of the system of internal control.

Conclusion

In conclusion, my review confirms that Lancashire Teaching Hospitals NHS Foundation Trust has an adequate system of internal control and that there have been no significant control issues in the Trust in 2021–22. Where control issues have been identified, action has been taken or action/improvement plans are in place to address such issues.

The Trust Board recognises the challenges that the Trust faces to make the necessary service improvements and achieve financial sustainability, which will require solutions across the health system. The Trust will work collaboratively towards making these improvements during 2022–23, whilst responding to the consequences and additional pressures arising from Covid-19. Where appropriate these action/improvement plans will be tested via relevant external scrutiny and review processes. The challenges the Board has focused on to deliver the Trust's aims and ambitions are robustly articulated in the strategic risk register that underpins the BAF in line with the Risk Management Strategy.

This Annual Governance Statement is signed on behalf of the Board of Directors by:



Kevin McGee OBE
Chief Executive
 28 June 2022

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 2021–22, the Council comprised 31 governor seats, of which: 18 are elected governors who represent the public constituency; four are elected governors who represent the staff constituencies; five are appointed by our partnership organisations (our five partner organisations being Older Adults (third sector), Preston and Western Lancashire Racial Equality and Diversity Council, the Trust's Volunteers, the Universities including University of Central Lancashire, Lancaster University and University of Manchester, and the Trust's Youth Forum); and four are appointed by local authorities (being Lancashire County Council, Preston City Council, Chorley Council and South Ribble Borough Council).

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

Elections

The governors 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 2022, the terms of office of seven public governors and the volunteer governor came to an end. 866 votes were cast in the public election: this represents a turnout of 8.8%. As the Trust's Constitution is currently undergoing a detailed review it was agreed to leave the volunteer governor seat vacant until this work had been completed.

Ahead of this year's election process, we carried out various governor recruitment activities to promote the role of the governor, such as: issuing dedicated pre-election mailing to all members; advertising governor vacancies within our latest edition of Trust Matters and advertising on media screens on both hospital sites; held a virtual pre-election workshop to encourage members to stand for election; and used 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 pages 56 and 57. There are two core governor working subgroups in place to consider specific issues in more detail than is possible at formal Council meetings. The subgroups focus on care and safety, and our membership. Both the subgroups have clear terms of reference and report their activities to formal Council of Governors' meetings. Each subgroup also has a Non-Executive Director in attendance. Each subgroup also has a Non-Executive Director in attendance.

Understanding the views of Governors and Members

Directors develop an understanding of the views of governors and members about the organisation through attendance at the Annual Members' Meeting, Council of Governors' meetings and workshops, linkages with the Council subgroups and an annual interactive forward planning session with the Board each year. The impact of the pandemic has meant physical attendance at members' events and meetings during 2021–22 was in the main not possible. As much activity as possible continued through the use of digital technology to meet the requirement for safe working conditions.

A successful virtual Annual Members' Meeting was held virtually for the second year on 29 September 2021 with good attendance from staff, Trust members and the general public. As part of the meeting there was an insightful and well-planned presentation delivered by Dr Sathiya Kandasamy and members of the paediatric directorate team regarding children's respiratory diseases. The meeting contained general and financial highlights from 2021–22 and the Executive team took part in a questions and answers session with responses not covered during the session being posted on the Trust's website following the meeting.

During the year we continued to focus on improving the relationship between the Board and governors through a number of ways, including the following:

- (i). we encourage governor attendance at Board meetings (in the capacity of observer) and governor attendance is recorded within the Board minutes. Attendance has increased during the past two years through the benefit of attending Board meetings virtually;
- (ii). there is Non-Executive Director representation at each of our core governor subgroup meetings;
- (iii). Board members are invited to every Council of Governors' meeting and Non-Executive Directors in particular are invited to comment on the Trust's performance. Non-Executive Directors also deliver presentations to the Council on a cyclical basis outlining their involvement and providing insight into their roles and responsibilities of the Committees of the Board. Governors have the opportunity to ask them questions and seek assurances that Non-Executive Directors are holding the Executive team to account.
- (iv). as part of the Trust's forward planning process, the Board and the Council of Governors have a joint interactive workshop every September where Board members and governors review the Trust's priorities for the year ahead and governors provide feedback from members and the wider public on such priorities;
- (v). joint visits and events were again held virtually, such as Fab Feedback Fridays and STAR accreditation awards. These virtual visits allowed departments and teams to showcase their achievements and highlight issues which are important to them that may need support from the Board and/or governors to resolve.

Board and Council engagement

As the Chairman chairs both the Board of Directors and the Council of Governors, he is an important link between the two bodies. As mentioned earlier, to strengthen communication and engagement further there is Non-Executive Director representation on each of the core governor subgroups. 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 joint Board and Council development sessions and written communications.

To help governors fulfil their important role of holding the Board to account, governors receive updates on progress against Our Big Plan at their quarterly Council of Governors' meetings. We have also encouraged governors' attendance at Board meetings as a way in which Governors can view Non-Executive Directors providing challenge and scrutiny to the Executive Team: this has worked well and attendance has increased using digital technology. Non-Executive Directors also routinely attend Council of Governors' meetings which provides governors with the 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, which was reviewed and refreshed during 2021–22. We have an established lead governor role and during 2021–22 this was held by public governor, Steve Heywood.

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 arranged by organisations such as NHS Providers and MIAA. This interaction has been impacted by the Covid-19 pandemic although opportunities have been provided more recently for engagement using digital technology.

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 four formal Council meetings during 2021–22, which were quarterly meetings scheduled for April, July and October 2021 and January 2022.

The table below shows governors' attendance at Council meetings:

Name of governor	Term of office	Type of governor	A	B	Percentage of meetings attended (%)
Keith Ackers	01/04/20 – 31/03/23	Public	4	3	75%
Will Adams	01/04/21 – 31/03/24	Appointed	3	2	67%
Pav Akhtar	01/04/18 – 31/03/24	Public	4	4	100%
Takhsin Akhtar	01/04/19 – 31/03/22	Public	4	4	100%
Rebecca Allcock	01/04/17 – 31/03/23	Staff: other healthcare professionals and healthcare scientists	4	3	75%
Peter Askew	01/04/19 – 31/03/22	Public	4	3	75%
Sean Barnes*	01/04/21 – 31/03/24	Public	4	1	25%
Alistair Bradley	18/05/19 – 31/05/22	Appointed	4	3	75%
Paul Brooks	01/04/20 – 31/03/23	Public	4	2	50%
Anneen Carlisle	01/04/20 – 31/03/23	Staff: nurses and midwives	4	1	25%
David Cook	01/04/20 – 31/03/23	Public	4	4	100%
Margaret France	01/04/17 – 31/03/23	Public	4	3	75%
Hazel Hammond	01/04/19 – 31/03/22	Public	4	1	25%
Steve Heywood	01/04/16 – 31/03/22	Public	4	4	100%
Trudi Kay	01/04/19 – 31/03/22	Public	4	4	100%
Waqas Khan	01/04/21 – 31/03/24	Staff: doctors and dentists	4	1	25%
Lynne Lynch	31/03/18 – 31/03/24	Public	4	4	100%
Janet Miller	01/04/17 – 31/03/23	Public	4	4	100%
Shirley Murray	08/04/19 – 31/03/22	Appointed: volunteers	4	4	100%
Jacinta Nwachukwu	01/07/20 – 30/11/22	Appointed: Universities	4	0	0%
Janet Oats	01/04/19 – 31/03/22	Public	4	2	50%
Eddie Pope	15/06/18 – 31/07/22	Appointed	4	0	0%
Frank Robinson	01/04/20 – 31/03/23	Public	4	4	100%
Suleman Sarwar	01/04/21 – 31/03/24	Appointed	3	3	100%
Anne Simpson	01/04/20 – 31/03/23	Public	4	3	75%
Michael Simpson	01/04/18 – 31/03/22	Public	4	4	100%
Piotr Spadlo	01/04/21 – 31/03/24	Staff: non-clinical	4	3	75%
David Watson	01/04/20 – 31/03/23	Public	4	4	100%
No governor currently represented for Preston and Western Lancashire Racial Equality Council					
No governor currently represented for the Older Adults (third sector)					
No governor currently represented for the Youth Forum					

A = maximum number of meetings the governor could have attended during 2021–22 | B = number of meetings the governor actually attended during 2021–22 *Absence due to recognised exceptional circumstances

Director attendance at Council of Governors' meetings

The following Directors attended Council meetings during 2021–22:

- Ebrahim Adia, Chairman
- Faith Button, Chief Operating Officer
- Victoria Crocken, Non-Executive Director
- Sarah Cullen, Nursing, Midwifery and AHP Director
- Naomi Duggan, Director of Communications and Engagement
- Kevin McGee, Chief Executive
- Paul O'Neill, Non-Executive Director
- Karen Partington, Chief Executive
- Ann Pennell, Non-Executive Director
- Geoff Rossington, Non-Executive Director (until 30 September 2021)
- Gerry Skales, Medical Director
- Kate Smyth, Non-Executive Director
- Karen Swindley, Workforce and Education Director
- Tim Watkinson, Non-Executive Director
- Jim Whitaker, Non-Executive Director
- Tricia Whiteside, Non-Executive Director

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 subgroups 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 subgroup 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.

We have a structured Governor Development Programme for governors to enable them to fulfil their statutory role as effectively as possible. A number of governor workshops and development sessions are held each year that form a key part of the governor development process, the topics of which are largely governor-led. The opportunity is also taken at workshops for updates on operational performance, communications with the regulator and topical issues affecting the Trust.

During 2021–22, our governors have participated in a number of workshops which included the following topics:

- A joint development session with the Board to discuss the draft Case for Change for the New Hospitals Programme. The session was led by the New Hospitals Programme Director supported by the Trust's Finance Director/Deputy Chief Executive
- A focused discussion facilitated by the Director of Communications and Engagement on the draft Communications and Engagement Strategy for the New Hospitals Programme
- A facilitated session by Hempsons LLP on the Role of the Council of Governors
- A joint development session with the Board involving break-out groups led by Executive Directors with a mix of Board members and governors to discuss learning and the Trust's readiness for a CQC inspection

- A rare opportunity which allowed governors to meet in person at an off-site location facilitated by the Workforce and Education Director, which helped to build relationships amongst governors who had not had the opportunity to meet face-to-face since the onset of the pandemic
- A dedicated session for governors to hear first-hand about system reform, particularly developments relating to system and place-based partnerships and the ongoing evolution of the Lancashire and South Cumbria Provider Collaborative

In previous years governors were encouraged to attend external education and training events although the opportunity to attend such events has been limited during the ongoing pandemic. Events have started to be re-introduced and it is expected as we start to live with Covid-19 then the opportunities for governors to attend topical events will increase to help governors learn from experiences of other organisations, share the information with governor colleagues, and on an individual basis help governors to develop and enable them to work better collectively.

Expenses claimed by Governors

Whilst governors do not receive payment for their work with us, we have a policy of reimbursing any necessary expenditure. During 2021–22 the following expenses were claimed by our governors:

	2020–21	2021–22
Total number of governors in office (as at 31 March)	27	28
Total number claiming expenses:	3	0
Aggregate sum of expenses (£00s):	£1	£0

Contacting your Governors

If you wish to contact a governor then 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 is open to members of the public aged 16 or over who live in our membership area which comprises all of the component electoral wards in the following Local Authority areas:

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

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

- hold a permanent contract of employment with us;
- are contracted to work for a period of 12 months or 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 or other NHS Trusts) and work at the Trust on a permanent basis or fixed-term contract of 12 months or more.

Our membership

Lancashire Teaching Hospitals NHS Foundation Trust has one of the largest membership populations in the North West although this was largely established when Foundation Trust status was gained in 2005. Since then there has been limited recruitment and consequently a slow overall reduction in total membership although this showed an increase in the staff constituency during 2021–22. The table below shows member numbers by constituency including the percentage change compared to the previous year:

Constituency	31 March 2022	31 March 2021	Difference	% Difference
Public	9,767	10,233	- 466	- 4.55%
Staff	9,335	8,357	+ 978	+ 11.70%
Total Membership	19,102	18,590	+ 512	+ 2.75%

During 2021–22 regular data cleansing was carried out to ensure that records continue to be as accurate as possible. This has resulted in a number of members being removed from the database for reasons such as people moving out of the catchment area and also ensuring that deceased members have been removed, minimising potential distress to relatives caused by sending out communications addressed to them.

It has been difficult to hold targeted recruitment activity during the past couple of years due to the pandemic and the impact of social distancing regulations. However, the membership database has continued to be updated with many members confirming their preference for receiving information from the Trust by email. This helps with more effective and efficient engagement with members as well as reducing expenditure on printing and postage costs. We do, however, recognise that not all members will have access to digital technology and we continue to use a mix of digital and postal mediums to communicate and engage with our members.

Our strategy

Our Membership Management and Engagement Strategy 2022–25 received the approval of the Council of Governors on 27 January 2022 and sets out how our membership community will remain involved and also develop. Our vision for the membership is to have an informed, engaged and involved membership which is able to fully represent the needs and experiences of its community by actively participating in influencing and shaping how services are provided.

The strategy will positively impact on the overarching membership objectives to engage members and ensure they are actively involved in planning and delivery of services to represent and reflect the needs of patients and the local community served. The strategy will help to communicate information about developments and ensure the information received is tailored to members' selected level of involvement, setting a clear and measurable direction of travel for the next three years that can improve patient care. The strategy will also enable members to stand for election to the Council of Governors and to elect Governor representatives.

The strategy outlines five objectives that are incorporated into the membership engagement plans; the objectives of the strategy are to:

- Ensure that the membership of the Trust is representative of the diversity of the population it serves, particularly by increasing membership and engagement with young people and those from Black, Asian and minority ethnic groups
- Raise awareness amongst Foundation Trust members of their role and the opportunities available to them as members of the Trust
- Ensure that there is regular and effective engagement between members and governors so that members' views can be represented in shaping the delivery of services and the strategy of the Trust
- Ensure members are kept informed of future plans for the services provided by the Trust and have opportunity to shape those services, particularly through engagement in the New Hospitals Programme
- Improve our membership offer

Review of 2021–22

Many of our traditional opportunities to meet with members and the public face-to-face have been put on hold by Covid-19, for example Health Melas, NHS Health Careers, and individual event days on site at Chorley and/or Preston. However, as the year progressed it was possible to attend some events in public such as the Windrush Festival and Preston Pride. Governors have adapted the way they engage with their constituencies and have introduced events such as the bi-monthly Governor Coffee Catch-up using digital technology. Moving into 2022–23, governors will be supported if opportunities to hold such events in public arise although it is possible attendance will be limited by people's personal concerns about the risks of attending group events.

Trust Matters, our members' magazine, is produced twice a year providing up-to-date information to members regarding the Trust's service developments and delivery against strategic priorities. The magazine also includes a dedicated section in which governors are able to inform members of the various ways in which they represent them and report back to members on how they have helped influence decision-making and service development from their views and feedback.

Through the magazine, we would normally take the opportunity to ask members if they would like governors to visit them in the community. As a consequence of the Covid-19 pandemic, governors have not been permitted to engage with members face-to-face due to national social distancing requirements which has impacted them being able to listen to people's views; provide feedback to the Trust's senior management, recruit new members or raise the governor profile and that of the membership.

The Trust hosted its second virtual Annual Members' Meeting on 29 September 2021. The event provided an opportunity for patients, staff members and the public to find out about what had been happening at Royal Preston Hospital and Chorley and South Ribble Hospital and gave a detailed update on the progress and innovations the Trust had made during the last year. At the meeting, the Trust's Directors shared a review of the organisation's 2020–21 annual report and accounts and an outline of the plans for 2021–22 and beyond. This was followed by an insightful and well-planned presentation delivered by Dr Sathiya Kandasamy and members of the paediatric directorate regarding children's respiratory diseases.

The online meeting was run via Microsoft Teams Live; a link to join the meeting was available to anybody who wanted to join the meeting with a summary of the Trust's performance plans for the year ahead. Bringing the event online allowed the Trust to retain the interactive element during the questions and answers session with the Trust's Executive team which is always a dynamic and informative part of the evening. The virtual Annual Members' Meeting attracted good attendance when compared to previous years as it allowed people to join from their own homes or places of work. Following the live meeting, a link to watch a recording of the event was published on the Trust's website which benefited those unable to join the live presentation as they were able to watch it at their convenience and from their own home or place of work.

In partnership with the Communications and Engagement team, social media has continued to prove a useful tool throughout the year to promote Trust events, elections to the Council of Governors and to provide information to the public and members.

Governors can also ensure that constituents' views are shared with the Board of Directors as part of joint planning work which is carried out each year.

Assessment of the membership and ensuring representativeness

As a Foundation Trust, we are required to have a membership strategy in place, together with a clear work plan for its implementation. The refreshed three-year Membership Management and Engagement Strategy (2022–25) was approved earlier this year by the council of governors and the Trust Board. The strategy will be subject to a short review each year by the Governor Membership Subgroup to test for any significant changes in the Trust or membership which may impact on delivery of the strategy.

Our vision for our membership is to have an informed, engaged and involved membership who are able to fully represent the needs and experiences of our community by actively participating in influencing and shaping how our services are provided both now and in the future.

We aim to have a council of governors elected from and by the membership which is effective in representing the membership and supporting the Board in formulating strategy, shaping culture and ensuring accountability.

It is important that membership of the Trust is recognised as relevant to all sections of the population. We will make every effort to be inclusive in our approach to involvement, by striving to ensure that the membership reflects the social and cultural mix of our population. There are sections of the membership where there continues to be under-representation in young people and ethnic minority groups. During 2022–23, we plan to focus on these areas in order to promote the benefits of membership.

Further details and a copy of our three-year Membership Management and Engagement Strategy can be found on the Trust website.

Members can contact the Corporate Affairs Office via:

Website: <https://www.lancsteachinghospitals.nhs.uk/get-involved>

Email: **foundation@lthtr.nhs.uk**

Members can contact governors direct via:

Email: **governor@lthtr.nhs.uk**



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 2021–22. 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 assure the Board that the systems and processes that the Trust relies upon that inform its financial statements, its operational decision making and its compliance with healthcare and governance standards are accurate, robust and can be relied upon. 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 four independent Non-Executive Directors. The four members currently are: Ann Pennell, Jim Whitaker, Tricia Whiteside and myself (Tim Watkinson) with each member selected on the basis of their individual skills and attributes. Tricia is an experienced consultant in the financial services sector, with a range of relevant project management and financial knowledge and experience and is also the Chair of the Trust's Finance and Performance Committee. Jim is a Chartered IT Professional with the British Computer Society and his areas of particular expertise are strategic planning, managing change, governance and risk management and he is also the Chair of the Trust's Workforce Committee. Ann has had a long Executive career in local Government including senior roles in children's services, corporate improvement and housing, and has particular expertise in governance, strategic planning and quality and service improvement and she is also the Chair of the Trust's Safety and Quality Committee. My background is as a qualified accountant with over 25 years' experience in senior audit positions in the public sector, including the roles as Group Chief Internal Auditor for the Ministry of Justice and District Auditor for the Audit Commission. I was previously a Chief Internal Auditor in the NHS.

The Audit Committee has met four times between 1 April 2021 and 31 March 2022 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 he is supported in this by a number of Executive Directors. The regular attendance of the Finance Director, Nursing, Midwifery and AHP Director and the Associate Director of Governance, as a result of their lead roles in matters to be addressed by the Committee, is of further assistance to us.

As last year, the Trust's overriding priority has been responding to the impact of Covid-19, in terms of providing direct care, the impact of the virus on the Trust's services and staffing capability and the delivery of the vaccination programme. The way in which the Trust has delivered its services and its governance arrangements, including the NHS financial control frameworks, have again all been significantly affected by the pandemic.

The Trust has sought to maintain strong oversight and governance during the year with all Board and Council of Governors meetings, and all meetings of Committees of the Board continuing to take place through the medium of Microsoft Teams. The Audit Committee has met (virtually) in accordance with the agreed schedule throughout the year.

Financial Reporting

The Audit Committee has reviewed the 2021–22 annual financial statements and has delegated responsibility from the Board for the approval of these statements.

In discharging its responsibilities, the Committee has particular focused 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 and fair position of the Trust's finances.

The external audit plan for 2021–22 highlighted as significant audit opinion risks:

- (i). the valuation of land and buildings,
- (ii). fraud risk from expenditure recognition,
- (iii). fraud risk from revenue recognition,
- (iv). management override of controls,
- (v). fraud risk from revenue recognition, and
- (vi). IFRS 16 implementation.

The Committee was assured that these identified risks are common across NHS bodies of our size and nature and are included as 'rebuttable presumptions' or in recognition of the inherent risk to an organisation of our size and complexity within the NHS.

During the year the Audit Committee received reports from internal audit on the Trust's financial systems and capital expenditure processes, the discussion about which has given the Committee further assurances on these systems. The overall objective of the internal auditors' work was to provide an opinion on the key controls within the systems for financial reporting, budgetary control, general ledger, treasury management, accounts receivable and accounts payable. For all these reviews the internal auditors have provided either high or substantial assurance.

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. We have continued to express some concern at the value of transactions processed following the application of single tender waivers although improvements have been seen following work undertaken to ensure that the use of this process is minimized. During the year, Internal audit completed an audit assignment on single tender waivers which provided Substantial Assurance that there is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.

The Committee has considered the appropriateness of the accounts being prepared on a going concern basis and drawn on the views of management and the external auditors to support the conclusion that it is appropriate for the accounts to be prepared on this basis. The Committee has also considered and agreed with the proposal to consolidate the accounts of the Lancashire Hospitals Services (Pharmacy) Limited subsidiary but not to consolidate the accounts for the Trust's Charities, as in previous years.

Overall assurances on integrated governance, risk management and internal control.

With respect to the internal audit reports issued this year, the table below confirms the assurance levels provided and the Committee has reviewed and discussed the work carried out by the internal auditors:

No	Audit	Assurance Level
(i)	Key financial systems (general ledger, budgetary control, accounts payable, accounts receivable, and treasury management)	4 – High 1 – Substantial
(ii)	Vacancy Approval and Control	High
(iii)	Discharge processes including weekends	Substantial
(iv)	Ockenden Review	Substantial
(v)	Serious Incidents (8 elements)	7 – Substantial 1 – Limited
(vi)	Personnel Files (ESR HR / payroll)	Limited
(vii)	Conflicts of Interest	Limited
(viii)	Assurance Framework	No opinion
(ix)	Risk management – divisional risk maturity	Work in progress
(x)	Data Protection and Security Toolkit	Work in progress
(xi)	Data quality framework	Work in progress
(xii)	Waiting list management	Work in progress
(xiii)	Critical applications – FM first	Work in progress

The Committee receives all internal audit reports and pays particular attention to any 'Limited Assurance' or 'No Assurance' internal audit reports. Any significant issues arising out of such reports are escalated by the Committee to the Board. In addition, the Limited Assurance reports have been escalated to responsible Committees of the Board with Executive Leads invited to attend the Audit Committee to provide assurance on the delivery of the audit recommendations. There were no reports during the year providing Moderate or No Assurance.

The internal auditors also completed a review on the assurance framework but provided no overall opinion.

As was the case last year, some of the 2021–22 audit work was impacted by Covid-19 as elements of the audits required management input on a personal level or access to clinical areas which was not possible during the ongoing pandemic restrictions. It is commendable that during the year MIAA managed to complete the agreed programme of work for the year and have been able to provide the Trust with a Head of Audit Opinion supported by sufficient audit work.

The Committee has also ensured that the internal plan has reflected specific heightened risk factors, to include reviews such as vacancy controls, waiting list management and cyber security.

The Director of Internal Audit has provided an overall opinion of Substantial Assurance based on the work of internal audit during 2021–22.

The Committee draws heavily on the conclusions from the work of internal audit but also on the Committee members' own knowledge of the Trust, as members of the Trust Board. It has been another challenging year for the Trust, managing the Covid-19 pandemic, and it is reassuring to receive reports that confirm the general level of basic controls over the financial systems remain robust. The overall source of assurance comes from the work of the Audit Committee, but the other Committees of the Board also have a role in providing assurance to the Board and work collaboratively to provide this assurance with frequent cross-referrals between the Committees of the Board.

In addition, a number of reports on systems and processes reviewed by internal audit received High or Substantial Assurance. However, the Trust has continued to experience some difficulty in meeting its operational targets and the Trust's underlying financial position is unsustainable. The Committee will continue to seek assurance on the steps being taken to ensure improvements can be made in 2022–23 and beyond, recognising that the solutions are dependant on the Trust being able to work collaboratively with partners in the Integrated Care System of Lancashire and South Cumbria.

Compliance

During the year, the newly revised NHS System Oversight Framework was published and NHSE confirmed that the Trust was being placed in segment three. NHSE undertook a review of enforcement actions pertaining to breaches of the Health and Social Care Act 2012, as prevailing undertakings do not reflect the current financial position. A draft set of undertakings (relating to financial planning, and funding conditions and spending approvals) were shared with the Trust in a letter dated 12 November 2021 which were formally accepted by the Trust on 7 December 2021.

Our external auditors

One of the Committee's roles is to provide oversight of the performance of our external auditors. 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.

In addition to attending the Audit Committee, KPMG attend and report to the Council of Governors their findings for the year and make themselves available for governor workshops and briefings although during 2021–22 those sessions were again impacted by the Covid-19 pandemic. Our auditors have also provided valuable support to the Trust by sharing their thoughts and guidance from across the sector and from the wider financial regulatory frameworks.

Our internal auditors

The appointment of internal auditors is the responsibility of the Committee and the contract for provision of internal audit and counter-fraud services expired on 31 March 2021. As reported last year, the Committee considered the various procurement options bearing in mind discussions amongst Trusts within the Lancashire and South Cumbria ICS region regarding the possibility of creating a region-wide internal audit service, however, at year end no firm plans had materialised. In order to provide the Trust with continuity of services whilst discussions conclude and allow flexibility to participate in any regional arrangements that may emerge, it was decided to examine the options to put in place a short term contract arrangement with MIAA and the Committee agreed to appoint MIAA as its internal auditors for 12 months with effect from 1 April 2021, with an option to extend the contract for a further 12 months.

It is the role of the Committee to provide oversight of MIAA's performance. Our team at MIAA is led by an Engagement Lead along with a dedicated Audit Manager. The internal audit programme is risk-based and is aligned to our strategic risk assessment. 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 although, similar to external audit, those sessions have again been impacted during the year by the Covid-19 pandemic. MIAA have supported the Committee and the Trust by sharing best practice from across the sector and delivering valuable sector-wide training to members of the Committee along with other audit Committee members across the North West.

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 MIAA and they deliver the service in line with NHS Counter Fraud Authority's standards. In 2021–22 the anti-fraud specialist has completed the work programme in accordance with the agreed plan.

Audit Committee attendance summary from 1 April 2021 to 31 March 2022

Name of Committee member	A	B	Percentage of meetings attended (%)
Tim Watkinson (Committee Chair)	4	4	100%
Ann Pennell	4	4	100%
Jim Whitaker	4	4	100%
Tricia Whiteside	4	4	100%

A = maximum number of meetings the member could have attended during 2021–22 | B = actual meetings attended during 2021–22

Audit Committee effectiveness

The Committee undertakes a self-assessment on an annual basis. In April 2021, the Committee undertook a review of its terms of reference, cycle of business and development plan. Committee members participated in a survey of its effectiveness, the results of which were considered by the Committee prior to submission to the Board. The main change during the year was the increase in quoracy to three (previously two) Audit Committee members. I am confident that the Committee has discharged its functions and responsibilities in accordance with its terms of reference, recognising the important role of this Committee to provide assurance to the Board.



Tim Watkinson
Audit Committee Chair
28 June 2022

This Accountability Report is signed on behalf of the Board of Directors by

A handwritten signature in black ink, appearing to read 'K.P. McGee', written in a cursive style.

Kevin McGee OBE
Chief Executive

28 June 2022

Lancashire Teaching Hospitals NHS Foundation Trust
ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2022

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF GOVERNORS OF LANCASHIRE TEACHING HOSPITALS NHS FOUNDATION TRUST

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Lancashire Teaching Hospitals NHS Foundation Trust ("the Trust") for the year ended 31 March 2022 which comprise the Consolidated Statement of Comprehensive Income, Group and Trust Statements of Financial Position, Group and Trust Statements of Changes in Equity and Group and Trust Statements of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Trust's affairs as at 31 March 2022 and of the Group's and Trust's income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Accounts Direction issued under paragraphs 24 and 25 of Schedule 7 of the National Health Service Act 2006 and the Department of Health and Social Care Group Accounting Manual 2021/22.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of, the Group and Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they have not been informed by the relevant national body of the intention to dissolve the Group and Trust without the transfer of its services to another public sector entity. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Trust's business model and analysed how those risks might affect the Group's and Trust's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified and concur with the Directors' assessment that there is not a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Trust's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group and Trust will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management, the Audit Committee and internal audit and inspection of policy documentation as to the Group’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Assessing the incentives for management to manipulate reported financial performance as a result of the need to meet external expectations.
- Reading Board and Audit Committee minutes.
- Using analytical procedures to identify any usual or unexpected relationships.
- Reviewing the Group’s accounting policies.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet financial improvement trajectory targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as asset valuations and impairments. On this audit we do not believe there is a fraud risk related to revenue recognition due to the temporary NHS funding arrangements that have been in place throughout the financial year and, due to their non-variable nature, we don’t believe there to be an incentive to manipulate other operating income streams that are material.

In line with the guidance set out in Practice Note 10 Audit of Financial Statements of Public Sector Bodies in the United Kingdom we also recognised a fraud risk related to expenditure recognition, particularly in relation to year-end accruals.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included entries made to unrelated accounts linked to the recognition of expenditure and other unusual journal characteristics.
- Assessing significant estimates for bias.
- Assessing the completeness of disclosed related party transactions and verifying they had been accurately recorded within the financial statements.
- Evaluating accruals posted as at 31 March 2022 and verifying accruals are appropriate and accurately recorded.

Identifying and responding to risks of material misstatement related to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general sector experience and through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Group is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information.
- in our opinion the other information included in the Annual Report for the financial year is consistent with the financial statements.
- in our opinion that report has been prepared in accordance with the requirements of the NHS Foundation Trust Annual Reporting Manual 2021/22.

Annual Governance Statement

We are required to report to you if the Annual Governance Statement has not been prepared in accordance with the requirements of the NHS Foundation Trust Annual Reporting Manual 2021/22. We have nothing to report in this respect.

Remuneration and Staff Reports

In our opinion the parts of the Remuneration and Staff Reports subject to audit have been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2021/22.

Accounting Officer's responsibilities

As explained more fully in the statement set out on page 87, the Accounting Officer is responsible for the preparation of financial statements that give a true and fair view. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Group and Trust without the transfer of their services to another public sector entity.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

Under the Code of Audit Practice, we are required to report if we identify any significant weaknesses in the arrangements that have been made by the Trust to secure economy, efficiency and effectiveness in its use of resources.

We have nothing to report in this respect.

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

The Trust is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Under Section 62(1) and paragraph 1(d) of Schedule 10 of the National Health Service Act 2006 we have a duty to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice and related statutory guidance having regard to whether the Trust had proper arrangements in place to ensure financial sustainability, proper governance and the use of information about costs and performance to improve the way it manages and delivers its services. Based on our risk assessment, we undertook such work as we considered necessary.

Statutory reporting matters

We are required by Schedule 2 to the Code of Audit Practice to report to you if:

- any reports to the Regulator have been made under paragraph 6 of Schedule 10 of the National Health Service Act 2006.
- any matters have been reported in the public interest under paragraph 3 of Schedule 10 of the National Health Service Act 2006 in the course of, or at the end of the audit.

We have nothing to report in these respects.

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 and the terms of our engagement by the Trust. 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 the further matters we are required to state to them in accordance with the terms agreed with the Trust, 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.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the accounts of Lancashire Teaching Hospitals NHS Foundation Trust for the year ended 31 March 2022 in accordance with the requirements of Schedule 10 of the National Health Service Act 2006 and the Code of Audit Practice.



Timothy Cutler
for and on behalf of KPMG LLP
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

29 June 2022

Foreword to the accounts

Lancashire Teaching Hospitals NHS Foundation Trust

These accounts, for the year ended 31 March 2022, have been prepared by Lancashire Teaching Hospitals NHS Foundation Trust in accordance with paragraphs 24 & 25 of Schedule 7 within the National Health Service Act 2006.

Signed 

Name **Kevin McGee OBE**
Job title **Chief Executive**
Date **28 June 2022**

Consolidated Statement of Comprehensive Income


	Note	Group	
		2021/22 £000	2020/21 £000
Operating income from patient care activities	2	660,105	560,542
Other operating income	2.5	81,199	122,864
Operating expenses	3	(743,461)	(681,537)
Operating (deficit) / surplus from continuing operations		(2,157)	1,869
Finance income	7	74	63
Finance expenses	8	(226)	(346)
PDC dividends payable		(7,636)	(7,701)
Net finance costs		(7,788)	(7,984)
Other (losses) / gains	9	(196)	80
Losses arising from transfers by absorption	27	(1,054)	-
Deficit for the year		(11,195)	(6,035)
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	4	(9,203)	(4,178)
Revaluations		1,893	398
Total comprehensive expense for the period		(18,505)	(9,815)
Deficit for the period attributable to:			
Non-controlling interest, and Lancashire Teaching Hospitals NHS Foundation Trust		-	-
TOTAL		(11,195)	(6,035)
Total comprehensive income/ (expense) for the period attributable to:			
Lancashire Teaching Hospitals NHS Foundation Trust		(18,505)	(9,815)
TOTAL		(18,505)	(9,815)

Statements of Financial Position

	Note	Group		Trust	
		31 March 2022 £000	31 March 2021 Restated * £000	31 March 2022 £000	31 March 2021 Restated * £000
Non-current assets					
Intangible assets	11	7,388	4,415	7,388	4,415
Property, plant and equipment	12	304,394	303,019	304,387	303,019
Receivables	15	6,461	7,024	7,461	8,024
Total non-current assets		318,243	314,458	319,236	315,458
Current assets					
Inventories	14	13,876	15,901	12,904	15,088
Receivables	15	35,518	31,388	36,659	29,924
Cash and cash equivalents	16	61,887	59,255	61,340	58,832
Total current assets		111,281	106,544	110,903	103,844
Current liabilities					
Trade and other payables	17	(99,855)	(93,893)	(100,470)	(92,193)
Borrowings	19	(2,360)	(4,116)	(2,360)	(4,116)
Provisions	21	(1,808)	(703)	(1,808)	(703)
Other liabilities	18	(16,506)	(13,497)	(16,506)	(13,497)
Total current liabilities		(120,529)	(112,209)	(121,144)	(110,509)
Total assets less current liabilities		308,995	308,793	308,995	308,793
Non-current liabilities					
Borrowings	19	(4,937)	(7,391)	(4,937)	(7,391)
Provisions	21	(3,805)	(3,069)	(3,805)	(3,069)
Other liabilities	18	(608)	-	-	-
Total non-current liabilities		(9,350)	(10,460)	(8,742)	(10,460)
Total assets employed		299,645	298,333	300,253	298,333
Financed by					
Public dividend capital		516,713	496,896	516,713	496,896
Revaluation reserve		33,443	41,783	33,443	41,783
Income and expenditure reserve		(250,511)	(240,346)	(250,511)	(240,346)
Total taxpayers' equity		299,645	298,333	299,645	298,333

* See Prior Period Adjustments Note 28

The notes on pages 128 to 162 form part of these accounts.



Signed

Kevin McGee OBE
Chief Executive
28 June 2022

Name

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

Group	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2021 - brought forward	496,896	41,783	(240,346)	298,333
Deficit for the year	-	-	(11,195)	(11,195)
Other transfers between reserves	-	(1,030)	1,030	-
Impairments	-	(9,203)	-	(9,203)
Revaluations	-	1,893	-	1,893
Public dividend capital received	19,817	-	-	19,817
Taxpayers' and others' equity at 31 March 2022	516,713	33,443	(250,511)	299,645

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

Group	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2020 - brought forward	228,579	46,713	(235,461)	39,831
Deficit for the year	-	-	(6,035)	(6,035)
Other transfers between reserves	-	(1,150)	1,150	-
Impairments	-	(4,178)	-	(4,178)
Revaluations	-	398	-	398
Public dividend capital received	268,317	-	-	268,317
Taxpayers' and others' equity at 31 March 2021	496,896	41,783	(240,346)	298,333

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

Trust	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2021 - brought forward	496,896	41,783	(240,346)	298,333
Deficit for the year	-	-	(11,195)	(11,195)
Other transfers between reserves	-	(1,030)	1,030	-
Impairments	-	(9,203)	-	(9,203)
Revaluations	-	1,893	-	1,893
Public dividend capital received	19,817	-	-	19,817
Taxpayers' and others' equity at 31 March 2022	516,713	33,443	(250,511)	299,645

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

Trust	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2020 - brought forward	228,579	46,713	(235,461)	39,831
Deficit for the year	-	-	(6,035)	(6,035)
Other transfers between reserves	-	(1,150)	1,150	-
Impairments	-	(4,178)	-	(4,178)
Revaluations	-	398	-	398
Public dividend capital received	268,317	-	-	268,317
Taxpayers' and others' equity at 31 March 2021	496,896	41,783	(240,346)	298,333

Statements of Cash Flows

	Note	Group		Trust	
		2021/22	2020/21 Restated *	2021/22	2020/21 Restated *
		£000	£000	£000	£000
Cash flows from operating activities					
Operating (deficit) / surplus		(2,157)	1,869	(2,157)	1,869
Non-cash income and expense:					
Depreciation and amortisation	3	18,984	16,387	18,984	16,387
Net impairments	4	9,411	11,866	9,411	11,866
Income recognised in respect of capital donations	2.5	(1,639)	(1,724)	(1,639)	(1,724)
(Increase) / decrease in receivables and other assets		(3,550)	6,067	(5,691)	6,531
(Increase) / decrease in inventories		2,025	(1,738)	2,997	(925)
Increase in payables and other liabilities		18,135	34,147	19,173	32,700
Increase / (decrease) in provisions		1,861	(25)	1,861	(25)
Net cash flows from / (used in) operating activities		43,070	66,849	42,939	66,679
Cash flows from investing activities					
Interest received		74	63	74	63
Purchase of intangible assets		(4,936)	(1,984)	(4,936)	(1,984)
Purchase of PPE and investment property		(44,852)	(53,294)	(44,845)	(53,294)
Sales of PPE and investment property		48	80	48	80
Receipt of cash donations to purchase assets		1,520	881	1,520	881
Net cash flows from / (used in) investing activities		(48,146)	(54,254)	(48,139)	(54,254)
Cash flows from financing activities					
Public dividend capital received		19,817	268,317	19,817	268,317
Movement on loans from DHSC		(3,376)	(219,508)	(3,376)	(219,508)
Movement on other loans		(452)	304	(452)	304
Capital element of finance lease rental payments		(382)	(515)	(382)	(515)
Interest on loans		(222)	(1,010)	(222)	(1,010)
Other interest		-	(1)	-	(1)
Interest paid on finance lease liabilities		(24)	(55)	(24)	(55)
PDC dividend paid		(7,653)	(7,980)	(7,653)	(7,980)
Net cash flows from financing activities		7,708	39,552	7,708	39,552
Increase in cash and cash equivalents		2,632	52,147	2,508	51,977
Cash and cash equivalents at 1 April - brought forward		59,255	7,108	58,832	6,855
Cash and cash equivalents at 31 March	16	61,887	59,255	61,340	58,832

Notes to the Accounts

1 Accounting policies and other information

1.1 Basis of preparation

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

1.2 Accounting convention

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

1.3 Going concern

These accounts have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

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

Guidance from the Department of Health and Social care indicates that all NHS bodies will be considered to be going concerns unless there are ongoing discussions at department level regarding the winding up of the activity of the organisation. There are no such conversations regarding this Trust and as such it is regarded as a going concern.

Emergency funding arrangements put into place by the Department of Health and Social Care in response to the COVID-19 pandemic continued in 2021/22. These have had the effect of ensuring that the Trust was able to achieve a small surplus during 2021/22, and the continuation of some of the emergency measures into 2022/23 means the Trust will receive further funding during 2022/23. The receipt of these funds and additional funds to support restoration activities mean that the Trust has been able to set a plan for 2022/23 which is a break-even position which is a significant improvement from the pre-pandemic deficit levels.

It is clear that outside of the pandemic response the Trust remains in a deficit position and will need to work with its partners across the local healthcare system to achieve efficiencies, maximise the use of its assets and sustainable financial balance. The Trust will work with NHS England and NHS Improvement and its stakeholders to achieve this objective.

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

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

1.4 Consolidation

Subsidiary entities are those over which the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The income, expenses, assets, liabilities, equity and reserves of subsidiaries are consolidated in full into the appropriate financial statement lines.

The Trust is corporate trustee of the Lancashire Teaching Hospitals NHS Foundation Trust Charity and the Rosemere Cancer Foundation Charity. The Trust has assessed its relationship to the charitable funds and determined them to be subsidiaries because the Trust is exposed to, or has rights to, variable returns and other benefits for itself, patients and staff from its involvement with the charitable funds and the ability to affect those returns and other benefits through its power over the funds. However the combined charitable funds are not material to the Trust and therefore consolidation is not required.

The Trust is sole owner of Lancashire Hospitals Services (Pharmacy) Limited, a company dispensing prescription drugs to Trust patients. The company has traded throughout the 2021/22 financial year. As sole owner the company therefore constitutes a subsidiary of the Trust and the financial results of the company through the financial year have been consolidated with the Trust to form the Group. The Trust is also the sole owner of Edovation Limited which has not been consolidated due to it being a dormant company.

1.5 Segmental Reporting

An operating segment is a component of the Trust that engages in activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the the Trust's other components.

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

The single segment of Healthcare has therefore been identified consistent with the core principle of IFRS 8 which is to enable users of the financial statements to evaluate the nature and financial effects of business activities and economic environments.

1.6 Revenue from contracts with customers

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

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

Revenue from NHS contracts

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

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

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

Revenue from research contracts

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

NHS injury cost recovery scheme

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

Grants and donations

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

1.7 Apprenticeship service income

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

1.8 Other Income

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. Other income includes income from car parking and catering which is recognised at the point of receipt of cash consideration.

1.9 Expenditure on employee benefits

Short-term employee benefits

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

Pension costs

NHS Pension Scheme

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

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

1.10 Expenditure on other goods and services

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

1.11 Property, Plant and Equipment

Recognition

Property, plant and equipment is capitalised where:

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

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

Subsequent expenditure

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

Measurement

Valuation

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

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

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

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

As directed by HM Treasury, the Trust has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets. This approach assumes that the asset would be replaced with a modern equivalent, not a building of identical design, with the same operational value as the existing asset. The modern equivalent may be smaller than the existing asset, for example, due to technological advances in plant and machinery or reduced operational use.

The land and buildings of the Trust have been revalued as at 31st March 2022 by Cushman & Wakefield Ltd. The valuation is based on rules issued by RICS, interpreted in accordance with Trust accounting policies and DH guidance. There have been no changes in the estimation techniques used by the valuers since the last valuation, but see note 1.30 for more explanation of this.

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

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

Depreciation

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

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

Revaluation gains and losses

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

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

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

Impairments

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

- (i) the impairment charged to operating expenses; and
- (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

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

Other impairments are treated as revaluation losses. Reversals of 'other impairments' are treated as revaluation gains.

De-recognition

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

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

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

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

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

Donated and grant funded assets

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

Useful lives of property, plant and equipment

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

	Min life Years	Max life Years
Land	-	-
Buildings, excluding dwellings	2	80
Plant & machinery	1	15
Transport equipment	6	7
Information technology	1	12
Furniture & fittings	5	10

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

1.12 Intangible assets

Recognition

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

Internally generated intangible assets

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

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use
- the Trust intends to complete the asset and sell or use it
- the Trust has the ability to sell or use the asset
- how the intangible asset will generate probable future economic or service delivery benefits, e.g., the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- adequate financial, technical and other resources are available to the Trust to complete the development and sell or use the asset and
- the Trust can measure reliably the expenses attributable to the asset during development.

Software

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

Measurement

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

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluation gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS40 or IFRS 5

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

Amortisation

Intangible assets are amortised over their expected lives in a manner consistent with the consumption of

Useful lives of intangible assets

Useful lives reflect the total life of an asset and not the remaining life of an asset. The range of useful lives are

	Min life Years	Max life Years
Software licences	1	10

1.13 Inventories

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

1.14 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 which mature in 3 months or less from the date of acquisition and which are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents balances are recorded at current values.

1.15 Financial assets and financial liabilities

Recognition

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

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

Classification and Measurement

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

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

Financial assets and financial liabilities at amortised cost

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

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

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

Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets or assets measured at fair value through other comprehensive income, the Trust recognises an allowance for expected credit losses.

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

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

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

De-recognition

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

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

1.16 Leases

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

The Trust as lessee

Finance Leases

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

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

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

Operating leases

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

Contingent rentals are recognised as an expense in the period in which they are incurred.

Leases of land and buildings

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

The trust as a lessor

Operating leases

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

1.17 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rates effective for 31 March 2021.

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

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

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

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

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the Trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Trust is disclosed at note 22 but is not recognised in the Trust's accounts.

Non-clinical risk pooling

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

1.18 Contingencies

Contingent assets are assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control, and are not recognised as assets but are disclosed in the notes to the financial statements where an inflow of economic benefit is probable.

Contingent liabilities are provided for where a transfer of economic benefits is probable. Otherwise they are not recognised, but are disclosed unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

- 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.

1.19 Public dividend capital

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

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

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

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

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

1.20 Value Added Tax

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

1.21 Corporation tax

The Trust is a health service body within the meaning of s519A ICTA 1988 and accordingly is exempt from taxation in respect of income and capital gains within categories covered by this. There is a power for HM Treasury to disapply the exemption in relation to specified activities of a Foundation Trust (S519A(3) to (8) ICTA 1988). Accordingly, the Trust is potentially within the scope of corporation tax in respect of activities which are not related to, or ancillary to, the provision of healthcare.

1.22 Climate change levy

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

1.23 Foreign exchange

The functional and presentational currency of the trust is sterling. A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction. Any resulting exchange gains or losses are recognised in income or expense in the period in which they arise.

1.24 Third party assets

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

1.25 Losses and special payments

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

1.26 Transfers of functions to / from other NHS bodies / local government bodies

For functions that have been transferred to the trust from another NHS / local government body, the transaction is accounted for as a transfer by absorption. The assets and liabilities transferred are recognised in the accounts using the book value as at the date of transfer. The assets and liabilities are not adjusted to fair value prior to recognition. The net [gain / loss corresponding to the net assets/ liabilities transferred is recognised within income / expenses, but not within operating activities.

For property, plant and equipment assets and intangible assets, the cost and accumulated depreciation / amortisation balances from the transferring entity's accounts are preserved on recognition in the trust's accounts. Where the transferring body recognised revaluation reserve balances attributable to the assets, the trust makes a transfer from its income and expenditure reserve to its revaluation reserve to maintain transparency within public sector accounts.

For functions that the trust has transferred to another NHS / local government body, the assets and liabilities transferred are de-recognised from the accounts as at the date of transfer. The net loss / gain corresponding to the net assets/ liabilities transferred is recognised within expenses / income, but not within operating activities. Any revaluation reserve balances attributable to assets de-recognised are transferred to the income and expenditure reserve. Adjustments to align the acquired function to the trust's accounting policies are applied after initial recognition and are adjusted directly in taxpayers' equity.

1.27 Early adoption of standards, amendments and interpretations

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

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

IFRS 16 Leases

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

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

On transition to IFRS 16 on 1 April 2022, the trust will apply the standard retrospectively without restatement and with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the trust's incremental borrowing rate. The trust's incremental borrowing rate will be defined by HM Treasury. For 2022, this rate is 0.95%. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. For existing peppercorn leases not classified as finance leases, a right of use asset will be measured at current value in existing use or fair value. The difference between the asset value and the calculated lease liability will be recognised in the income and expenditure reserve on transition. No adjustments will be made on 1 April 2022 for existing finance leases.

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

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

	£000
Estimated impact on 1 April 2022 statement of financial position	
Additional right of use assets recognised for existing operating leases	43,781
Additional lease obligations recognised for existing operating leases	(43,781)
Changes to other statement of financial position line items	-
Net impact on net assets on 1 April 2022	-
Estimated in-year impact in 2022/23	
Additional depreciation on right of use assets	(10,478)
Additional finance costs on lease liabilities	(362)
Lease rentals no longer charged to operating expenditure	10,676
Other impact on income / expenditure	-
Estimated impact on surplus / deficit in 2022/23	(164)
Estimated increase in capital additions for new leases commencing in 2022/23	1,085

1.29 Critical judgements in applying accounting policies

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.

1.30 Sources of estimation uncertainty

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

The revaluations of hospitals have been carried out by Cushman & Wakefield, who have applied the modern equivalent asset (MEA) valuation. This approach assumes that the asset would have been 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 the estimated requirements of a modern equivalent hospital.

It is impracticable to disclose the extent of the possible effects of an assumption or another source of estimation uncertainty at the end of the reporting period. Outcomes within the next financial year that are different from the assumption around the valuation of our land or PPE could require a material adjustment to the carrying amount of the asset recorded in note 12.

In preparing these accounts the Trust has taken the opportunity to review assumptions that underpin the MEA to account for new ways of working. These assumptions and their impact upon the valuation as at 31st March 2022 were as follows:

Reductions in valuation as a result of:	£'m
50% reduction in administrative areas as a consequence of agile working	3.0
25% reduction in outpatient areas due to outpatient activity taking place on a remote basis	4.8
30% reduction in education and training areas as a consequence of agile approaches to delivery	3.5
Total	11.3

2 Operating income from patient care activities (Group)

All income from patient care activities relates to contract income recognised in line with accounting policy 1.6

2.1 Income from patient care activities (by nature)

	2021/22	2020/21
	£000	£000
Acute services		
Block contract / system envelope income	566,175	502,278
High cost drugs income from commissioners (excluding pass-through costs)	57,641	40,116
Other NHS clinical income	331	209
All trusts		
Private patient income	387	653
Elective recovery fund	17,033	-
Additional pension contribution central funding*	16,548	15,341
Other clinical income	1,990	1,945
Total income from activities	660,105	560,542

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

2.2 Income from patient care activities (by source)

	2021/22	2020/21
	£000	£000
Income from patient care activities received from:		
NHS England	204,020	195,203
Clinical commissioning groups	453,362	362,532
Department of Health and Social Care	15	19
Other NHS providers	331	209
NHS other	-	-
Local authorities	-	-
Non-NHS: private patients	171	59
Non-NHS: overseas patients (chargeable to patient)	216	595
Injury cost recovery scheme	1,909	1,925
Non NHS: other	81	-
Total income from activities	660,105	560,542

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

	2021/22	2020/21
	£000	£000
Income recognised this year	216	595
Cash payments received in-year	65	45
Amounts added to provision for impairment of receivables	179	477
Amounts written off in-year	87	605

The above note relates to the treatment of overseas visitors charges directly by the Trust in accordance with Guidance on implementing the overseas regulations 2015 issued by the Department of Health and Social Care.

Amounts written off in-year 2021/22: 63 customers (2020/21: 215 customers)

2.4 Under the terms of its provider licence, the trust is required to analyse the level of income from activities that has arisen from

	2021/22	2020/21
	£000	£000
Income from services designated as commissioner requested services	657,382	557,735
Income from services not designated as commissioner requested services		
Total	657,382	557,735

2.5 Other operating income

	2021/22	2020/21
	£000	£000
Other operating income from contracts with customers		
Research and development	2,603	2,004
Education and training	26,303	20,906
Non-patient care services to other bodies	8,710	5,248
Reimbursement and top up funding	21,589	72,333
Other income	18,407	9,841
Other non-contract operating income		
Receipt of capital grants and donations	1,639	1,724
Charitable and other contributions to expenditure	1,948	10,808
Total other operating income	81,199	122,864

2.6 Additional information on contract revenue (IFRS 15) recognised in the period

	2021/22	2020/21
	£000	£000
Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end	7,571	2,579
Revenue recognised from performance obligations satisfied (or partially satisfied) in previous periods	-	-

2.7 Transaction price allocated to remaining performance obligations

	2021/22	2020/21
	£000	£000
Revenue from existing contracts allocated to remaining performance obligations is expected to be recognised:		
within one year	16,506	13,497
after one year, not later than five years	608	-
after five years	-	-
Total revenue allocated to remaining performance obligations	17,114	13,497

The trust has exercised the practical expedients permitted by IFRS 15 paragraph 121 in preparing this disclosure. Revenue from:

- (i) contracts with an expected duration of one year or less and,
- (ii) contracts where the trust recognises revenue directly corresponding to work done to date is not disclosed.

3 Operating expenses

	Group		Trust	
	2021/22	2020/21 Restated *	2021/22	2020/21 Restated *
	£000	£000	£000	£000
Staff and executive directors costs (see note 5)	460,014	433,927	459,119	433,139
Supplies and services - clinical (excluding drugs costs)	68,664	61,962	68,664	61,962
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	60,104	51,243	61,032	52,152
Premises	53,440	42,424	53,422	42,367
Clinical negligence	21,369	21,127	21,369	21,127
Purchase of healthcare from non-NHS and non-DHSC bodies	21,094	14,054	21,094	14,054
Depreciation on property, plant and equipment	17,679	15,364	17,679	15,364
Supplies and services - general	13,769	11,666	13,763	11,656
Net impairments	9,411	11,866	9,411	11,866
Transport (including patient travel)	4,088	2,299	4,088	2,299
Establishment	3,630	5,782	3,630	5,782
Other	2,420	2,110	2,356	2,108
Education and training	2,276	886	2,276	886
Legal fees	1,399	925	1,399	918
Amortisation on intangible assets	1,305	1,023	1,305	1,023
Insurance	805	811	777	779
Inventories written down	775	2,614	872	2,614
Movement in credit loss allowance: contract receivables / contract assets	320	280	320	280
Remuneration of non-executive directors	185	177	185	177
Fees payable to the external auditor:				-
Audit services **	150	108	136	95
Consultancy costs	116	19	116	19
Purchase of healthcare from NHS and DHSC bodies	115	-	115	-
Increase in other provisions	100	156	100	156
Internal audit costs	78	118	78	118
Change in provisions discount rate(s)	67	74	67	74
Research and development	47	87	47	87
Redundancy	41	1	41	1
Rentals under operating leases	-	434	-	434
Total	743,461	681,537	743,461	681,537

* The classification of 2020/21 expenditure within the above note has been adjusted. There is no overall impact on the total amounts recognised, which remain consistent with the 2020/21 financial statements.

** Total audit services relate solely to statutory external audit. No additional work has been undertaken.

3.1 Limitation on auditor's liability (Group)

The limitation on auditor's liability for external audit work is £2 million (2020/21: £2 million).

4 Impairment of assets (Group)

	2021/22	2020/21
	£000	£000
resulting from:		
Changes in market price	9,411	11,487
Loss as a result of catastrophe	-	379
Total net impairments charged to operating surplus / de	9,411	11,866
Impairments charged to the revaluation reserve	9,203	4,178
Total net impairments	18,614	16,044

The impairment was higher in 2021/22 due to the review of the modern equivalent asset.

5 Employee benefits (Group)

	2021/22	2020/21 Restated *
	Total £000	Total £000
Salaries and wages	348,909	331,155
Social security costs	33,762	31,273
Apprenticeship levy	1,737	1,586
Employer's contributions to NHS pensions	54,408	50,463
Pension cost - other	177	176
Temporary staff (including agency)	21,021	19,274
Total gross staff costs	460,014	433,927
Recoveries in respect of seconded staff	-	-
Total staff costs	460,014	433,927

* The classification of 2020/21 expenditure within the above note has been adjusted. There is no overall impact on the total amounts recognised, which remain consistent with the 2020/21 financial statements.

Employer's contributions to NHS Pensions includes the costs of the increased contribution rate referred to in note 2.1

5.1 Retirements due to ill-health (Group)

During 2021/22 there were 7 early retirements from the trust agreed on the grounds of ill-health (10 in the year ended 31 March 2021). The estimated additional pension liabilities of these ill-health retirements is £634k (£548k in 2020/21).

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

5.2 Pension costs

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

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

a) Accounting valuation

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

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

b) Full actuarial (funding) valuation

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

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

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

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

6 Operating leases (Group)

	2021/22 £000	2020/21 £000
Operating lease expense		
Minimum lease payments	-	434
Total	<u>-</u>	<u>434</u>
	31 March 2022 £000	31 March 2021 £000
Future minimum lease payments due:		
- not later than one year;	-	434
Total	<u>-</u>	<u>434</u>
Future minimum sublease payments to be received	-	-

7 Finance income (Group)

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

	2021/22 £000	2020/21 £000
Interest on bank accounts	32	-
Other finance income	42	63
Total finance income	<u>74</u>	<u>63</u>

8 Finance expenditure (Group)

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

	2021/22 £000	2020/21 Restated* £000
Interest expense:		
Loans from the Department of Health and Social Care	149	217
Other loans	72	88
Finance leases	25	55
Interest on late payment of commercial debt	-	1
Total interest expense	<u>246</u>	<u>361</u>
Unwinding of discount on provisions	(20)	(15)
Total finance costs	<u>226</u>	<u>346</u>

* The classification of 2020/21 expenditure within the above note has been adjusted. There is no overall impact on the total amounts recognised, which remain consistent with the 2020/21 financial statements.

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

	2021/22 £000	2020/21 £000
Amounts included within interest payable arising from claims made under this legislation	-	1

9 Other gains / (losses) (Group)

	2021/22 £000	2020/21 £000
Gains on disposal of assets	-	80
Losses on disposal of assets	(196)	-
Total other (losses) / gains	<u>(196)</u>	<u>80</u>

10 Trust income statement and statement of comprehensive income (Group)

In accordance with Section 408 of the Companies Act 2006, the trust is exempt from the requirement to present its own income statement and statement of comprehensive income. The trust's surplus/(deficit) for the period was £11.2 million (2020/21: £6 million). The trust's total comprehensive income/(expense) for the period was £18.5 million (2020/21: £9.8 million).

11.1 Intangible assets - 2021/22 (Group)

	Software licences £000	Licences & trademarks £000	Internally generated information technology £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2021 - brought forward	18,003	13	214	240	18,470
Transfers by absorption	213	-	(624)	-	(411)
Additions	2,898	-	1,791	-	4,689
Reclassifications	240	-	-	(240)	-
Valuation / gross cost at 31 March 2022	21,354	13	1,381	-	22,748
Amortisation at 1 April 2021 - brought forward	14,055	-	-	-	14,055
Provided during the year	1,255	6	44	-	1,305
Amortisation at 31 March 2022	15,310	6	44	-	15,360
Net book value at 31 March 2022	6,044	7	1,337	-	7,388
Net book value at 1 April 2021	3,948	13	214	240	4,415

Intangible assets - 2020/21

	Software licences £000	Licences & trademarks £000	Internally generated information technology £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2020 - as previously stated	16,214	-	-	272	16,486
Additions	1,586	13	214	171	1,984
Reclassifications	203	-	-	(203)	-
Valuation / gross cost at 31 March 2021	18,003	13	214	240	18,470
Amortisation at 1 April 2020 - as previously stated	13,032	-	-	-	13,032
Provided during the year	1,023	-	-	-	1,023
Amortisation at 31 March 2021	14,055	-	-	-	14,055
Net book value at 31 March 2021	3,948	13	214	240	4,415
Net book value at 1 April 2020	3,182	-	-	272	3,454

12 Property, plant and equipment - 2021/22

Group	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2021 - brought forward	20,395	201,800	22,619	128,070	214	54,186	1,734	429,018
Transfers by absorption	-	-	-	-	-	(643)	-	(643)
Additions	-	5,760	20,011	8,731	-	2,122	38	36,662
Impairments	(3,920)	(8,577)	-	-	-	-	-	(12,497)
Reversals of impairments	-	2,397	-	-	-	-	-	2,397
Revaluations	-	(13,257)	-	-	-	(2,867)	-	(16,124)
Reclassifications	-	31,072	(31,072)	-	-	-	-	-
Disposals / derecognition	-	-	-	(1,156)	-	-	-	(1,156)
Valuation/gross cost at 31 March 2022	16,475	219,195	11,558	135,645	214	52,798	1,772	437,657
Accumulated depreciation at 1 April 2021 - brought forward	-	2,570	-	85,307	175	36,378	1,569	125,999
Transfers by absorption	-	-	-	-	-	-	-	-
Provided during the year	-	7,149	-	7,094	13	3,403	20	17,679
Impairments	-	12,204	-	-	-	1,894	-	14,098
Reversals of impairments	-	(5,584)	-	-	-	-	-	(5,584)
Revaluations	-	(15,150)	-	-	-	(2,867)	-	(18,017)
Disposals / derecognition	-	-	-	(912)	-	-	-	(912)
Accumulated depreciation at 31 March 2022	-	1,189	-	91,489	188	38,808	1,589	133,263
Net book value at 31 March 2022	16,475	218,006	11,558	44,156	26	13,990	183	304,394
Net book value at 1 April 2021	20,395	199,230	22,619	42,763	39	17,808	165	303,019

12.1 Property, plant and equipment - 2020/21

Group	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation / gross cost at 1 April 2020 - as previously stated	20,395	192,989	7,888	115,239	205	43,573	1,647	381,936
Additions	-	29,355	14,731	13,477	9	10,613	87	68,272
Impairments	-	(4,216)	-	-	-	-	-	(4,216)
Reversals of impairments	-	38	-	-	-	-	-	38
Revaluations	-	(16,366)	-	(583)	-	-	-	(16,949)
Disposals / derecognition	-	-	-	(63)	-	-	-	(63)
Valuation/gross cost at 31 March 2021	20,395	201,800	22,619	128,070	214	54,186	1,734	429,018
Accumulated depreciation at 1 April 2020 - as previously stated	-	2,276	-	79,027	163	33,156	1,557	116,179
Provided during the year	-	5,571	-	6,547	12	3,222	12	15,364
Impairments	-	11,487	-	379	-	-	-	11,866
Revaluations	-	(16,764)	-	(583)	-	-	-	(17,347)
Disposals / derecognition	-	-	-	(63)	-	-	-	(63)
Accumulated depreciation at 31 March 2021	-	2,570	-	85,307	175	36,378	1,569	125,999
Net book value at 31 March 2021	20,395	199,230	22,619	42,763	39	17,808	165	303,019
Net book value at 1 April 2020	20,395	190,713	7,888	36,212	42	10,417	90	265,757

12.1 Property, plant and equipment financing - 2021/22

Group	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	
Net book value at 31 March 2022								
Owned - purchased	16,475	215,803	11,558	41,383	25	13,637	173	299,054
Finance leased	-	100	-	-	-	-	-	100
Owned - donated/granted	-	2,103	-	2,773	1	353	10	5,240
NBV total at 31 March 2022	16,475	218,006	11,558	44,156	26	13,990	183	304,394

Property, plant and equipment financing - 2020/21

Group	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	
Net book value at 31 March 2021								
Owned - purchased	20,395	197,534	22,598	40,086	36	17,455	165	298,269
Finance leased	-	292	-	-	-	-	-	292
Owned - donated/granted	-	1,404	21	2,677	3	353	-	4,458
NBV total at 31 March 2021	20,395	199,230	22,619	42,763	39	17,808	165	303,019

13.1 Property, plant and equipment - 2021/22

Trust	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation/gross cost at 1 April 2021 - brought forward	20,395	201,800	22,619	128,070	214	54,186	1,734	429,018
Transfers by absorption	-	-	-	-	-	(643)	-	(643)
Additions	-	5,760	20,011	8,731	-	2,115	38	36,655
Impairments	(3,920)	(8,577)	-	-	-	-	-	(12,497)
Reversals of impairments	-	2,397	-	-	-	-	-	2,397
Revaluations	-	(13,257)	-	-	-	(2,867)	-	(16,124)
Reclassifications	-	31,072	(31,072)	-	-	-	-	-
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	(1,156)	-	-	-	(1,156)
Valuation/gross cost at 31 March 2022	16,475	219,195	11,558	135,645	214	52,791	1,772	437,650
Accumulated depreciation at 1 April 2021 - brought forward	-	2,570	-	85,307	175	36,378	1,569	125,999
Transfers by absorption	-	-	-	-	-	-	-	-
Provided during the year	-	7,149	-	7,094	13	3,403	20	17,679
Impairments	-	12,204	-	-	-	1,894	-	14,098
Reversals of impairments	-	(5,584)	-	-	-	-	-	(5,584)
Revaluations	-	(15,150)	-	-	-	(2,867)	-	(18,017)
Reclassifications	-	-	-	-	-	-	-	-
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	(912)	-	-	-	(912)
Accumulated depreciation at 31 March 2022	-	1,189	-	91,489	188	38,808	1,589	133,263
Net book value at 31 March 2022	16,475	218,006	11,558	44,156	26	13,983	183	304,387
Net book value at 1 April 2021	20,395	199,230	22,619	42,763	39	17,808	165	303,019

13.2 Property, plant and equipment - 2020/21

Trust	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation / gross cost at 1 April 2020 - as previously stated	20,395	192,989	7,888	115,239	205	43,573	1,647	381,936
Transfers by absorption	-	-	-	-	-	-	-	-
Additions	-	29,355	14,731	13,477	9	10,613	87	68,272
Impairments	-	(4,216)	-	-	-	-	-	(4,216)
Reversals of impairments	-	38	-	-	-	-	-	38
Revaluations	-	(16,366)	-	(583)	-	-	-	(16,949)
Disposals / derecognition	-	-	-	(63)	-	-	-	(63)
Valuation/gross cost at 31 March 2021	20,395	201,800	22,619	128,070	214	54,186	1,734	429,018
Accumulated depreciation at 1 April 2020 - as previously stated	-	2,276	-	79,027	163	33,156	1,557	116,179
Transfers by absorption	-	-	-	-	-	-	-	-
Provided during the year	-	5,571	-	6,547	12	3,222	12	15,364
Impairments	-	11,487	-	379	-	-	-	11,866
Revaluations	-	(16,764)	-	(583)	-	-	-	(17,347)
Disposals / derecognition	-	-	-	(63)	-	-	-	(63)
Accumulated depreciation at 31 March 2021	-	2,570	-	85,307	175	36,378	1,569	125,999
Net book value at 31 March 2021	20,395	199,230	22,619	42,763	39	17,808	165	303,019
Net book value at 1 April 2020	20,395	190,713	7,888	36,212	42	10,417	90	265,757

13.3 Property, plant and equipment financing - 2021/22

Trust	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2022								
Owned - purchased	16,475	215,803	11,558	41,383	25	13,637	166	299,047
Finance leased	-	100	-	-	-	-	-	100
Owned - donated / granted	-	2,103	-	2,773	1	353	10	5,240
NBV total at 31 March 2022	16,475	218,006	11,558	44,156	26	13,990	176	304,387

Property, plant and equipment financing - 2020/21

Trust	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2021								
Owned - purchased	20,395	197,534	22,598	40,086	36	17,455	165	298,269
Finance leased	-	292	-	-	-	-	-	292
Owned - donated / granted	-	1,404	21	2,677	3	353	-	4,458
NBV total at 31 March 2021	20,395	199,230	22,619	42,763	39	17,808	165	303,019

14 Inventories

	Group		Trust	
	31 March 2022	31 March 2021 Restated*	31 March 2022	31 March 2021 Restated*
	£000	£000	£000	£000
Drugs	4,077	3,375	3,105	2,562
Consumables	9,593	12,411	9,593	12,411
Energy	196	115	196	115
Other	10	-	10	-
Total inventories	13,876	15,901	12,904	15,088

* See Prior Period Adjustments Note 28

Inventories recognised in expenses for the year were £80,002k (2020/21: £62,717k). Write-down of inventories recognised as expenses for the year were £775k (2020/21: £2,614k).

In response to the COVID 19 pandemic, the Department of Health and Social Care centrally procured personal protective equipment and passed these to NHS providers free of charge. During 2021/22 the Trust received £1,573k of items purchased by DHSC (2020/21: £10,048k).

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

15 Receivables

	Group		Trust	
	2022	2021 Restated*	2022	2021 Restated*
	£000	£000	£000	£000
Current				
Contract receivables	30,405	24,603	32,038	24,598
Contract assets	-	35	-	35
Allowance for impaired contract receivables / assets	(1,892)	(2,565)	(1,892)	(2,565)
Prepayments	2,940	2,768	2,930	2,736
PDC dividend receivable	688	671	688	671
VAT receivable	2,156	3,104	1,674	1,677
Other receivables	1,221	2,772	1,221	2,772
Total current receivables	35,518	31,388	36,659	29,924
Non-current				
Contract assets	6,849	7,096	6,849	7,096
Allowance for other impaired receivables	(1,627)	(1,592)	(1,627)	(1,592)
Other receivables	1,239	1,520	2,239	2,520
Total non-current receivables	6,461	7,024	7,461	8,024
Of which receivable from NHS and DHSC group bodies:				
Current	25,414	18,675	24,932	17,248
Non-current	1,239	1,520	1,239	1,520

15.1 Allowances for credit losses - 2021/22

	Group receivables £000	Trust receivables £000
Allowances as at 1 Apr 2021 - brought forward	4,157	4,157
New allowances arising	700	700
Changes in existing allowances	128	128
Reversals of allowances	(508)	(508)
Utilisation of allowances (write offs)	(958)	(958)
Allowances as at 31 Mar 2022	3,519	3,519

15.2 Allowances for credit losses - 2020/21

	Group receivables £000	Trust receivables £000
Allowances as at 1 Apr 2020 - as previously stated	4,721	4,721
New allowances arising	1,778	1,778
Changes in existing allowances	(97)	(97)
Reversals of allowances	(1,401)	(1,401)
Utilisation of allowances (write offs)	(844)	(844)
Allowances as at 31 Mar 2021	4,157	4,157

16 Cash and cash equivalents movements

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

	Group		Trust	
	2021/22	2020/21 Restated*	2021/22	2020/21 Restated*
	£000	£000	£000	£000
At 1 April	59,255	7,108	58,832	6,855
Net change in year	2,632	52,147	2,508	51,977
At 31 March	61,887	59,255	61,340	58,832
Broken down into:				
Cash at commercial banks and in hand	565	439	18	16
Cash with the Government Banking Service	61,322	58,816	61,322	58,816
Total cash and cash equivalents as in SoFP	61,887	59,255	61,340	58,832
Total cash and cash equivalents as in SoCF	61,887	59,255	61,340	58,832

* See Prior Period Adjustments Note 28

16.1 Third party assets held by the trust (Group)

Lancashire Teaching Hospitals NHS Foundation Trust held cash and cash equivalents which relate to monies held by the Trust on behalf of patients or other parties. This has been excluded from the cash and cash equivalents figure reported in the accounts.

	31 March 2022 £000	31 March 2021 £000
Bank balances	7	5
Total third party assets	7	5

17 Trade and other payables

	Group		Trust	
	2022	2021	2022	2021
	£000	Restated* £000	£000	Restated* £000
Current				
Trade payables	18,298	17,064	18,316	15,095
Capital payables	18,285	26,841	18,285	26,841
Accruals	46,469	36,091	47,083	36,379
Social security costs	5,357	4,327	5,350	4,318
Other taxes payable	4,847	4,001	4,839	3,992
Other payables	6,599	5,569	6,597	5,568
Total current trade and other payables	99,855	93,893	100,470	92,193

Of which payables from NHS and DHSC group bodies:

Current	6,095	8,578	6,095	8,578
Non-current	-	-	-	-

* See Prior Period Adjustments Note 28

18 Other liabilities

	Group		Trust	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Current				
Deferred income: contract liabilities	16,506	13,497	16,506	13,497
Total other current liabilities	16,506	13,497	16,506	13,497
Non-current				
Deferred income: contract liabilities	608	-	608	-
Total other non-current liabilities	608	-	608	-

Cancer Alliance funding has been received by the Trust to support staff posts over a 2 year period. A proportion that represents funding for the second year is deferred as non-current and the remainder is included in the current balance.

19 Borrowings

	Group		Trust	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Current				
Loans from DHSC	2,182	3,394	2,182	3,394
Other loans	79	342	79	342
Obligations under finance leases	99	380	99	380
Total current borrowings	2,360	4,116	2,360	4,116
Non-current				
Loans from DHSC	4,445	6,611	4,445	6,611
Other loans	492	680	492	680
Obligations under finance leases	-	100	-	100
Total non-current borrowings	4,937	7,391	4,937	7,391

19.1 Reconciliation of liabilities arising from financing activities (Group)

2021/22	Loans from		Finance	Total
	DHSC	Other loans	leases	
	£000	£000	£000	£000
Carrying value at 1 April 2021	10,005	1,022	480	11,507
Cash movements:				
Financing cash flows - payments and receipts of principal	(3,376)	(452)	(382)	(4,210)
Financing cash flows - payments of interest	(151)	(71)	(24)	(246)
Non-cash movements:				
Application of effective interest rate	149	72	25	246
Carrying value at 31 March 2022	6,627	571	99	7,297

2020/21	Loans from		Finance	Total
	DHSC	Other loans	leases	
	£000	£000	£000	£000
Carrying value at 1 April 2020	230,236	698	996	231,930
Cash movements:				
Financing cash flows - payments and receipts of principal	(219,508)	304	(515)	(219,719)
Financing cash flows - payments of interest	(940)	(70)	(55)	(1,065)
Non-cash movements:				
Application of effective interest rate	217	89	55	361
Other changes	-	1	(1)	-
Carrying value at 31 March 2021	10,005	1,022	480	11,507

20 Finance leases

20.1 Lancashire Teaching Hospitals NHS Foundation Trust as a lessee (Group)

Obligations under finance leases where the trust is the lessee.

	2022	2021
	£000	£000
Gross lease liabilities	101	506
of which liabilities are due:		
- not later than one year;	101	406
- later than one year and not later than five years;	-	100
- later than five years.	-	-
Finance charges allocated to future periods	(2)	(26)
Net lease liabilities	99	480
of which payable:		
- not later than one year;	99	380
- later than one year and not later than five years;	-	100

21 Provisions for liabilities and charges analysis (Group)

Group	Pensions:			Total
	injury benefits	Legal claims	Other	
	Restated*	Restated*	Restated*	
	£000	£000	£000	£000
At 1 April 2021	1,647	330	1,795	3,772
Transfers by absorption	-	-	-	-
Change in the discount rate	67	-	-	67
Arising during the year	12	111	2,514	2,637
Utilised during the year	(96)	(96)	-	(192)
Reclassified to liabilities held in disposal groups	-	-	-	-
Reversed unused	(47)	(97)	(507)	(651)
Unwinding of discount	(20)	-	-	(20)
Movement in charitable fund provisions				-
At 31 March 2022	1,563	248	3,802	5,613
Expected timing of cash flows:				
- not later than one year;	97	248	1,463	1,808
- later than one year and not later than five years;	395	-	48	443
- later than five years.	1,071	-	2,291	3,362
Total	1,563	248	3,802	5,613

* See Prior Period Adjustments Note 28

Clinical negligence liabilities

At 31 March 2022, £464,126k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Lancashire Teaching Hospitals NHS Foundation Trust (31 March 2021: £350,094k).

Permanent injury benefits

Payments are made on a quarterly basis to the NHS Pension Scheme and NHS Injury Benefit Scheme respectively.

Clinicians pension tax

Clinicians who were members of the NHS Pensions Scheme and who as a result of work undertaken in the tax year (2019/20) face a tax charge in respect of growth of their NHS pension benefits above their pensions savings annual allowance threshold will be able to have this charge paid by the NHS Pension Scheme.

The Trust has been required to make a contractually binding commitment to pay them a corresponding amount on retirement, ensuring that they are fully compensated in retirement for the effect of the 2019/20 Scheme Pays deduction on their income from the NHS Pension Scheme in retirement.

The Trust has created a provision broadly equal to the tax charge owed by clinicians who want to take advantage of the 2019/20 Commitment. This is offset by a receivables balance from NHS England as there has been a commitment by the Government to fund the payments to clinicians as and when they arise.

Dilapidation provisions

The Trust has created a provision for the reinstatement of leased properties (dilapidations). Payments will be made as and when leases expire and agreements are reached with Landlords.

Excess travel provision

The Trust has created a provision to fund the costs involved with displacing staff from their existing work bases to Preston Business Centre. These contractual payments will be made to eligible staff over a period of time in line with the relevant policy.

22 Contingent assets and liabilities (Group)

	31 March 2022 £000	31 March 2021 £000
Value of contingent liabilities		
NHS Resolution legal claims	(111)	(125)
Gross value of contingent liabilities	<u>(111)</u>	<u>(125)</u>
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	<u><u>(111)</u></u>	<u><u>(125)</u></u>

23 Note 23 Contractual capital commitments

	31 March 2022 £000	31 March 2021 £000
Property, plant and equipment	4,433	5,721
Total	<u><u>4,433</u></u>	<u><u>5,721</u></u>

The contractual capital commitments represent the outstanding Modular Building project and other projects that were work in progress at the 31st March 2022.

24 Financial instruments

International Financial Reporting Standard 9 requires disclosure of the role which Financial Instruments have had during the period in creating or changing the risks which a body faces in undertaking its activities. Because of the continuing service provider relationship which the Trust has with its Commissioners, and the way in which those Commissioners are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also, Financial Instruments play a much more limited role in creating or changing risk for the Trust than would be typical of listed companies, to which these standards mainly apply. The Trust has limited powers to borrow or invest surplus funds and Financial Assets and Liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

The Trust's Treasury Management operations are carried out by the Finance Department, within parameters defined formally within the Trust's Standing Financial Instructions, and policies agreed by the Board of Directors. The Trust's treasury activities are also subject to review by Internal Audit.

Liquidity Risk

Net operating costs of the Trust are funded under annual Service Agreements with NHS Commissioners, which are financed from resources voted annually by Parliament. While the Trust is in deficit it is accessing working capital support by means of PDC through DHSC. The Trust largely finances its capital expenditure from internally generated cash, and funds made available by the DHSC. Additional funding by way of loans has been arranged with the Foundation Trust Financing Facility to support major capital developments. The Trust is, therefore, exposed to liquidity risks from the loan funding - however these risks are approved, and comply with Monitor's Risk Assessment Framework.

Currency Risk

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

Interest Rate Risk

100% of the Trust's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. The Trust is not, therefore, exposed to significant interest rate risk.

Credit Risk

The majority of the Trust's Income comes from contracts with other public sector bodies, and therefore the Trust has low exposure to credit risk. The maximum exposure as at 31 March 2022 is within Receivables from customers, as disclosed in the Trade and Other Receivables note to these Accounts.

24.1 Carrying values of financial assets

	Group		Trust	
	Held at	Total book	Held at	Total book
	amortised cost	value	amortised cost	value
	£000	£000	£000	£000
Carrying values of financial assets as at 31 March 2022				
Trade and other receivables excluding non financial assets	36,193	36,193	38,823	38,823
Cash and cash equivalents	61,887	61,887	61,340	61,340
Total at 31 March 2022	98,080	98,080	100,163	100,163

	Group		Trust	
	Held at	Total book	Held at	Total book
	amortised cost	value	amortised cost	value
	Restated £000	Restated £000	Restated £000	Restated £000
Carrying values of financial assets as at 31 March 2021				
Trade and other receivables excluding non financial assets	30,641	30,641	32,863	32,863
Cash and cash equivalents	59,255	59,255	58,832	58,832
Total at 31 March 2021	89,896	89,896	91,695	91,695

24.2 Carrying values of financial liabilities

	Group		Trust	
	Held at	Total	Held at	Total
	amortised cost	book value	amortised cost	book value
	£000	£000	£000	£000
Carrying values of financial liabilities as at 31 March 2022				
Loans from the Department of Health and Social Care	6,627	6,627	6,627	6,627
Obligations under finance leases	99	99	99	99
Other borrowings	571	571	571	571
Trade and other payables excluding non financial liabilities	89,650	89,650	86,796	86,796
Total at 31 March 2022	96,947	96,947	94,093	94,093

	Group		Trust	
	Held at	Total	Held at	Total
	amortised cost	book value	amortised cost	book value
	£000	£000	£000	£000
Carrying values of financial liabilities as at 31 March 2021				
Loans from the Department of Health and Social Care	10,005	10,005	10,005	10,005
Obligations under finance leases	480	480	480	480
Other borrowings	1,022	1,022	1,022	1,022
Trade and other payables excluding non financial liabilities	83,843	83,843	83,862	83,862
Total at 31 March 2021	95,350	95,350	95,369	95,369

24.3 Maturity of financial liabilities

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

	Group		Trust	
	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000
In one year or less	93,219	88,500	90,365	88,519
In more than one year but not more than five years	3,698	6,350	3,698	6,350
In more than five years	1,524	1,608	1,524	1,608
Total	98,441	96,458	95,587	96,477

25 Losses and special payments (Group)

	2021/22		2020/21	
	Total number of cases Number	Total value of cases £000	Total number of cases Number Restated*	Total value of cases £000
Losses				
Bad debts and claims abandoned	1,685	141	1,225	755
Stores losses and damage to property	3	343	2	420
Total losses	1,688	484	1,227	1,175
Special payments				
Ex-gratia payments	51	171	50	1,442
Total special payments	51	171	50	1,442
Total losses and special payments	1,739	655	1,277	2,617
Compensation payments received		-		-

* In line with DHSC guidance the figures for 2020/21 have been restated to include backdated overtime corrective payments (a consequence of East of England Ambulance Service NHS Trust v Flowers). The Trust received £1.394m funding which was based on estimates. The final cost was £1.684m. No further losses are reported because payments made on a monthly basis are now classed as contractual payments.

26 Related parties

Lancashire Teaching Hospitals NHS Foundation Trust is a public interest body, a Department of Health and Social Care (parent of the group) Group body, authorised by NHS Improvement, the Independent Regulator for NHS Foundation Trusts. During the year none of the Board members or members of key management staff or parties related to them has undertaken any material transactions with Lancashire Teaching Hospitals NHS Foundation Trust.

26 Related parties (continued)

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 interests of the members of the Trust as a whole and of the public
- to approve 'significant transactions' as defined within the constitution
- to approve an application by the Trust to enter into a merger, acquisition, 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% of total income 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 interests for the Board and for members of the Council of Governors.

Of the total of 29 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.

Members of the Council of Governors, Executive Directors and Non-Executive Directors, or close family members of the same, who have interests in or hold positions with organisations with which the trust has had transactions during the year, are listed below:

	Income	Expenditure	Receivable	Payable	Relationship
	£000	£000	£000	£000	
University of Central Lancashire	47	1,785	23	-	Chairman and Member of Council of Governors
Chorley Borough Council	-	-	-	532	Member of Council of Governors
Lancashire County Council	13	41	7	97	Member of Council of Governors
Preston Council	-	-	-	1,548	Member of Council of Governors
South Ribble Borough Council	8	-	2	33	Member of Council of Governors
North West Ambulance Service NHS Trust	55	284	-	38	Executive Director
East Lancashire Hospitals NHS Trust	3,847	4,904	2,418	1,573	Non Executive Director
St Helen's and Knowsley Teaching Hospitals NHS Trust	527	75	92	137	Executive Director
Warrington and Halton Hospitals NHS Foundation Trust	81	7	7	5	Executive Director
Health Education England	24,572	176	1,007	1,015	Executive Director

The Trust previously established a wholly owned subsidiary, Lancashire Hospitals Services (Pharmacy) Ltd. Lancashire Hospitals Services (Pharmacy) Ltd took over the outpatient pharmacies across the Trust on 1 October 2018. Being wholly owned, the Trust has prepared its financial statements on a Group basis, consolidating the results of Lancashire Hospitals Services (Pharmacy) Ltd.

The Trust is Corporate Trustee of two charities which means that the Trust has control over the charities. Both Charities are registered with the Charity Commission and produce a set of annual accounts and an annual report (separate to that of the NHS Foundation Trust) These documents will be available in September 2021, on request from the Finance Department of the Trust. Details of the charities and of material transactions between them and the Trust are detailed below.

Charity	Registered Number	Donations received	Receivable	Payable
		£000	£000	£000
Lancashire Teaching Hospitals Charity	1051194	145	87	0
Rosemere Cancer Foundation	1131583	847	55	0

27 Transfers by absorption (Group)

During the year the Trust received PDC capital funding for projects across the ICS. In delivering these projects certain assets were purchased on behalf of other entities and these were transferred to those entities as transfers by absorption on the 31st March 2022. The Trust was also a recipient of assets where other entities purchased assets on behalf of the Trust.

	2021/22	2020/21
	£000	£000
Inward transfers (from)		
East Lancashire Hospitals NHS Trust	322	-
Blackpool Teaching Hospitals NHS Foundation Trust	295	-
Outward transfers (to)		
East Lancashire Hospitals NHS Trust	460	-
Blackpool Teaching Hospitals NHS Foundation Trust	654	-
University Hospitals of Morecambe Bay NHS Foundation Trust	557	-
Net transfers - recognised in the SOCI as a loss due to transfers by absorption	<u>1,054</u>	<u>-</u>

28 Prior period adjustments

Issues have been identified with the consolidation of the Trust's wholly-owned subsidiary in the prior period, arising from adjustments to ensure the financial statements were consistent with the group consolidation schedules. The prior period numbers within these financial statements have been adjusted to correct for this issue, which results in the following adjustments:

	Group			Trust		
	31 March	31 March	31 March	31 March	31 March	31 March
	2021	2021	2021	2021	2021	2021
	Audited	Adjustment	Restated*	Audited	Adjustment	Restated*
	£000	£000	£000	£000	£000	£000
Non Current Receivables	8,024	(1,000)	7,024	9,024	(1,000)	8,024
Inventories	15,088	813	15,901	14,275	813	15,088
Current Receivables	29,924	1,464	31,388	28,460	1,464	29,924
Cash and cash Equivalents	58,832	423	59,255	58,409	423	58,832
Trade and other payables	(92,193)	<u>(1,700)</u>	(93,893)	(90,493)	<u>(1,700)</u>	(92,193)
Net impact on the Statement of Financial Position		<u>-</u>			<u>-</u>	
(Increase) / decrease in receivables and other assets	6,531	(464)	6,067	6,995	(464)	6,531
(Increase) / decrease in inventories	(925)	(813)	(1,738)	(112)	(813)	(925)
Increase in payables and other liabilities	32,700	<u>1,447</u>	34,147	31,000	<u>1,700</u>	32,700
Net impact on the Statement of Cash Flows		<u>170</u>			<u>423</u>	

29 Events after the reporting date

Lancashire Teaching Hospitals Foundation Trust (LTH), University Hospitals of Morecambe Bay NHS Foundation Trust, East Lancashire Hospitals NHS Trust, and Blackpool Teaching Hospitals NHS Foundation Trust have all agreed to create a Pathology Collaborative which from, an exact date to be confirmed, brings together the four separate pathology services into a single service. The LTH Trust Board have agreed that LTH would take on the responsibility of host trust for the single service. From the effective date LTH will manage the single service which in accordance with the GAM, IFRS 10 and IFRS 11 will be reported as a joint arrangement in future annual accounts of all four trusts.

If you have any queries regarding this report, or wish to make contact with any of the Directors or Governors, please contact:

Company Secretary
Lancashire Teaching Hospitals NHS Foundation Trust
Royal Preston Hospital, Sharoe Green Lane,
Fulwood, Preston,
PR2 9HT

T: **01772 522010**
E: **Company.Secretary@lthtr.nhs.uk**

For more information about Lancashire Teaching Hospitals NHS Foundation Trust see:

 **www.lancsteachinghospitals.nhs.uk**

 **@lancshospitals**

 **lancshospitals**



Auditor's Annual Report 2021/22

**Lancashire Teaching Hospitals NHS
Foundation Trust**

29 June 2022

Key contacts

Your key contacts in connection with this report are:

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Contents

Page

Summary

3

Accounts audit

4

Value for money commentary

5

This report is addressed to Lancashire Teaching Hospitals NHS Foundation Trust (the Trust) and has been prepared for the sole use of the Trust. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Summary

Introduction

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2021-22 audit of Lancashire Teaching Hospitals NHS Foundation Trust (the 'Trust'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Trust alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:

- **Accounts** - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Trust and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the Group Accounting Manual prepared by the Department of Health and Social Care (DHSC).
- **Annual report** - We assess whether the annual report is consistent with our knowledge of the Trust. We perform testing of certain figures labelled in the remuneration report.
- **Value for money** - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Trust's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.
- **Other reporting** - We may issue other reports where we determine that this is necessary in the public interest under the Local Audit and Accountability Act.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities

Accounts	<p>We issued an unqualified opinion on the Trust's accounts on 29 June 2022. This means that we believe the accounts give a true and fair view of the financial performance and position of the Trust.</p> <p>We have provided further details of the key risks we identified and our response on page 4.</p>
Annual report	<p>We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Trust.</p> <p>We confirmed that the Governance Statement had been prepared in line with the DHSC requirements.</p>
Value for money	<p>We are required to report if we identify any matters that indicate the Trust does not have sufficient arrangements to achieve value for money.</p> <p>We have nothing to report in this regard.</p>
Other reporting	<p>We did not consider it necessary to issue any other reports in the public interest.</p>

The table below summarises the key risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Risk	Findings
<p>Valuation of land and buildings</p> <p>Land and buildings are required to be held at fair value. As hospital buildings are specialised assets and there is not an active market for them they are usually valued on the basis of the cost to replace them with a 'modern equivalent asset'. There is a risk the assumptions used to determine the valuation are not accurate.</p>	<p>We identified one unadjusted audit misstatement on this significant risk. This related to the overstatement of the net book value by £2.7m due to capital expenditure being incorrectly duplicated in the valuation of land and buildings.</p> <p>We determined that the judgements made by the external valuers and adopted by the Trust were balanced.</p>
<p>Fraudulent expenditure recognition</p> <p>As the Trust has agreed an outturn total with local NHS partners for its expected financial performance there is a risk that non-pay expenditure may be manipulated in order to report that the control total has been met.</p> <p>We considered there to be a risk over existence and accuracy of non-pay expenditure at the year-end, as there is greater incentive for management to overstate expenditure in 2021-22 by bringing forward expenditure from 2022-23, to mitigate financial pressures in that period.</p>	<p>We identified two items of expenditure included within accrued expenditure at year-end which were recorded in error. The total value of these errors is considered trivial, at £30k, however our sampling software has extrapolated these errors to a total projected overstatement of accrued expenditure in 2021/22 of £1.8m. No adjustment was made to the accounts in respect of these errors as the individual errors found were clearly trivial and the extrapolated error is also not material.</p> <p>We reiterated one recommendation, made in the prior period, relating to management's review and challenge of accruals that are made at the year end.</p>
<p>Management override of controls</p> <p>We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<p>We did not identify any indication of management override of controls.</p>

Value for money

Introduction

We consider whether there are sufficient arrangements in place for the Trust for each of the elements that make up value for money. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

Further details of our value for money responsibilities can be found in the Audit Code of Practice at [Code of Audit Practice \(nao.org.uk\)](http://nao.org.uk)

Matters that informed our risk assessment

The table below provides a summary of the external sources of evidence that were utilised in forming our risk assessment as to whether there were significant risks that value for money was not being achieved:

Care Quality Commission rating	Requires improvement (November 2019)
Single Oversight Framework rating	Segment three - Mandated and targeted support:
Governance statement	There were no significant control deficiencies identified in the governance statement.
Head of Internal Audit opinion	The draft Head of Internal Audit Opinion for 2021/22 provides Significant Assurance.

Commentary on arrangements

We have set out on the following pages commentary on how the arrangements in place at the Trust compared to the expected systems that would be in place in the sector.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	One significant risk identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Value for money

Financial sustainability

Description

This relates to ensuring that the Trust has sufficient arrangements in place to be able to continue to provide its services within the resources available to it.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- How the Trust sets its financial plans to ensure services can continue to be delivered;
- How financial performance is monitored and actions identified where it is behind plan; and
- How financial risks are identified and actions to manage risks implemented.

Commentary on arrangements

The Covid-19 pandemic has continued to have a major impact on the NHS and this is reflected in the financial planning regimes underpinning the 2021/22 financial year. There continues to be a central 'command and control' structure put in place by NHS England / Improvement (NHSE/I) with block payments being determined centrally, rather than being agreed between CCGs and provider Trusts. The funding structure was initially only communicated for the first half of the year (H1), with planning guidance for the second half of the year (H2) being published in late September 2021. NHS organisations continue to be reimbursed with additional funding as required in order to reflect the additional costs incurred as a result of Covid-19.

The Trust has continued to operate under Enforcement Undertakings issued by NHS Improvement. The most recent undertakings were agreed in 2018 and were compiled under a very different landscape, prior to the Covid-19 pandemic. However since these were issued, the Trust continued to deliver deficits in 2018/19 and 2019/20 and was reliant on revenue support from DHSC. Reflecting the fact that a surplus of £2.1m in 2020/21 was delivered, but that this was due to additional financial support during the pandemic, NHSI issued the Trust with revised enforcement undertakings in November 2021. These undertakings also reflect that the Trust continues to have a significant underlying deficit for 2022/23 and beyond. They confirm that the Trust will remain in segment 3 in the System Oversight Framework.

As part of our risk assessment work, we found that the budget monitoring and control processes were able to identify and incorporate significant pressures into the financial plan to ensure it was achievable and realistic, subject to the gaps in CIP identification covered elsewhere in this section. The initial draft budgets were constructed based on appropriate local and national planning assumptions and we saw evidence of appropriate review and sign-off by the relevant budget holders. Emerging cost pressures were identified through regular meetings at the divisional level before being shared with Executive Directors and incorporated into budget reporting to the Finance and Performance Committee and Trust Board. There is also a separate Overspending Cost Centre Process which identifies the highest overspends and reports them to the relevant Divisional Board, with an action plan for mitigation. Within the risk register, individual risks are marked and described. Each risk has an unmitigated score, a mitigated score and a target score with controls and actions in place to enable the Trust to manage and monitor each specific risk. Our review of the financial plan has confirmed risks have been appropriately considered to date.

The Trust presented a financial plan for approval for H1 to Board in March 2021, with a plan for H2 being presented in November 2021 following release of national guidance in late September. The H2 plan assumed a breakeven at year-end, which includes an underlying operating deficit of £96m, with the gap being made up by support funding such as Covid top up funding for H2, Growth Funding and ERF funding. In line with the prior period, the plan assumed delivery of circa 5% efficiency savings. This has been delivered for 2021/22, albeit primarily on a non-recurrent basis at the system level.

Financial sustainability (continued)

Description

This relates to ensuring that the Trust has sufficient arrangements in place to be able to continue to provide its services within the resources available to it.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- How the Trust sets its financial plans to ensure services can continue to be delivered;
- How financial performance is monitored and actions identified where it is behind plan; and
- How financial risks are identified and actions to manage risks implemented.

Commentary on arrangements

Efficiency plans are identified and developed at the Divisional level initially, and once approved by Divisional Board will be then discussed at the Divisional Improvement Forum, attended by Trust Executive Directors. There is an appropriate process in place for Quality Impact Assessment and additional levels of approval by the Quality and Safety Committee for those with a QIA risk score of 15 or more.

We found that systems and processes for identifying, monitoring and escalating CIP delivery were designed and implemented effectively during the year. Much of the activity during 2021/22 has focused on CIP identification for 2022/23, with a planning assumption that the Trust will need to deliver 3% efficiencies recurrently (£15.8m). An additional 2% (£10.5m) non-recurrent target is to be delivered via working with the ICB to identify system-wide schemes.

The Trust has a planned deficit for 2022/23 of £17.7m. However, this includes the receipt of system funding of £69.2m and assumes full achievement of the 5% CIP target of £26.3m. Therefore the underlying deficit before efficiency and system funding is £113.2m. The Trust's ability to mitigate this is effectively limited to CIP delivery. At the time of completing our risk assessment, the £15.8m target is made up of identified schemes of £10.4m and potential opportunities of £5.4m. However, within the identified schemes, only £0.4m is considered to be low risk, with 83% (£8.7m) still being at the 'hopper' / identification phase (ie. not fully risk-assessed and implemented). The delivery of CIP during 2022/23 presents a greater challenge than in previous years due to a combination of attempting to restore services while continuing to operate in an environment of high Covid-19 infection levels. As a result of the risk assessment we have undertaken, we identified a significant risk around the Trust's value for money arrangements in this area.

Risk assessment conclusion

Based on the risk assessment procedures performed, we have identified a significant risk associated with financial sustainability, specifically linked to the significant underlying deficit and level of unconfirmed CIP schemes for 2022/23.

In response to this significant risk, we have undertaken the following procedures:

- Understanding and documenting contextual matters relating to the wider Lancashire and South Cumbria system and pressures within the Urgent Care system locally, at the system level and nationally.
- Holding discussions with officers to understand the factors impacting on the financial sustainability of the Trust and the underlying deficit for 2022/23.
- Reviewing and evaluating the Trust's systems and processes for identifying, challenging, monitoring and reporting on CIP delivery and achievement, at the local, divisional and Trust-wide level.
- Evaluating the Trust's financial strategy for 2022/23 and assessing whether this clearly articulates the challenges that exist within the system and the actions the Trust is taking in the areas under its control.
- As part of our initial risk assessment we also evaluated and evidenced the implementation of systems and processes for identifying, escalating and monitoring financial risks.

Value for money

Financial sustainability (continued)

Description	Commentary on arrangements
<p>This relates to ensuring that the Trust has sufficient arrangements in place to be able to continue to provide its services within the resources available to it.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> ▪ How the Trust sets its financial plans to ensure services can continue to be delivered; ▪ How financial performance is monitored and actions identified where it is behind plan; and ▪ How financial risks are identified and actions to manage risks implemented. 	<p>Risk findings</p> <p>We have evaluated the Trust's latest financial strategy, which articulates clearly how the Trust is attempting to address the challenges within the Urgent Care system in particular, with reference to publications like Getting It Right First Time and Model Hospital. We are satisfied that the Trust has a robust process for identifying and challenging cost improvements and other efficiencies, including effective processes for impact-assessing these schemes. Reporting to Board and Finance Committee clearly articulate the challenges faced and the actions the Trust is taking to mitigate these challenges as much as is possible.</p> <p>The Trust's activities have been understood in the context of wider issues within Urgent Care, as well as the scale of the financial challenge across the NHS nationally and within the Lancashire and South Cumbria system. We have received high-level data relating to patient flow and the number of beds which the Trust is unable to make available due to downstream blockages in the health and social care system. We have also understood the impact that the economic landscape, namely rising inflation, is having on the ability of the Trust to make efficiencies in the area of procurement.</p> <p>Conclusion</p> <p>Based on the findings above we have not identified any significant weaknesses in the Trust's arrangements for ensuring financial sustainability.</p>

Value for money

Governance	
Description	Commentary on arrangements
<p>This relates to the arrangements in place for overseeing the Trust's performance, identifying risks to achievement of its objectives and taking key decisions.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> Processes for the identification and management of strategic risks; Decision making framework for assessing strategic decisions; Processes for ensuring compliance with laws and regulations; How controls in key areas are monitored to ensure they are working effectively. 	<p>We consider the Trust to have effective processes in place to identify, assess, monitor and manage risk, which is underpinned by a risk management framework and policy. Strategic risks are recorded and identified using the Board Assurance Framework, and any identified risks are appropriately reported to the appropriate governing body and relevant sub-committee. Our review of the risk register found this was sufficiently detailed to effectively manage key risks.</p> <p>Our assessment indicates that the Trust ensures key decisions are appropriately challenged and scrutinised by the executive team through an appropriate Scheme of Delegation and Standing Financial Instructions (SFI's), with escalation to Board as required.</p> <p>The Trust has specific policies in place with regards to fraud and whistleblowing. The Trust also engages a Local Counter Fraud Specialist who produces regular reports that go to Audit and Risk Committee. Additionally, the Trust has a designated Counter Fraud Champion and Freedom to Speak Up Guardian. We note from inquiry with and review of Local Counter Fraud reports in year that there was no indication of any significant weaknesses regarding the governance arrangements in place to prevent and detect fraud.</p> <p>Our assessment indicates that the Trust has processes in place to enable appropriate scrutiny, challenge and transparency on decision making. Business case documentation templates are adhered to for key decisions and these are sufficiently detailed to ensure that those making decisions are doing so in an informed manner. We reviewed a sample of business cases for 2021-22 and found there was evidence of scrutiny and challenge.</p> <p>We have also reviewed the approval of the 2021-22 financial plans by the Board and seen scrutiny and challenge within this approval leading to actions taken to improve the plan before submission to ensure it was realistic and achievable. Financial risks from this plan are also then communicated within the risk register going forward and discussed within Workforce Committee, Audit and Risk Committee and at Board meetings in a timely manner.</p> <p>Our initial assessment indicated there to be appropriate scrutiny and challenge of the budgets and appropriate approval through the budget holders and the Workforce Committee. In order to understand their financial performance against their budget, Divisional budget holders are provided with a monthly finance report which is also reviewed by the relevant Finance Manager. Discussions between Finance Managers and budget holders allowed for challenge and response to adverse variances. There is a separate Overspending Cost Centre Process which identifies the highest overspends and reports them to the relevant Divisional Board, with an action plan for mitigation. We also found processes in place to ensure accurate recording and monitoring of the additional costs associated with Covid-19.</p>

Value for money

Governance (continued)

Description

This relates to the arrangements in place for overseeing the Trust's performance, identifying risks to achievement of its objectives and taking key decisions.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- Processes for the identification and management of strategic risks;
- Decision making framework for assessing strategic decisions;
- Processes for ensuring compliance with laws and regulations;
- How controls in key areas are monitored to ensure they are working effectively.

Commentary on arrangements

Reviews of compliance with laws & regulations, staff code of conduct and the Trust's constitution is completed through Board meetings, Audit and Risk Committee and other governance structures as identified through our testing. We noted that the Trust has up to date policies on the recording of interests, gifts and hospitality.

The Trust received a CQC review rating of 'Requires Improvement' at the last review in 2019, which noted a number of improvements since the previous inspection but highlighted areas that continue to require improvement. A CQC action plan was created and monitored at the Safety and Quality Committee where KPMG's assessment indicates that there was sufficient scrutiny over actions to ensure improvements were and continue to be made.

We have reviewed overall governance arrangements in place and found appropriate processes are in place and we have not identified any significant weaknesses.

Risk assessment conclusion

Based on the procedures performed we have not identified a significant risk or significant weakness associated with the Trust's governance arrangements.

Improving economy, efficiency and effectiveness

Description	Commentary on arrangements
<p>This relates to how the Trust seeks to improve its systems so that it can deliver more for the resources that are available to it.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> ▪ The planning and delivery of efficiency plans to achieve savings in how services are delivered; ▪ The use of benchmarking information to identify areas where services could be delivered more effectively; ▪ Monitoring of non-financial performance to assess whether objectives are being achieved; and ▪ Management of partners and subcontractors. 	<p>We found appropriate processes in place to ensure the Trust uses information about costs and performance to improve the way they manage and deliver services.</p> <p>A monthly paper is presented to the Trust's Finance and Performance Committee, and the Trust Board, in order to report on financial performance, allowing the Trust to assess the level of value for money being achieved and any actions required. Management also maintains and monitors costs by reviewing the information received from benchmarking through review partnerships and the NHS Reference Costs and Model Hospital initiatives. The outputs of these exercises are fed directly to the Finance and Performance Committee in order to inform cost improvement programmes.</p> <p>The Trust's Board receives a monthly report with an integrated view of performance across the Trust's 'Big Plan' strategic aims. These cover key themes around Workforce, Quality, Activity and Finance. The Trust makes effective use of dashboard through reports to Board and Committees, in order to understand the key issues and improvement areas. This allows the Trust to monitor the performance of services.</p> <p>We noted through our risk assessment that the activities of the ICS/ICB are reported at a number of different forums in order that those charged with governance of the Trust are able to keep abreast of developments at the system level and that the organisation can respond to risks and challenges as they arise. The Trust CEO and Chair also provide updates within their reports to Board with the ICS financial performance also being considered in finance reports.</p> <p>During 21/22 expensive consultation has been undertaken relating to the New Hospitals Programme. This has involved engaging with all the key stakeholder groups in a variety of different ways. As a result of this partnership working, there are a number of tangible examples of service improvements delivered and reported on within the Trust during 2021/22. These include the new Pathology Collaborative and continuous partnership working at the system level to provide mutual support for elective services and long waiting patients, as well as moving of patients within the system in order to respond to demand. A further example is the use of the Nightingale surge hub that has enabled patient flow across the Lancashire & South Cumbria (L&SC) system. To facilitate the translation of Partnership-wide strategies into actions that can be implemented within the Trust, the L&SC ICS have a number of service delivery boards as well as the ICP board, which the Trust's officers interface with regularly and at various different levels.</p> <p>Risk assessment conclusion</p> <p>Based on the procedures performed we have not identified a significant risk or significant weakness associated with the arrangements for improving economy, efficiency and effectiveness.</p>



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