



Lancashire Teaching  
Hospitals  
NHS Foundation Trust



## Lancashire Teaching Hospitals NHS Foundation Trust **Annual Report and Accounts 2022–23**



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Lancashire Teaching Hospitals NHS Foundation Trust  
**ANNUAL REPORT AND ACCOUNTS 2022–23**

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





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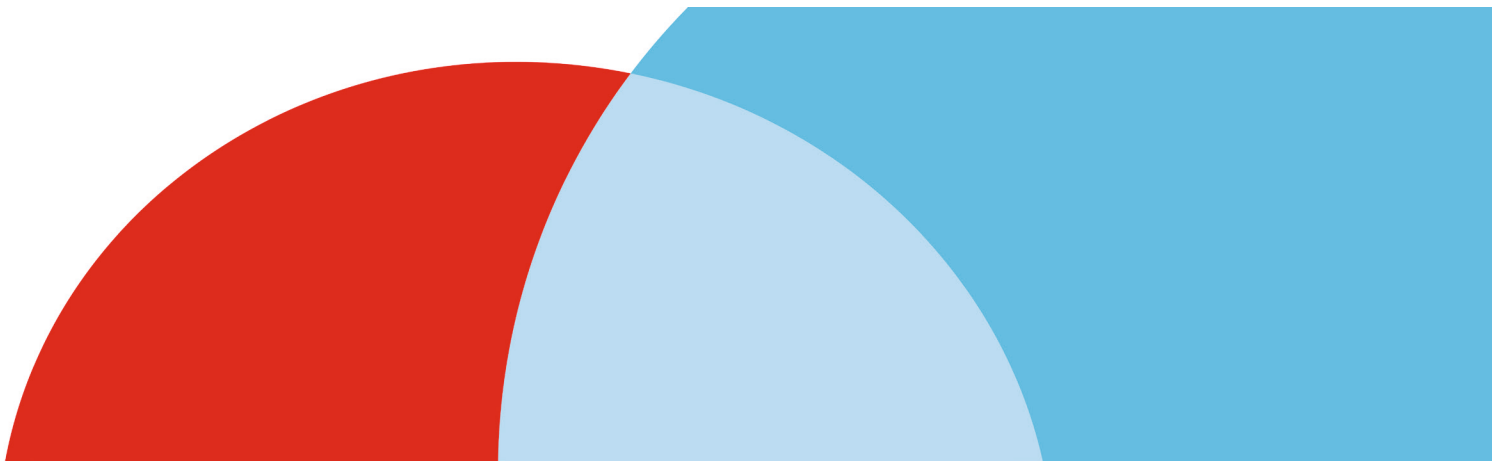
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[www.lancsteachinghospitals.nhs.uk](http://www.lancsteachinghospitals.nhs.uk)



## CHAIR'S AND CHIEF EXECUTIVE'S WELCOME

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**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 2022–23 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 through our developing Provider Collaborative strengthens the need for further collaboration to drive up quality, standardise best practice and reduce unwarranted variation and duplication. The establishment of the Lancashire and South Cumbria Care Board (ICB) in July 2022 also strengthens this system-wide working, making sure our communities all have the same access to services and get the same outcomes from treatment.

A heartfelt thank you also goes out to our local communities who have once again displayed extraordinary support towards our hospitals. Our new Patient Experience and Engagement Strategy aims to harness this support, working with communities to deliver better and improved care across our hospitals. This includes our extended Trust family made up of volunteers and governors who have given an enormous amount of their time and assistance.

Part of the legacy of the COVID-19 pandemic is that performance across the board, both emergency and elective, has been impacted as with operational pressures and infection prevention and control measures experienced through the year. Despite this, the Trust has continued to make progress on the restoration of services, particularly elective restoration to eliminate 104+week waits, which we are pleased to say is on track to deliver, with a number of important measures and accolades helping towards compliance against expected standard. We do of course appreciate how difficult and distressing it can be for those waiting for appointments and treatment and remain committed to delivering improvements at pace.

Due to reducing pressures from COVID-19, we were pleased to close the Nightingale Surge Hub situated at Royal Preston Hospital, and to reduce infection prevention and control measures across the Trust in line with Government guidance. Although 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.

To help our elective recovery, colleagues have gone the extra mile to establish the Community Healthcare Hub at Finney House, providing 64 health-led time-limited community beds, reducing pressure on our hospitals as a result. Alongside this, the establishment of an Acute Assessment Unit has seen reductions of time spent in the Emergency Department and new Virtual Ward pathways have also helped ease capacity within our hospitals. Teams across the Trust were instrumental in helping to get these new facilities up and running and we must recognise the significant volume of additional work undertaken during this period.

A wide range of other major service developments were undertaken during the year, particularly at Chorley and South Ribble Hospital where the Elective Care Hub was accredited with 'Getting It Right First Time' (GIRFT) status. As one of only eight surgical hubs in England, it means that we can ensure the highest standards in clinical and operational practice. Meanwhile, Royal Preston Hospital has seen the opening of Skylark, an 11-bed mental health ward run by staff from Lancashire and South Cumbria Foundation Trust, meaning patients can be closer to home and their loved ones whilst they are getting treatment.

The de-escalation of COVID-19 meant we were able to close the doors of Preston's largest vaccination centre, after vaccinating over 200,000 people to protect against the virus. The staff testing POD also closed its doors, having performed tens of thousands of PCR swabs for colleagues, helping to identify and confirm thousands of positive results to avoid nosocomial infections within our hospitals. You can read about this and all our Major Service Developments on page 52.

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 August we celebrated ten years of our Major Trauma Centre, which has since helped to treat over 11,500 patients with life-threatening or life-changing injuries. We have also been developing existing facilities for our colleagues, including a fantastic new restaurant and relaxation space in Charters Restaurant at Royal Preston Hospital.

During the year we have been pleased to celebrate the numerous achievements of our colleagues and departments – many of whom 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 launched its second Continuous Improvement Strategy, with implementation of the first year of the strategy being delivered throughout the year. Following the success of the Always Safety First Strategy, we are now developing a Phase II approach which focuses much more on the scale and sustainability of our improvements, which will combine learning and new methods to deliver rapid testing and development of change solutions. Over the last 12 months we have also embarked on a new approach to deliver system-level improvement across our Lancashire and South Cumbria ICS. You can read more about CI on page 37.

Alongside this improvement, the Trust is also working towards delivering a net zero NHS, approving a three-year Green Plan in support of the NHS strategy. This means that we will be looking to use more sustainable models of care, increase digital transformation, develop longer-term plans to decarbonise our sites, as well as introducing sustainable waste management systems alongside much more.

Education and Training continues to play an important role in supporting the development of our current and future workforce at Lancashire Teaching Hospitals, providing opportunities for NHS careers from all backgrounds and abilities. We continue to be amongst the top performing training providers in the North and were pleased to receive a rating of Good in August 2022 from OFSTED. Innovative ideas to bolster the nursing and medical workforce have also come into fruition over the last year, such as our partnership with UCLan University to introduce an innovative Practice Based Pathway which offers a unique entry route into nursing. More about education can be seen on pages 78 to 82.

As we now look towards the future, we were delighted to hear that the Government has announced a record investment of more than £20 billion, ring-fenced for the next phase of the national New Hospital Programme, which brings proposals for new cutting-edge hospital facilities for Lancashire and South Cumbria a step closer with plans to replace Royal Preston Hospital and Royal Lancaster Infirmary as part of a rolling programme of national investment in capital infrastructure beyond 2030. There is still further work to be completed in this area but we can now look forward with confidence to planning for our new hospital.

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. The five local NHS Trusts and the Integrated Care Board are working together 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.

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



A handwritten signature in black ink, appearing to read 'P. O'Neill'.

**Professor Paul O'Neill**  
**Acting Chair**  
27 June 2023



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

**Kevin McGee OBE**  
**Chief Executive**  
27 June 2023

Lancashire Teaching Hospitals NHS Foundation Trust

# PERFORMANCE REPORT 2022–23

# OVERVIEW OF PERFORMANCE

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**The purpose of this report is to inform the users of the Trust of its 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 87 to 90.

The accounts contained within this report have been prepared under a direction issued by NHS Improvement (NHSE) under the National Health Service (NHS) 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
- accommodation for persons who require nursing or personal care

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 four facilities:

- Chorley and South Ribble Hospital
- Royal Preston Hospital
- the Specialist Mobility and Rehabilitation Centre (based at Preston Business Centre)
- Finney House Community Healthcare Hub

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, 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 (ICS) specialist hospital.

When we were established in 2005, we were the first Trust in the country 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 National Institute for Health and Care Research (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 the general 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 have an important role in making the Trust publicly accountable for the services it provides. They bring valuable perspectives and hold Non-Executive Directors to account for the performance of the Board.



## Integrated Care System in Lancashire and South Cumbria

The Trust is part of the Lancashire and South Cumbria ICS. The role of the ICS is to join up health and care services, improve people’s health and wellbeing, and to make sure everyone has the same access to services and gets the same outcomes from treatment. The ICS also has the duty to monitor and manage how money is spent and make sure health services work well and are of high quality.

Lancashire and South Cumbria ICS has a clear vision outlining a strong community focus working in harmony with a high performing hospital system. To achieve this the Lancashire and South Cumbria ICS supports multi-professional teams across health and social care working within agreed protocols and pathways and within aligned financial incentives to deliver clear and mutually agreed goals and targets for the benefit of local communities.

## Integrated Care Board in Lancashire and South Cumbria

The Lancashire and South Cumbria Integrated Care Board (ICB) was formally established as a new statutory body on 1 July 2022, replacing the eight Clinical Commissioning Groups (CCGs) across Lancashire and South Cumbria.

Although a new organisation, the ICB aims to build on the successful work by all the health and care organisations operating within Lancashire and South Cumbria, including CCGs, over the last few years. The role of the ICB is to undertake scrutiny and oversight of the ICS.

The Chief Executive of the Trust sits as a partner member on the ICB.



## Our principal issues and risks

The Trust continues to identify potential risks to achieving its strategic aims and ambitions as part of established organisational governance processes. The Board Assurance Framework (BAF) is used to identify the strategic risks to the Trust alongside actions being taken to mitigate them. This enables the Board of Directors to evaluate whether there are the appropriate systems, policies, and people in place to operate in a manner that is effective in driving the delivery of the Trust's objectives.

During 2022–23, there were six principal risks:

Risk	Risk ID	Risk Summary	
Risk to delivery of Strategic Aim to drive health innovation through world class Education, Training & Research.	860	There is a risk that we are unable to deliver world class education, training and research due to challenges in effectively implementing high quality, appropriately funded and well-marketed education, training and research opportunities due to a range of internal and external constraints. This impacts on our ability to develop our reputation as a provider of choice sustaining our position in the market, supporting business growth and retaining our status as a teaching hospital.	
Risk to delivery of the Trust's Strategic Aim of Providing a Range of the Highest Standard of Specialised Service	859	There is a risk to the Trust's ability to continue delivering its strategic aim of providing high quality specialist services due to integration and reconfiguration of specialist services across the ICS. This may impact on our reputation as a specialist services provider and commissioning decisions leading to a loss of services from the Trust portfolio and further unintended consequences affecting staff and patients	
Risks to delivery of Strategic Aim of providing outstanding and sustainable healthcare to our local communities	Risk to delivery of Strategic Ambitions.. Consistently Delivering Excellent Care	855	There is a risk that we are unable to deliver the Trust's strategic aim of offering excellent health care and treatment to our local communities, as well as the strategic objective of consistently delivering excellent care due to: a) Availability of staff b) High Occupancy levels c) Fluctuating ability to consistently meet the constitutional and specialty standards and d) Availability of some services across the system e) Existing health inequalities across the system This may, result in adverse patient outcomes and experiences.
	Risk to delivery of Strategic Ambitions.. Great Place to Work	856	There is a risk to the delivery of the Trust's Strategic ambition to be a great place to work due to the inability to offer a good working environment; inability to treat staff fairly and equitably; poor leadership; inability to support staff development. This could lead to staff losing confidence in the Trust as an employer and result in poor staff satisfaction levels, impacting on the organisations reputation and culture subsequently affecting the ability to attract and retain staff, causing key workforce shortages, increasing the use of temporary staffing and poor patient care.
	Risk to delivery of Strategic Ambitions.. Deliver Value for Money	857	There is a risk that we are unable to deliver the Trust's strategic objective 'deliver value for money' due to the inability of the Trust to transform given the range of internal and external constraints (relating to complex models of care, workforce transformation, planning processes, capital resources and dealing with high levels of backlog maintenance) which could result in a failure to move toward segment 2 of SOF and less than a 'good' rating from the use of resources of inspection.
	Risk to delivery of Strategic Ambitions.. Fit For the Future	858	There is a risk to the delivery of the Trust's Strategic Objective to be fit for the future due to the challenges of effectively implementing and developing Place and System (i.e. Integrated Care System and Provider Collaborative) level working we fail to deliver integrated, pathways and services which may result in Lancashire Teaching Hospitals no longer being fit for purpose and our healthcare system becoming unsustainable.

All principal risks are reported to the Board of Directors and to the relevant aligned Committees of the Board. Principal risks are reviewed to consider the effectiveness of controls, assurances and mitigation plans to support the achievement of the target risk score, as determined by the Trust's risk appetite set and approved by the Board.

In addition to the principal risks identified, during 2022–23 there have been four operational high risks escalated to the Board within the BAF, these are:

- **Impact of exit block on patient safety** which has been escalated to the Board via the Safety and Quality Committee since December 2020 but remains a risk with long lengths of stay in the Emergency Department and high ambulance handover times. To mitigate this risk, Standard Operating Procedures are in place which describe the processes for patient reviews, reporting of patient harm incidents and associated clinical governance arrangements. These procedures have been supplemented with a series of actions, including virtual wards, frailty, therapy pathway improvements and an increase in community bed base through the acquisition of Finney House Community Healthcare Hub, which are reflected within the urgent and emergency care transformation plan and reported to the Finance and Performance Committee. Monthly safety forums are also in place to identify further opportunities to improve flow and reduce long waits in the Emergency Department.
- **Elective restoration following the COVID-19 pandemic** which has been escalated to the Board via the Safety and Quality Committee since June 2021 with patients continuing to wait for a significant amount of time to receive non-urgent surgery. Plans remain in place to eliminate 104+ week waits and reduce waits with weekly reviews to oversee achievements and ensure performance against the trajectory is on track to deliver.

- **The impact of strikes on patient safety following announcement of the national pay award and the probability of ongoing strikes** which has been escalated to Board via the Safety and Quality Committee since October 2022. Over the last 12 months, strikes have taken place for nursing, ambulance, and physiotherapists but further strikes are suspended at the end of March 2023. This is due to a negotiated pay offer for Agenda for Change staff under review by union members. In March 2023, the Trust has also experienced a 72-hour consecutive period of strike action from junior doctors, with further strikes planned. The risks associated with ongoing strikes called across differing profession cohorts have been effectively managed in partnership with Staff Side, workforce, and clinical leaders at the Strike Action Emergency Planning Group with evidence of significant planning undertaken and learning implemented from previous strikes.
- **Impact of COVID-19** which was re-escalated to Board in December 2021. This risk was de-escalated in October 2022 following a recommendation from the Safety and Quality Committee, as the COVID-19 step-up, step-down criteria designed by the ICS Director of Infection Prevention and Control and Medical and Nursing Directors had been met. The guidance was also considered in detail by medical and nursing leads in the Trust to ensure teams had been involved in shaping how the new guidance was implemented in practice which led to a reduction in the risk.

The Annual Governance Statement, contained on pages 93 to 110, further outlines the Trust's approach to risk management. The Trust continues to support risk mitigation strategies 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 within the organisation. The Trust continues to perform well against a number of standards and metrics (please refer to the separate Quality Account 2022–23 on the Trust website for full details). However, it is acknowledged that there has been underperformance in some key metrics including, but not limited to Clostridium difficile, hospital acquired pressure ulcers and the 12-hour Emergency Department metrics. The Trust remains focused on embedding a continuous improvement approach within the organisation and continues to work closely with system partners where support is required externally.

## Our performance

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

The NHS continued to face significant challenges in 2022–23 and like all other NHS Trusts, Lancashire Teaching Hospitals 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 and 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 increased 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 remained high throughout the year. This, together with both influenza and COVID-19 demand resulted in significant capacity and demand pressures. Workforce capacity to undertake elective activity was also impacted by sickness absence and industrial action throughout the latter part of the year.

A health economy system-wide action plan is in place to address the urgent care system and pressures; with identified primary, community and social care initiatives/schemes delivering a level of sustainability across the health economy. In 2022–23 the Trust took a lead role in bringing together operational delivery of the system-wide urgent and emergency care programme. This included the following key transformational work streams identified and prioritised by all system partners: a Community Healthcare Hub at Finney House, providing health-led community bed capacity, the introduction of Virtual Wards, and additional Home First capacity and crisis hours to support people to stay safe at home and to expedite timely discharge from hospital.

Since the beginning of the COVID-19 pandemic the Trust has put in place a range of measures that continued into 2022–23:

- Additional medicine bed capacity to meet increased demand.
- Re-zoning of our estate to meet infection prevention and control requirements.
- Delivery of Same Day Emergency Care (SDEC).
- Additional Intensive Therapy Unit surge beds with additional staffing through redeployment.
- Nightingale Surge Hub capacity to support increased demand as a result of the Omicron variant of COVID-19.

During 2022–23 the Trust has:

- Stood down the Nightingale Surge Hub and established the Community Healthcare Hub at Finney House, providing 64 health-led time-limited community beds, reducing medicine bed capacity in hospital as a result.
- Reduced infection prevention and control measures, in line with guidance.
- Established an Acute Assessment Unit to reduce time spent in the Emergency Department and reflect the changes to zoning put in place during COVID-19.
- Launched Virtual Ward pathways for Frailty, Respiratory and Acute Medicine.
- Increased internal escalation measures, including Full Capacity Protocol to support ambulance handovers and capacity in the Emergency Department.

These actions have all helped to support the Trust during these unprecedented times. However, the Trust has failed to achieve its objectives in relation to a range of measures within the risk assessment framework, including the 4-hour standard for Accident and Emergency (A&E), the 18-week incomplete access target, and the 62-day cancer treatment standard. The significant growth in the number of long waiters in both referral to treatment and cancer pathways was directly impacted by the COVID-19 pandemic and the reduction in elective activity during the peak periods of the pandemic with the prioritisation of urgent elective activity as part of the elective restoration plan. 2022–23 has focused on recovery and significant progress has been made with both cancer 62-day performance and reductions in our longest waits to no more than 78 weeks. After a downturn in performance during the course of 2022–23, the Trust's position against these indicators is improving with elimination of waits over 104 weeks unless patients are choosing to wait longer for treatment.

## 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. The Trust has not been informed by NHS England (NHSE) that there is any prospect of its dissolution within the next 12 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.

The Trust remains in a deficit position and will need to work with its partners across the local healthcare system, Provider Collaborative Board (PCB) and the ICB to achieve efficiencies, and maximise the use of its assets to achieve a sustainable financial balance.

# Performance Analysis

The summary position detailing performance in 2022–23 is shown in the table below:

## ANNUAL REPORT 2022–23 KPI'S 2022–23 COMPARED TO 2021–22

Indicator	2021–22	2022–23	Current Period
A&E - 4 hour standard	78.3	75.3	% - Cumulative to end Mar 2023 Position includes both ED and UCC locations.
Cancer - 2 week rule (All Referrals) - New method	77.7	58.6	% - Cumulative to end Mar 2023
Cancer - 2 week rule - Referrals with breast symptoms	54.6	82.2	% - Cumulative to end Mar 2023
Cancer - 31 day target	87.2	83.3	% - Cumulative to end Mar 2023
Cancer - 31 Day Target - Subsequent treatment – Surgery	72.4	59.3	% - Cumulative to end Mar 2023
Cancer - 31 Day Target - Subsequent treatment – Drug	99.3	96.8	% - Cumulative to end Mar 2023
Cancer - 31 Day Target - Subsequent treatment -Radiotherapy	97.7	82.3	% - Cumulative to end Mar 2023
Cancer - 62 day Target	55.8	43.2	% - Cumulative to end Mar 2023
Cancer - 62 Day Target - Referrals from NSS (Summary)	58.6	29.2	% - Cumulative to end Mar 2023
28 day faster diagnosis standard – compliance	72.0	57.5	% - Cumulative to end Mar 2023
MRSA	1	0	Cumulative to end Mar 2023
C.difficile Infections	129	196	Cumulative to end Mar 2023
18 weeks - Referral to Treatment - % of Incomplete Pathways < 18 Weeks	58.5	50.5	% - sum of Apr- Mar 2022–23
% of patients waiting over 6 weeks for a diagnostic test	45.07	50.44	% - Cumulative to end Mar 2023

During an unprecedented year for urgent and emergency care demand, performance against the 4-hour standard has been above the national average for most of 2022–23. Performance against cancer indicators has been challenged during the course of 2022–23, however, a significant transformation programme is now in place that has seen the Trust's performance start to recover during the latter part of the year.

## Our finances

### Income Generation

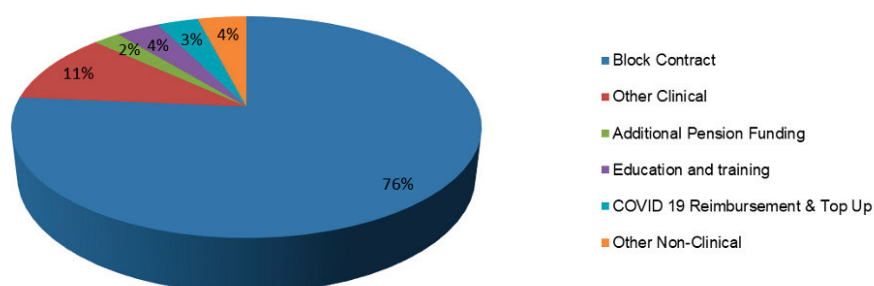
As a consequence of the COVID-19 pandemic income from commissioners was received through a block contract basis to minimise the financial effect of reduced patient activity.

During 2022–23 the Trust generated income from patient care, including through a block contract of £689m (2021–22: £660m), an increase of 4% from 2021–22.

The Trust received reimbursement and top up funding of £3m (2021–22: £22m) to cover the additional costs associated with the COVID-19 pandemic and the restoration of elective activity.

A further £79m (2021–22: £61m) was generated from other income sources which includes training levies, research funding, car parking, catering, and rental outlets and from providing services to other organisations.

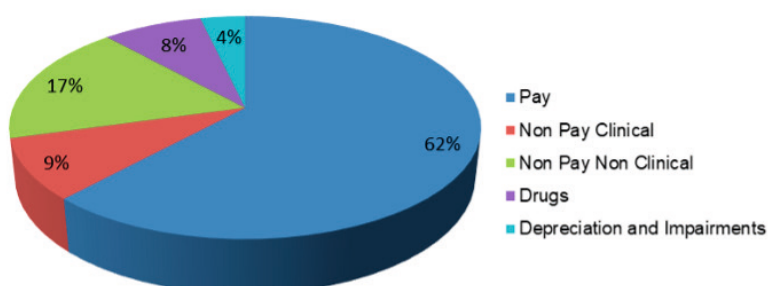
Income Analysis



### Expenditure

Operating expenditure (excluding impairments) for the year was £779m (2021–22: £743m), the chart below shows the main categories of expenditure at the Trust. The main reason for the rise in costs can be attributed to the additional Agenda for Change pay award and restoration of elective and outpatient activity.

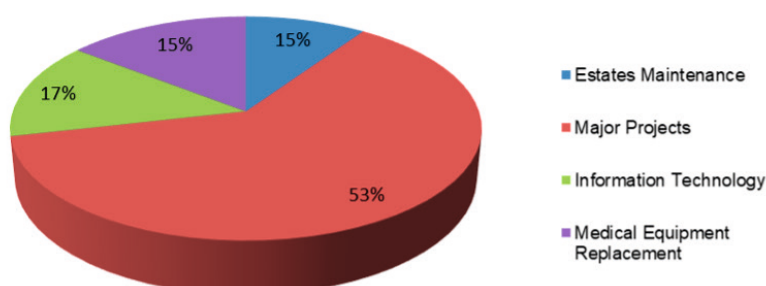
Expenditure



### Capital Investment

In 2022–23 £50m excluding leases (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 new facilities to increase elective capacity such as the Cuerden Ward, additional procedure rooms, additional Endoscopy capacity, and an additional theatre. £9m was spent on new and replacement medical equipment.

Capital Expenditure





## Forward Look

The operational and financial planning process for 2023–24 has been developed in line with the expectations set out in the national planning guidance. The key focus of the guidance is to:

- 1. Recover core services and productivity.**
- 2. Make progress in delivering the key ambitions in the Long-Term Plan.**
- 3. Continue transforming the NHS for the future.**

The key requirements of that national guidance include the following:

- Improve A&E waiting times to >76% of patients seen within 4 hours by March 2024.
- Reduce general and acute bed occupancy to 92% or below.
- Eliminate waits of over 65 weeks for elective care by March 2024.
- Reduce the number of patients waiting over 62 days for cancer treatment.
- Deliver a balanced net system financial position for 2023–24.

The Trust's financial plans for 2023–24 have been based on the 2023–24 national planning guidance. The overriding principle for 2023–24 is that systems are expected to deliver a balanced net financial position for 2023–24. The key areas of the planning guidance are:

- ICBs and NHS primary and secondary care providers are expected to work together to plan and deliver a balanced net system financial position.
- Plans must be triangulated across activity, workforce, and finance.
- £3.3bn in 2023–24 and 2024–25 for the NHS to 'respond to current pressures' with two-year revenue allocations in 2023–24 and 2024–25.
- Total ICB allocations nationally (including COVID-19 funding reduction and increases to elective recovery funding) are flat in real terms.
- Additional funding available to expand capacity where it is warranted – elective care and the move back to a Payment by Results system. In part cash associated with the 25% improvement in outpatient follow ups is also reprioritised. Failure to reduce activity in this area will result in a net pressure (total estimated value £10m).
- Capital allocations will be increased by £300m nationally – prioritised for systems that deliver agreed plans in 2022–23.
- Contract default (between ICBs and providers) – elective inpatients and day cases together with outpatient procedures, outpatient first attendances, diagnostic imaging and chemotherapy delivery will all be subject to a volume-based tariff. A block payment will be applied to outpatient follow ups.
- Provider activity targets agreed through allocating the Elective Recovery Fund on a fair shares basis to systems. It has been confirmed that against a 2019–20 baseline, the Lancashire and South Cumbria system target for elective activity is a 108% (average) increase across 2023–24: 112% by 31 March 2024. Lancashire Teaching Hospitals currently sits at c99% against the 2019–20 base (the planned level of activity for 2022–23 was 104%).
- NHSE will cover the additional costs of elective care where systems exceed agreed activity levels.

The Trust's financial plan for 2023–24 has been agreed as part of the wider Lancashire and South Cumbria ICB system plan with an allowable deficit plan of 'better than £100m'. All parties in the system agreed a range of measures aligned to that deficit plan. To build a financially sustainable Trust for the future, there will be a renewed focus on cost improvement and service transformation during 2023–24. A cost improvement target of 5.5% for 2023–24 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. Due to the range of additional pressures over and above this 5.5% plan the Trust is developing a three-year Financial Improvement Plan. In this context it is expected that the Trust will need to work with system partners to resolve the balance of 'unfunded infrastructure'. Performance against the Financial Improvement Plan will be reported monthly to the Finance and Performance Committee. The Trust continues to work in partnership within the ICS and Central Lancashire Integrated Care Partnership and is part of the New Hospitals Programme looking at site development in future years.

## Better Payment Practice Code

We aim to treat all suppliers ethically and to comply with the Better Payment Practice Code (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 2022–23 we paid 96% of invoices to this timescale.

	NHS		NON-NHS		TOTAL	
	No.	Value £'000	No.	Value £'000	No.	Value £'000
Invoices paid within 30 days	2,302	128,554	81,860	410,688	84,162	539,241
Invoices not paid within that 30 day period	627	4,167	15,710	19,689	16,337	24,000
<b>Total Invoices</b>	<b>2,929</b>	<b>132,721</b>	<b>97,570</b>	<b>430,377</b>	<b>100,499</b>	<b>563,241</b>
<b>BPPC</b>	<b>78.6%</b>	<b>96.9%</b>	<b>83.9%</b>	<b>95.1%</b>	<b>83.7%</b>	<b>95.8%</b>
Total amount of any liability to pay interest	0	0	7	1	7	1

## Reconciliation of underlying trading position for year ending 31 March 2023

In 2022–23 the Trust received reimbursement funding which amounted to £3.2m (2021–22: £21.6m). The Trust delivered an accounting deficit for the year of £19.0m (2021–22: £11.2m). After adjustment for accounting movements relating to impairment charges and income and expenditure for donated assets, the Trust delivered a revised trading deficit of £20.8m (2021–22: £0.0m).

	Group	
	2022/23	2021/22
	£000	£000
Deficit for the year pre-Top-Up	(15,827)	(32,784)
Base Top-Up Income	3,176	21,589
Deficit for the year	(19,003)	(11,195)
Add back income and expenditure impairments	(1,426)	9,411
Add back losses on transfers by absorption	0	1,054
Remove net donated income	(763)	(1,086)
Remove DHSC centrally procured inventories (donated)	408	1,840
<b>Revised trading surplus/(deficit)</b>	<b>(20,784)</b>	<b>24</b>

## Being a Good Corporate Citizen

In 2022, the Trust Board approved a three-year Green Plan in support of the NHS Strategy on 'Delivering a net zero National Health Service'. The plan focuses on drivers of change and sources of carbon emissions across the Trust in 12 key areas which are shown below, along with a high-level summary of our key achievements in 2022–23:

### 1. Workforce and System Leadership

- (i) Sustainability workforce leads have been identified for each area of the Green Plan.
- (ii) We have developed a Trust-wide network of Sustainability Champions.
- (iii) An e-learning package has been developed for existing staff around sustainability and has been incorporated into the new starters' induction.

### 2. Sustainable Models of Care

- (i) Action has been taken to reduce the use of desflurane as an anaesthetic agent.
- (ii) Action has been taken to identify and reduce wasted medicines through optimising pharmacy stock management.

### 3. Digital Transformation

- (i) Increased video conferencing/teleconferencing to 25% of all outpatient clinics, through the implementation of Attend Anywhere across all of the Trust.
- (ii) Maintained high levels of Microsoft Teams meetings throughout the Trust.

### 4. Travel and Transport

- (i) Explored opportunities to transition to a fleet of electric vehicles and purchased an Electric Waste vehicle for onsite transfers within the Portering team. The Trust has also increased access to electric charging points to 18 locations across multiple sites. We are working closely with the NHS Carbon and Energy Fund to develop longer-term plans to decarbonise our sites in line with NHS targets.

### 5. Estates

- (i) Developed a sustainability policy and design criteria for new builds and refurbishments.
- (ii) The use of a sustainability decision-making tool for capital projects, including refurbishments and decommissioning, to encourage estate repurposing, material reuse, resource efficiency, and a culture of reducing raw material consumption.

### 6. Energy and Water

Over the last year we have seen significant increases in energy costs as a result of international geo-political issues. This has further emphasised the importance of reducing consumption. We have continued to invest in projects that will provide reductions in energy consumption, thus reducing carbon emissions and utility costs. During 2022–23 we have:

- (i) Made significant investment to improve our heating systems in order to reduce energy consumption, reduce carbon emissions, and save on energy cost.
- (ii) Continued to maximise the benefits of the Combined Heat and Power plants on our two hospital sites. The Trust uses this equipment to generate over 60% of its own electricity on site. This reduces the cost of purchasing electrical energy from the National Grid.
- (iii) Continued to purchase green renewable electricity from the National Grid for all our sites, thus reducing our carbon footprint.
- (iv) Continued to develop schemes to reduce water consumption, which provides financial benefits and reduces the Trust's carbon emissions. We have invested in equipment to better monitor water usage, to help identify areas of excessive usage, and assist in identifying leaks.
- (v) Installed energy efficient boilers to reduce our gas consumption, resulting in lower carbon emissions and reducing the overall cost to the Trust of purchasing gas.



- (vi) As part of our capital programme, constructed all new buildings and refurbished our existing estate to achieve higher levels of energy efficiency. For example, we invest in the use of low-energy LED lighting and install LEDs as standard in any new developments or refurbishment schemes. We also improve the insulation of buildings to reduce thermal losses resulting in reduced energy consumption, carbon emissions, and revenue costs.

In the coming year we will be undertaking further improvements to our buildings and infrastructure with the aim of reducing energy consumption.

## **7. Green Space and Biodiversity**

- (i) Identify an opportunity for mindfulness in nature within the psychological wellbeing service to deliver over the next financial year.
- (ii) Develop a green space and biodiversity plan, which includes outdoor seating.

## **8. Waste**

Waste production within our hospitals is now returning to more normal levels following the pandemic, which is allowing us to focus more on sustainable waste management systems.

- (i) All our non-clinical waste continues to be recycled or recovered, with zero waste to landfill.
- (ii) We have separate recycling streams for cardboard, plastic bottles, wood, metal waste, electrical and electronic equipment, batteries, mattresses, fluorescent tubes, confidential paper waste (following shredding), and cooking and engine oils.
- (iii) Food waste is recovered via anaerobic digestion and green waste from our grounds is composted.
- (iv) The Trust's reuse portal for furniture and equipment continues to grow in membership. This reduces waste volumes and disposal costs and also saves money from reusing rather than procuring new items.
- (v) We have contracted a local company to provide a re-upholstery service for various types of furniture, allowing more items to be reused rather than disposed of.

Over the next year the Trust will be implementing further waste management initiatives, including a new colour-coding system for clinical waste streams. This will ensure that we are not over-treating waste as well as moving to more cost-effective disposal routes. We will also be looking at how to further minimise food waste to reduce the amount we need to treat. We will be working with our suppliers and providers to review their sustainability policies and procedures. This must involve less reliance on single-use products, in particular plastics. A key element of making changes to our waste management systems will involve raising awareness and staff training, to encourage staff to think differently about waste and prioritise waste minimisation, reuse, recycling, and recovery.

## **9. Procurement**

- (i) Whole life cost and Social Value are now included in every procurement and for carbon reduction plan procurements over £5m require suppliers to either have plans in place or aspirations to achieve targets.

## **10. Food and Nutrition**

- (i) The Trust promotes healthy and nutritious plant-based meal options and reduce the consumption of animal products in our food outlets as much as possible.
- (ii) The Trust recycles kitchen waste materials including cooking oils and packaging wherever possible.

## **11. Adaptation**

- (i) The Trust has incorporated climate change adaptation into our corporate risk register.

## **12. Our Approach**

- (i) The Trust has established a process to seek ideas from staff on how to improve our environmental and sustainability performance, through the sustainability hub and sustainability newsletter.

## Social, community and human rights

The Widening Participation team continues to provide career inspiration and opportunities for employment to our local community. The team run several events and programmes that provide support, information, advice, and experience for those who are at a disadvantage to others and who aspire to a career in the NHS. By working collaboratively with the ICB and organisations such as local colleges, Department for Work and Pensions (DWP), Prince's Trust, Lancashire County Council, children in care charities and SHOUT business networking group, we can ensure we cast the net wide to be as inclusive as possible and target those who may need additional support.

Many of our departments have supported our work familiarisation programme for over 14 years now. Students with learning difficulties from local colleges and supported educational organisations attend timetabled activities to learn about different job roles. Some sessions include a 'behind the scenes' tour. Sessions are delivered by colleagues from departments that include security, portering, catering, healthcare, radiography, linen services, and domestic services. This programme runs twice a year at both Preston and Chorley sites with approximately 60 students completing it every 12 months. Nearly 1,000 students have completed this programme to date and some have gone on to find employment at the Trust.

Every programme ends with a celebration where students receive a recognition award for their commitment. The programme continues to be extremely popular and very successful with both the Trust and the Colleges involved.

We have recommenced our commitment to offer work experience placements to people of all ages across Chorley, Preston and South Ribble following a break due to COVID-19. Prior to COVID-19 we offered over 700 individual placements per year, and we are currently working hard to achieve these figures again. Since reinstating work experience in November 2022, we have placed 80 students on work experience and have a further 35 starting in May 2023. We are also supporting college curriculum by providing T-level students with work-based hours as part of their study programme, in particular health and social care students. As of September 2023, we will be expanding this offer to those studying sciences and IT. Students who are studying health and social care at college and complete 100 hours of work experience with us are offered the opportunity to join our Healthcare Assistant bank. Many of them want to go on to do their nurse training, therefore supporting them on their career pathway is essential to their success and to the Trust's workforce plans.

Since becoming a training provider for apprenticeships, the Trust has continued to exceed the public sector target for new starts each year. We continue to be amongst the top performing training providers in the North and achieved an Office for Standards in Education, Children's Services and Skills (OFSTED) rating of good in August 2022. We offer a growing range of apprenticeships for both clinical and non-clinical roles in occupations from accountancy to pre-nursing. Apprenticeship programmes delivered by the Trust and by external providers during 2022–23 include:

- Nursing Associate
- Accountancy Taxation Professional
- Senior Healthcare Support Worker
- Adult Nursing
- Learning Mentor
- Business and Administration
- Pharmacy
- Pathology Laboratory Technician
- And many more

As an approved apprenticeship training provider for five years, we have grown from strength to strength which is demonstrated in our achievement rates. We are consistently performing above the national average with an achievement rate of 78.2% in 2022 against the national average of 58.3%.

Our Level 3 Learning Mentor apprenticeship offers a formal qualification to qualified staff nurses who supervise students, new and junior staff members. The apprenticeship supports the strengthening of communication skills and provides new knowledge and skills on how to mentor and support learners in the workplace. Some

of these learning outcomes help address CQC recommendations as well as being recognised as demonstrating best practice for other NHS organisations. Since the apprenticeship began in October 2018, Lancashire Teaching Hospitals has proudly supported 185 employees to become accredited Learning Mentors, 65 of which have already advanced in their careers by gaining a promotion or taking on additional responsibilities within their role. This is 35% of graduates in four years.

Our Level 3 Senior Healthcare Support Worker apprenticeship offers a recognised qualification and provides training and development as part of the career pathway for Healthcare Assistants. This apprenticeship is recognised as an entry qualification into adult nursing with Bolton University or Trainee Nurse Associate programme with the University of Central Lancashire. We currently accommodate four cohorts of 20 each year with an excellent achievement rate of 82.1%.

We are scoping further opportunities for apprenticeships and aspire to deliver to external partners within the next 12 months.

We have continued to offer the Preston Widening Access Programme which supports young people to access a career as a doctor. This is another extremely popular and successful programme that offers places to A-level students from our local colleges and sixth forms who meet the widening participation criteria following an application process. This programme is in its ninth year and continues to be popular, providing a much-needed pipeline into a career in medicine.

Our 'Careers in the NHS' event has continued as an annual event, which is run at both Preston and Chorley sites, where over 30 of our departments, both clinical and non-clinical, provide activities and give careers guidance to high school and college students. These events are hugely successful seeing hundreds of students and prospective employees through the door. We are also continuing to support careers events, provide careers advice, deliver assemblies and attend 'mock interview' days at local schools and colleges.

The Trust is committed to providing opportunities for NHS careers to people from all backgrounds and abilities. As a large employer we are also committed to supporting the unemployed in the local community back into work. The Trust has proudly run the pre-employment programme since 2013. By working with partners including DWP, Community Gateway and Prince's Trust we offered 20 people places on the programme which has run twice since January 2022. This programme runs for eight weeks and feeds into recruitment deficits within the Trust. The programme consists of a mixture of classroom and work-based learning and is tailored for the area where employment opportunities will be available upon successful completion. Every successful candidate will be guaranteed employment either on the bank or in a substantive post. In 2022, 32 candidates gained employment at the Trust.

Last year we made an addition to the pre-employment programme through the introduction of 'Reboot', for candidates who are a little more work ready but still need support to enable them to get through the application and interview process. 'Reboot' provides taster days in an area of choice subject to vacancies and qualification requirements, and this supports organisational recruitment and retention, providing candidates with knowledge of job roles so they are making an informed decision upon application. In 2022 we delivered this programme twice with 22 candidates completing the programme successfully. All candidates found employment across healthcare and hotel services such as catering services, portering and security.

In 2023 we also launched 'Ready, Steady, Apply', a two-week programme to support those who are work ready but find the application process and interview a barrier to employment. The programme aims to provide candidates with the skills and confidence to complete the recruitment processes successfully.

The Learning Inspirations for Future Employment (LIFE) Centre continues to be a popular choice of venue hosting a variety of activities including visits from schools and colleges, networking events with our NHS partners, training nurses and healthcare assistants as well as hosting all our widening participation activity, inspiring the local community into NHS careers. LIFE is managed by the Widening Participation team and widening participation activity has increased significantly since the opening of LIFE. By running these programmes, we are able to ensure the Trust fulfils its social responsibility including community engagement, aiding social mobility, equality and diversity and promotes the Trust as an employer of choice. Programmes prepare learners giving them the knowledge and experience needed to be recruited into vacancies at the Trust aiding recruitment and retention and helping to reduce agency costs.

In early 2023 our organisation achieved the Level 1 social value quality mark, providing an opportunity to ensure added value as an anchor institution. Development of key value indicators, under the principle of health and wellbeing as part of this process, has enabled clear identification of our priorities and has confirmed our commitment to social value within our health and wellbeing plan.

As an anchor institution, we have an important role in engaging with our local partners and organisations, working alongside them to address health, social and lifestyle issues. Examples of progress in the last year include:

- Our Health and Wellbeing team has registered and joined Preston Wellfest, a network of health and wellbeing organisations that are based and/or work in Preston. Wellfest is coordinated by Lancashire County Council and members range from large organisations to small businesses and individual members. As part of our role in the network so far, we have committed to deliver three free training courses in 2023 for network members covering Menopause, Make Every Contact Count, and an Introduction to Cognitive Behavioural Therapy Skills.
- We have connected with Let's Grow Preston, an award-winning, community-based, charitable organisation promoting volunteer opportunities and aiding recovery through social therapy. There are opportunities for us to signpost colleagues to the charity who may benefit from involvement as part of a recovery programme, and this will also benefit Let's Grow through additional promotion of their work.
- To support availability of healthy, affordable nutritional options at our hospital sites, we have introduced a weekly fruit and vegetable stall at both hospitals. The stall is open to both colleagues and patients and has been facilitated in partnership with a local trader.

Health promotion has a significant ability to raise awareness of health conditions and seeks to prevent future diagnosis of serious diseases, particularly for individuals with increased risk factors. We have therefore delivered a range of health and wellbeing campaigns aimed at preventing health inequalities within the workforce. This includes a health check programme specifically for colleagues at higher risk of developing serious illness as a result of COVID-19 infection. Health checks offered include Vitamin D screening, COVID-19 antibody testing, blood pressure checks, opportunities for confidential conversations and a lifestyle questionnaire. 251 colleagues participated in this programme as a whole, with a further 204 accessing blood pressure checks. We are pleased to have been able to signpost a number of colleagues requiring further monitoring or guidance to their GP, highlighting the value of proactively supporting the wellbeing of our workforce.

## 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 its employees, patients, visitors, and anyone who may be affected by Trust activities by ensuring the Trust is 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 overall responsibility for leading and implementing health and safety arrangements rests with the Chief Executive and the Board of Directors. The Board fulfils its obligations through the designated Director responsible for health and safety – the Chief Nursing Officer. The Director of Estates and Facilities has management responsibility for physical health and safety and the Associate Director of Safety and Learning for delivering health and safety governance.

The Trust has an appointed Health and Safety Manager who is the designated Trust competent person with the necessary qualifications as defined in the requirements of the Management of Health and Safety at Work Regulations and they have a significant remit of reviewing and managing health and safety governance operationally across the hospital sites. The Health and Safety Manager is supported by a number of subject-matter experts within the Trust and through a number of responsible officers whose role it is to co-ordinate and lead health and safety within their own particular area or service. These roles are supported with a programme of training to further upskill the Trust in health and safety management.

Health and safety reports into two key groups that monitor delivery and compliance across the Trust. These are the Health and Safety Governance Group with membership comprising manager representatives from all the Trust's clinical divisions and key corporate teams. The Health and Safety Governance Group reports to the Safety and Quality Committee and is co-chaired by the Director of Estates and Facilities and the Associate Director of Safety and Learning.

The cycle of business for the Health and Safety Governance Group includes the following areas:

- Action plan progress including any inspections
- Audit schedule
- Fire safety
- Security
- Decontamination
- Violence-Prevention-Reduction Standard
- Incident reporting
- Health and safety
- Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
- Claims' update
- Occupational Health
- Compliance with relevant Safety Alerts
- Occupational Health update
- Moving and Handling update
- 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 Chair's report)
- Infection prevention and control (via Chair's report)
- Radiation Protection Committee (via Chair's report)
- Joint Consultative Committee (via Chair's report)

The Health and Safety Governance Group's activities continue to be strengthened and reinforced through wide engagement with stakeholders from external regulators and organisations, trade union representatives, staff, patients, and departments operating throughout the Trust.

The Health and Safety Joint Consultation Committee (HSJCC) 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 on the duty to consult. The meetings are productive with positive engagement from all. The Associate Director of Safety and Learning attends HSJCC meetings.

The Staff Side health and safety partnership lead is a member of both the Health and Safety Governance Group and the HSJCC and this further supports engagement and involvement of staff representatives with the health and safety governance agenda. Their remit is to:

- Raise the profile of health and safety representatives within the organisation, so that staff and managers understand and support the role, what it 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 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.
- Support implementation of specific actions related to Health and Safety Executive inspections.
- The Trust's commitment to health and safety improvement and performance monitoring has ensured the following key achievements:
  - ◇ Robust health and safety governance delivered by the Clinical Governance team and collaborative working with estates and facilities on the functions for health and safety.
  - ◇ A continued positive working relationship with regulators such as the Health and Safety Executive, the National Accreditation Body for the UK (UKAS), Lancashire Fire and Rescue Service, and the CQC.
  - ◇ Use of technologies to support and standardise inspections, risk assessments and audits. For example, use of the Alcumus Sypol Control of Substances Hazardous to Health risk management system and development of an electronic process for risk assessments.
  - ◇ Continued scrutiny of accidents, incidents and near miss events by the Health and Safety team and greater focus on shared learning.
  - ◇ Positive engagement with Staff Side representatives supported by a nominated Staff Side lead.

## 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**  
 27 June 2023

Lancashire Teaching Hospitals NHS Foundation Trust

# ACCOUNTABILITY REPORT 2022–23



# DIRECTORS' REPORT

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## **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 NHSE 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. Whilst the Board is balanced it has carried one vacancy during the year but its membership is appropriate to the requirements of the organisation.

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

## **Non-Executive Directors**

### **Professor Paul O'Neill, Interim Chair 1 September 2022 to 31 March 2023 (I)**

Appointment: 4 March 2019 to 3 March 2025

Paul is Professor Emeritus at the Manchester University and formerly a Consultant Physician at Manchester Foundation Trust 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. Paul is the Chair of the Trust's Education, Training and Research Committee.

Paul served as Senior Independent Director from 31 August 2019 to 31 July 2022. He was appointed Vice Chair from 4 August 2022 and on 1 September 2022 he was appointed Interim Chair of the Trust.

### **Tim Watkinson, Non-Executive Director (I)**

Appointment: 1 April 2016 to 31 March 2024

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 served as Vice Chair of the Trust until the end of July 2022 and was appointed as the Senior Independent Director (SID) on 20 September 2022. He continues as 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.

### **Tricia Whiteside, Non-Executive Director (I)**

Appointment: 9 September 2019 to 8 September 2025

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 mergers/acquisitions and leading upon significant business transformations. 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.

Since 1 September 2022 she has been Acting Vice Chair of the Trust.

### **Victoria Crocken, 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.

### **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 Chair 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. Ann is also the Trust's Board-level Maternity Safety Champion.

Ann resigned as a Non-Executive Director on 31 May 2023.

### **Kate Smyth, Non-Executive Director (I)**

Appointment: 4 February 2019 to 3 February 2025

Kate is 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 Research Collaboration and in 2019 was appointed to the North West Regional Stakeholder Network, established by the Cabinet Office

Disability Unit. In October 2020 Kate co-founded the Disabled NHS Directors Network, and was elected Co-Chair in March 2021. Kate is the Chair of the Trust's Charitable Funds Committee. In 2023 Kate was appointed to serve on the ICB People Board.

### **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.

## **Associate Non-Executive Directors (non-voting)**

### **Michael Wearden, Associate Non-Executive Director (I)**

Appointment: 10 June 2022 to 9 June 2024 (two-year fixed term)

Michael is a values-driven leader with significant strategic experience of working within the Third Sector, driving business transformation and managing diverse teams in the delivery of health-related programmes across the North West. He is currently Managing Director of Lancashire charity Red Rose Recovery, the largest Lived Experience Recovery Organisation in the country and has over 15 years' experience in developing and managing innovative programmes that support people of all ages, backgrounds and complex needs from across the UK to flourish and create a positive impact on individual wellbeing and life changes.

Michael is also Non-Executive Director for Lancashire-based CIC U-Develop and Founder and Director of MWD Consultants which supports various Health and Wellbeing, voluntary, community, faith and social enterprise (VCFSE) sector organisations from across the North of England to grow and thrive.

### **Peter Wilson, Associate Non-Executive Director (I)**

Appointment: 16 June 2022 to 15 June 2024 (two-year fixed term)

## **Executive Directors**

### **Kevin McGee OBE, Chief Executive**

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 period 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. On 1 July 2022 Kevin was appointed a partner member of the Lancashire and South Cumbria ICB.

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 (ICP).

### **Sarah Cullen, Chief Nursing Officer**

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, clinical governance, maternity, children and safeguarding. She is also a trustee of the post graduate education charity.

### **Gerry Skales, Chief Medical Officer**

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 Royal Preston Hospital in 1997 with an interest in treating lung and gynaecological 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, Chief People Officer**

Permanent post – appointment from 1 November 2011

Karen was appointed to the role of Director of Workforce and Education in November 2011 having previously worked as Associate Director of Human Resources Development in the Trust since 2001. In December 2018 she managed the Trust's strategic portfolio as Workforce, Education and Strategy Director until the appointment of a Director of Strategy and Planning in January 2022. 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. Outside of the Trust she is the Chair and Trustee of Derian House Children's Hospice.

### **Jonathan Wood, Chief Finance Officer/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.

## Executive Directors (non-voting)

### **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/NHSE. 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.

### **Stephen Dobson, 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.

### **Gary Doherty, Chief Strategy and Planning Officer**

Permanent post – appointment from 30 January 2022

Gary joined the Trust in February 2020 on a fixed term contract prior to permanent appointment in 2022. He 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 and Social Care.

### **Naomi Duggan, Director of Communications and Engagement**

Permanent post – appointment from 1 April 2020

Naomi joined the Trust in April 2020 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.

### **Jennifer Foote MBE, Company Secretary**

Permanent post – appointment from 1 July 2022

Jennifer joined the Trust in July 2022 and has extensive experience of corporate governance across the public sector, including working as part of the Further Education Commissioner's Team in the Department of Education as a National Leader of Governance. Jennifer was awarded the MBE in 2017 for services to governance.

## Board members whose term of office ended during 2022–23

The following Board member stepped down during 2022–23:

### **Professor Ebrahim Adia (Chair) (I)**

Appointment: 2 December 2019 to 1 December 2022

Ebrahim was appointed Vice-Chair of the newly formed Lancashire and South Cumbria ICS on 1 July 2022 and therefore stepped down from the Trust on 31 August 2022 to concentrate on this new role.

## 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, the Trust Nominations Committee oversees the process and makes recommendations to the Council as to appointments. 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. The procedure for removal of the Chair and other Non-Executive Directors is laid out in our Constitution which is available on our website or on request from the Company Secretary.

## Division of responsibilities

There is a clear division of responsibilities between the Chair and the Chief Executive. The Chair 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 Chair 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.

## Review of Effectiveness

All Non-Executive Directors completed satisfactory individual appraisals of their performance for 2022–23 in March 2023. This was reported through to Council in April 2023. Executive Directors undertook parallel reviews, reported through to the Appointments, Remuneration and Terms of Employment (ARTE) Committee.

A Committee effectiveness review is undertaken annually in order for the Board to receive assurance that all Committees have discharged their collective responsibilities. This is then reported through to an overall Board effectiveness review. An improvement and development plan for the Board is then drafted, with actions against this assessed as part of the review the following year.

## 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.

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.

## Board meeting attendance summary 2022–23

PRESENT	07/04/ 2022	09/06/ 2022	04/08/ 2022	06/10/ 2022	01/12/ 2022	02/02/ 2023	A	B	Percentage of meetings attended
VOTING NON-EXECUTIVE DIRECTORS									
Ebrahim Adia	P	Ab	P				3	2	67%
Victoria Croken	P	P	P	Ab	P	P	6	5	83%
Paul O'Neill	P	Ab	P	P	P	P	6	5	83%
Ann Pennell	P	P	Ab	Ab*	P	P	5	4	80%
Kate Smyth	P	P	P	P	P	P	6	6	100%
Tim Watkinson	P	P	P	P	P	P	6	6	100%
Jim Whitaker	Ab	P	P	P	P	P	6	5	83%
Tricia Whiteside	P	P	P	P	P	P	6	6	100%
VOTING EXECUTIVE DIRECTORS									
Faith Button	P	P	P	P	P	P	6	6	100%
Sarah Cullen	P	P	P	P	P	P	6	6	100%
Kevin McGee	P	P	P	P	P	P	6	6	100%
Gerry Skales	P	P	P	P	P	P	6	6	100%
Karen Swindley	P	P	P	P	P	P	6	6	100%
Jonathan Wood	P	P	P	P	P	P	6	6	100%
NON-VOTING ASSOCIATE NON-EXECUTIVE DIRECTORS									
Michael Wearden			Ab	Ab	P	P	4	2	50%
Peter Wilson			Ab	P	P	P	4	3	75%
NON-VOTING EXECUTIVE DIRECTORS									
Ailsa Brotherton	P	P	P	P	P	Ab	6	5	83%
Stephen Dobson	P	Ab	Ab	P	P	P	6	4	67%
Gary Doherty	P	P	P	P	P	P	6	6	100%
Naomi Duggan	P	P	P	P	P	P	6	6	100%

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

*\*Absence due to recognised exceptional circumstances*



## Evaluating performance and effectiveness

The CQC last undertook a Well Led inspection at the Trust in 2019 and rated the Trust as 'Good' for Well Led. The Trust, as a whole, reviews its own leadership and governance arrangements periodically, in line with the requirements of NHSE as part of the Well Led framework which requires providers to carry out developmental reviews.

The last externally facilitated review using the Well Led framework was carried out by MIAA in February 2021. However, in 2022–23, the Good Governance Institute (GGI) undertook a Risk and Assurance review from February to November 2022. The review was positive about the risk and governance arrangements at the Trust and did not identify any legislative or regulatory requirements that were not being met. There were 26 recommendations for the Trust to consider, which were largely practical and supportive suggestions, recognising the maturing governance arrangements of the Trust and an action plan was developed.

In 2022–23 there have also been reviews undertaken by Internal Audit in relation to Divisional Risk Maturity and the Confidential Risk process which both received significant assurance.

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

## Update on progress with the Well Led and Governance Maturity Plan 2021–23

Since the last Well Led inspection, the Trust developed a Well Led and Governance Maturity Plan to drive improvement in the Well Led domain of the organisation and this incorporated recommendations from a review undertaken of the divisional governance arrangements (by the Quality Governance lead from the Nursing Directorate at NHSE which identified the Trust as an exemplar organisation in October 2020), a Risk Maturity Self-Assessment tool supported by MIAA, and the MIAA developmental Well Led review in February 2021. In addition, two external consultants were engaged: firstly, an external leadership consultant undertook a series of development sessions with the Board; and secondly, there was a Risk and Assurance review undertaken by the GGI and the actions are being monitored via the Well Led and Governance maturity plan.

## 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 2022–23.

## 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 522647**.



*Also available on our website:*

Register of directors' interests

Director biographies

Statement on the division of responsibilities between Chairman and Chief Executive



# QUALITY IMPROVEMENT

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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 2022–23 Quality Account which will be available on the Trust website at the end of June 2023 and within our Annual Governance Statement (pages 93 to 110).

## Continuous Improvement

The Trust has launched its second Continuous Improvement (CI) Strategy and implementation of the first year of the Strategy has been delivered throughout the year.

The Lancashire and South Cumbria Flow Coaching Academy is now well established, delivering two cohorts and a third is currently in progress. 61 Flow Coaches have been trained and have applied the methodology in the following Big Rooms: Brain Tumour, Cauda Equina Syndrome, Chemotherapy, Colorectal, Deteriorating Patients, Do Not Attempt Cardiopulmonary Resuscitation, Emergency Mental Health, Enhanced Care, End of Life, Endoscopy, Ears Nose and Throat, Frailty, Gynaecology, Inflammatory Bowel Disease, Lung Cancer, Major Trauma, Neurology (Headache), Nutrition, Pain Management (Spine), Pneumonia, Pre-operative and Pre-rehabilitation, Respiratory, Sepsis, Stroke, and Vascular Surgery.

A third cohort is due to complete the programme in June 2023, adding a further 21 Flow Coaches and a further 10 Big Rooms will be established. These Big Rooms are: Breast Reconstruction, Deconditioning, Eating Disorders, Entry to Emergency and Urgent Care, Falls Prevention, Inpatient Avoidance, Inpatient Pre-operative Pain Management, Kidney Care, Neonatal, and Radiotherapy.

The Lancashire Microsystem Coaching Academy programme has now delivered four cohorts and a new fifth cohort is commencing in April 2023. With 50 areas trained in the Microsystem Coaching Academy methodology and 87 Coaches, the addition of the fifth cohort will see a further 15 areas and 20 Coaches skilled up and working on local level improvements.

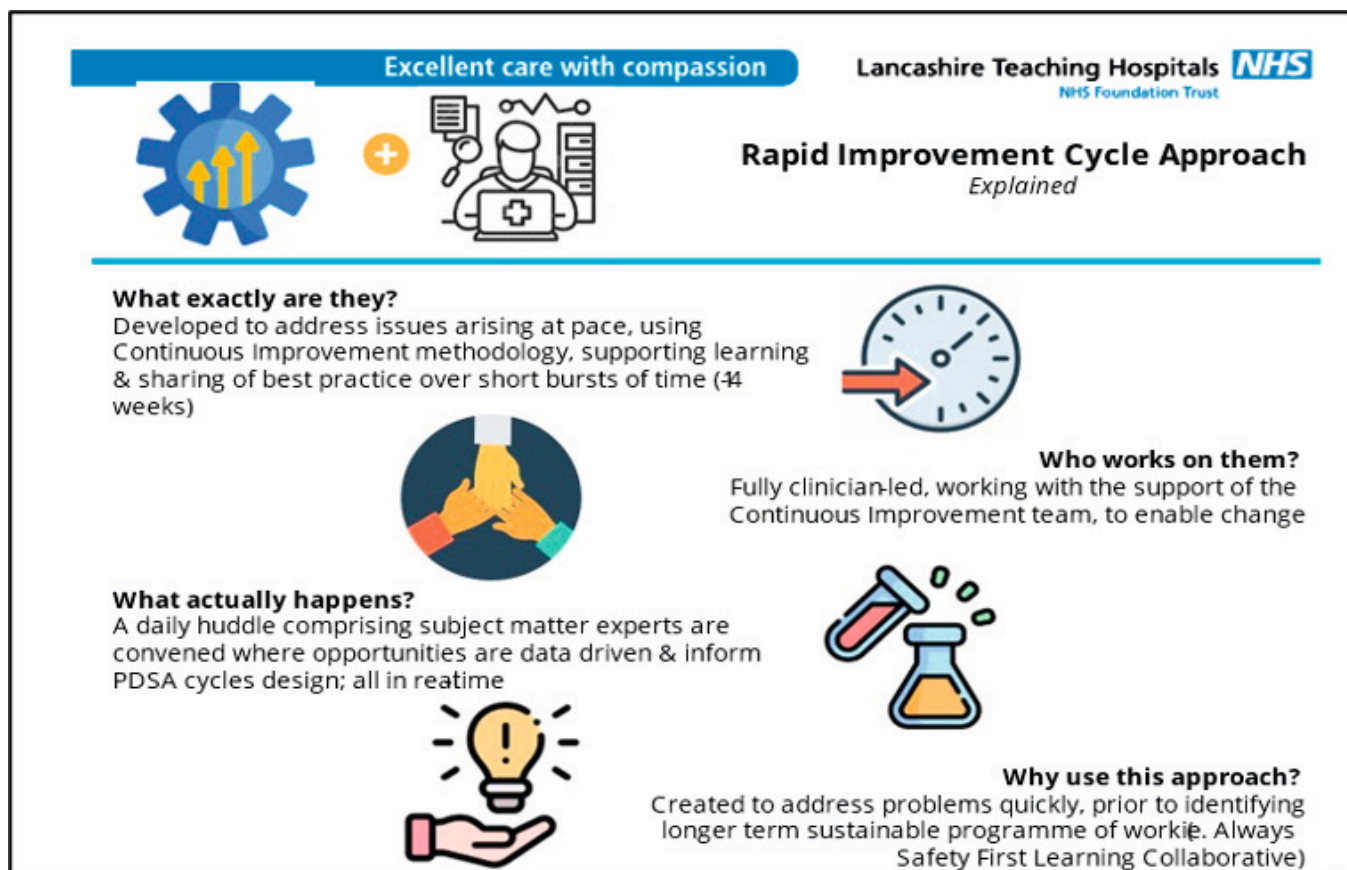
Over the last 12 months we have also embarked on a new approach to deliver system-level improvement across our Lancashire and South Cumbria ICS. Working in partnership with the Engineering Design Centre at Cambridge University we are working to improve services across the ICS for people living with frailty and who have respiratory conditions. As an ICS system cohort, we are using the Engineering Better Care model to develop and test new ways to deliver healthcare for this population group. More locally across central Lancashire the team participating in the programme is focusing their efforts on reducing conveyance from care homes to the Emergency Department by working with place and system partners to develop more joined-up support services and pathways to mitigate the need for Emergency Department attendance and support patients to live well and age well.

There has been a continued focus throughout the year on building CI capability across the organisation through the delivery of the CI Building Capability Strategy in line with the NHSE report and dosing formula for provider organisations for year one of the strategy.

CI 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 (outside the formal improvement programmes), often in response to organisational pressures. In year, this has included:

- Supporting the Trust's Always Safety First Strategy delivery and improvement programmes aimed at reducing avoidable harm through the development of highly reliable systems and processes.
- Supporting pharmacy to use a CI methodology to improve compliance to prescribing oxygen and development of a prioritisation process.
- Supporting the development of a waste programme within a number of divisions.
- Supporting organisational flow through the following initiatives: discharge lounge utilisation, patient flow programme, Be a Bed Ahead, Green Means Go.
- 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.

- Utilising a CI approach to support the adoption of patient-initiated follow up.
- Working collaboratively with regional partners to improve the timely handover of patients from ambulances through the ICS collaborative: Hospital Handover led by North West Ambulance Service (NWAS) and the Advancing Quality Alliance.
- Co-ordinating the Lancashire and South Cumbria Together Improvement Weeks in response to operational pressures.
- Improvement project in maternity triage assessment unit.
- A patient flow improvement programme.



## Always Safety First

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.

The Board recognises the benefits of embedding a culture of CI 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 CI 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 CI led by frontline clinical staff.

## How is continuous improvement in patient safety, access and patient experience delivered?



### Always Safety First Strategy 2021–2024

Together, we do extraordinary things



The Always Safety First Strategy 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 an Always Safety First Group continues to meet and is chaired by our Trust Patient Safety Specialists with representation from a wide group of staff across the organisation. This specialist multidisciplinary group is enabling a culture of CI 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 continues to mature its delivery and our teams are building on the learning and facilitation of virtual collaborative learning sessions. At these sessions participating teams are brought together to learn about the improvement interventions to be embedded through shared learning and best practice, building improvement capability and actively participating, thereby forming a positive CI culture.

The Trust is 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 2022–23, the number of Trust patients recruited to participate in research approved by a research ethics committee was 1,820. Of these, 1,664 patients were recruited to NIHR portfolio adopted studies. In total, there are currently 214 active research studies recruiting patients at the Trust. The return to a more balanced, pre-pandemic style research portfolio has been pleasing and we have begun to see commercial trials and studies recommencing with a year-end position of 16% of commercial trials compared to 9% at the beginning of the financial year.

### Research Governance

The Department of Health and Social Care benchmarks for the set up and delivery of clinical research in the NHS are currently suspended. We did, however, grant local confirmation of capacity and capability and opened 55 new studies during this year.

### Our Achievements in Research

Key achievements to note are:

#### Infrastructure:

- We were successful in securing ongoing funding for the NIHR Lancashire Clinical Research Facility (LCRF) and secured a 33% uplift in funding for 2022–25 of £1m.

- Implementation of the new NIHR Manchester Biomedical Research Centre of which the Trust is a partner. This will bring core funding of £750k (2022–27) via the LCRF. Professor Pierre Martin-Hirsch, Director of Research and Development notes that “The collaboration with Manchester University Hospitals and Lancashire Teaching Hospitals will stimulate the development of primary research across the two institutions. The clinicians, students and patients will benefit from integration of academic activity in healthcare in Lancashire, benefiting not only patient outcomes but will also raise the standard and profile of services.”

### **Workforce:**

- Leading Principal Investigators, Professor Shondipon Laha, Consultant in Critical Care Medicine and Anaesthesia, won the regional Future NHS Award for his commitment to improving health care, championing research, and introducing innovative ideas throughout the COVID-19 pandemic, and was shortlisted for 2022 NHS Parliamentary Awards.
- Clinical Academic Faculty Lead and Speech and Language Therapist, Sarah Edney, has been awarded a Clinical Research Training Fellowship by 4ward North PhD Scheme. The prestigious fellowship combines research with clinical practice.
- Research nurse, Deepsi Khatiwada has been seconded until March 2023 as a nurse inclusion lead with NHSE North West to drive the equality, diversity and inclusion agenda, both for patients and workforce across the region.
- Deputy Director of Research and Innovation (Ops), Paul Brown, has been appointed UK Clinical Research Facility Network Director after Manchester University Hospitals NHS Foundation Trust successfully won the NIHR bid to host the network.
- Director of Research, Professor Pierre Martin-Hirsch was awarded with the Royal College of Obstetricians and Gynaecologists Annual Academic award. The award distinguishes service to academic obstetrics and gynaecology. Nominees are recognised for their outstanding contribution to the academic aspects of this speciality (scientific discovery, pre-clinical and clinical research, academic education, and training). As winner, Pierre will be invited to give a keynote lecture at the 2023 Annual Academic Meeting.
- Katrina Rigby, Senior Research Midwife, has been accepted on to the NIHR Senior Leadership Programme which commences in April 2023. This is one of only 15 places across England.
- Nichola Verstraelen, Matron, has completed her lead role for the NHSE project on a research toolkit for the Matron’s Handbook and becoming Programme Lead for Research for the ICS.
- Research Scholars: never having had a successful application for the NIHR Northwest Coast Clinical Research Network’s Scholar scheme (to train new Consultant-level clinicians and nurses, midwives and allied health professionals as Investigators) before 2022, we are delighted that this year we have had three successes.
- Candiss Argent, Paediatric Research Physiotherapist has been appointed as the Allied Health Professional Research Champion for the Northwest Coast 2023. This is part of a joint scheme between the Council for Allied Health Professions Research and the NIHR to develop a network of Research Champions.

### **Studies/Trials/Research:**

- The data from a cancer study we participated in, FOXROT has now been published in the Journal of Clinical Oncology online. Dr Deborah Williamson was our local Principal Investigator for the study that looked at new treatment strategies to cut risk of bowel cancer return. The results show the new strategy can cut risk of return to 28%, along with confirming the safety of the approach and the importance of Mismatch repair status in selecting patients who benefit most.
- We have been successful in recruiting the UK’s first participant into the innovative TRIDENT study for newly diagnosed glioblastoma patients. The study was brought to us by one of our former neurosurgical consultants, Mr Charles Davis. The study uses a device called Optune®, which delivers mild electrical fields called TFields intended to disrupt cancer cell division. The study will use the TFields concurrently with chemotherapy and radiotherapy. Congratulations to our local Principal Investigator, Mr Isaac Phang and the rest of the multi-disciplinary team involved with this complex study.
- In collaboration with the International Agency of Research Against Cancer, a specialised agency of the World Health Organisation, Professor Martin-Hirsch, along with fellow local specialist, Professor Ihtesham Rehman from the University of Central Lancashire has secured a multi-million-dollar grant from the National Institute of Health in the USA to fund their research into early diagnosis of womb, cervical and lung cancer.

- Two commercial studies recently delivered by our Chronic Conditions team contributed toward study drugs that have been licenced. Both looked at the use of HIF-PHI oral medication for the correction of anaemia in chronic kidney disease. The Dolomites study (Astellas Pharma Inc and AstraZeneca) drug Roxadustat has been licenced in Europe and has National Institute for Health and Care Excellence (NICE) approval. The cost is the same as the therapy currently in use but much better for patients as it is an oral medication where currently they must give themselves an injection. It will also provide improved management for their anaemia. The Ascend D (GSK) study drug, Daprodustat, will be licenced imminently.

## PATIENT EXPERIENCE

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Improving patient experience is a key ambition for the Trust underpinned by the mission to provide 'Excellent Care with Compassion'.

Acquiring and acting upon the feedback provided by our patients, families and carers on their experience is an important component to achieving that ambition. This year, the Trust co-produced a new three-year Patient Experience Involvement Strategy for 2022–25. The strategy was developed and co-produced with patients, families, carers, governors, and staff. The Trust has actively sought the views of patient groups who represent those people who have protected characteristics and recognises the importance of intersectionality when considering the feedback. The strategy closely links to a number of Trust strategies, including Equality, Diversity and Inclusion, Leadership and Organisational Development, Mental Health, Learning Disability and Autism, Dementia, and Always Safety First. The actions within the strategy are monitored through the Patient Experience and Involvement Group, which is a diverse group consisting of governors, patient representatives, carers, voluntary sector organisations and staff members and provides assurance to the Trust Safety and Quality Committee.

The strategy is divided into three sections: **Insight** – improving understanding of patient experience and involvement by listening and drawing insights from multiple sources of information. **Involvement** – to equip patients, colleagues and partners with the skills and opportunities to improve patient experience throughout the whole system. **Improvement** – to design and support improvement programmes that deliver effective and sustainable change.

The outcome measures that will evidence the delivery of the strategy include:

- Reduction in complaints
- Improved recommendations via friends and family feedback
- Increased response rates to friends and family test
- Increased compliments and improved outcomes in our National Patient Surveys
- Improved response time to concerns and complaints
- Reduced number of second complaints
- Increased evidence of patient co-production and improved training, metrics, communication and patient experience and Patient Experience and Patient Advice and Liaison Service (PALS) with early resolution

Our PALS team works alongside colleagues, patients, carers and other stakeholders in a responsive way. The team do this by:

- Providing information to patients, relatives, and carers
- Resolving problems and concerns before they escalate to become complaints
- Providing data about the experiences of patients, their relatives, and carers to inform improvements in the quality of services
- Informing people about the complaints procedure and how it can be accessed
- Acting as an early warning system for the Trust
- Identifying opportunities for learning from the experience of patients, relatives, and carers
- Working in partnership with the teams of other healthcare providers and partner organisations



## Complaints and Concerns

Comparator data for Complaints 2020–2023

Year	Complaints received	Increase/reduction
2020–21	361	- 96
2021–22	580	+ 219
2022–23	487	- 93

Source: LTHTR Datix

During 2022–23, the Trust received 487 formal complaints, a decrease of 93 from 2021–22. The decrease represents a percentage of 16%. In the previous year there was a substantial increase in complaints following the COVID-19 pandemic. The trend in the ratio of complaints to patient contacts over the past three years is detailed in the table below.

Trend of ratio of complaints per patient contact 2022–23:

Year	No of complaints	Total episodes (inpatient/outpatient)	Ratio of complaints to patient contacts
2020–21	361	717,213	1:1,987
2021–22	580	821,526	1:1,416
2022–23	487	849,328	1:1,744

Source: LTHTR Datix

Of the 487 complaints received between April 2022 and March 2023, 417 (86%) related to care or services provided at the Royal Preston Hospital, 68 (13.9%) to care or services provided at Chorley and South Ribble Hospital, and two (0.4%) to care or services provided at Preston Business Centre. In addition to the 487 complaints received, the Patient Experience and PALS team also responded to seven cases which were deemed to be outside of the 12-month timescale set out under the NHS Complaints Procedure.

Number of complaints by division 2022–23:

Division	Number (%)	Division	Number (%)
Medicine	189 (40%)	Women and Children's Services	80 (16%)
Surgery	172 (35%)	Diagnostics and Clinical Support	31 (6%)
Estates and Facilities	6 (1.2%)	Corporate Services	9 (1.8%)

Source: LTHTR Datix

During this financial year there were 516 cases due to be closed. The outcome of these can be broken down into the following outcomes – 44 (8%) of the complaints had been upheld, 310 (60%) were partly upheld, and 127 (25%) had not been upheld. The one (0.5%) remaining record was a case that was withdrawn, and 34 (6.5%) cases currently remain open.

The NHS Complaints Regulations determine that all complaints should be acknowledged within three working days of receipt. In the current reporting period, 97% 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 period April 2022 to March 2023, we received 29 second letters.

During the period April 2022 to March 2023, 555 complaints were closed. 70% of complaints received in 2022–23 were closed within the internally set target of 35-day timescale (these included some carried over from prior year). This is reported to the Safety and Quality Committee on a monthly basis. The Patient Experience and PALS team has dealt with a total of 2,413 concerns and 4,727 enquiries during the year.

### Top 3 themes from complaints by division:

Division	Themes
Diagnostic and Clinical Support	<ol style="list-style-type: none"> <li>1. Consent, confidentiality, or communication</li> <li>2. Clinical assessment</li> <li>3. Nursing care</li> </ol>
Women and Children	<ol style="list-style-type: none"> <li>1. Treatment/procedure</li> <li>2. Consent, confidentiality, or communication</li> <li>3. Staff behaviour or attitude</li> </ol>
Medicine	<ol style="list-style-type: none"> <li>1. Consent, confidentiality, or communication</li> <li>2. Clinical assessment</li> <li>3. Nursing care</li> </ol>
Surgery	<ol style="list-style-type: none"> <li>1. Consent, confidentiality, or communication</li> <li>2. Treatment/procedure</li> <li>3. Clinical assessment</li> </ol>

## The Parliamentary Health Service Ombudsman

Complainants have the right to request that the Parliamentary and Health Services Ombudsman (PHSO) undertakes an independent review into their complaint in instances where local resolution has not been achieved.

Between the period April 2022 to March 2023 there were four cases referred to the PHSO: one was not upheld and three are ongoing. During this period, the PHSO sent final reports for three cases which were opened prior to April 2022 and the outcome of these were that one was not upheld and two were partly upheld. In addition, there was one other case opened prior to April 2022 which the PHSO closed as premature and allowed the Trust to undertake further local resolution. There were a further two cases referred to the PHSO prior to April 2022 which are still under investigation by the PHSO, 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 with a view to a meeting being arranged.

## Compliments

The Trust receives formal and informal compliments from patients and their families in relation to their experience of care.

During 2022–23, a total of 2,664 compliments and thank you cards were received by wards, departments and through the Chief Executive's office. There has been an increase in the number of compliments received this year. Departments are being encouraged to actively log compliments on the Datix system which has its own module for this purpose. This provides teams with the opportunity to celebrate success locally and as part of their wider teams and divisions.



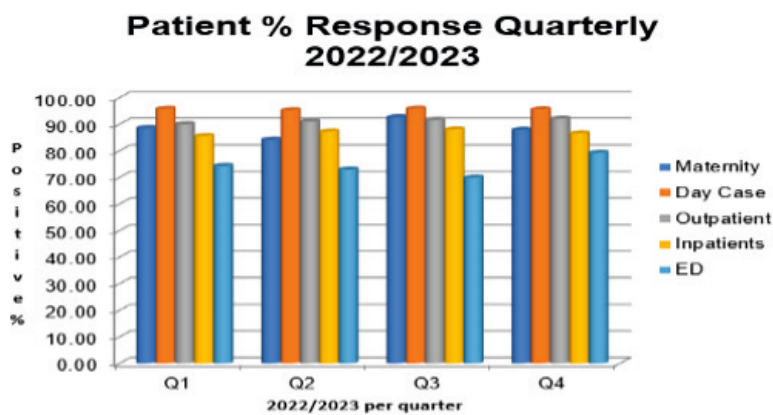
## Patient Experience Feedback

### Friends and Family Test

The Friends and Family Test (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

**Graph 1 – Quarterly percentage of positive responses**

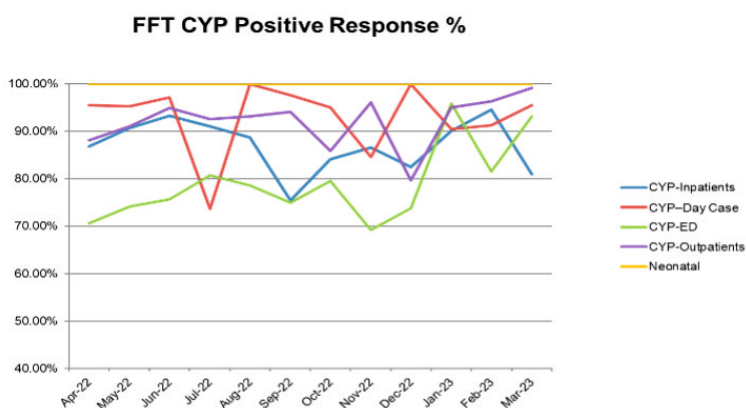


Source: FFT data Civica

Historically, a target of 90% is 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 has achieved the target in quarter three, Day Case have consistently achieved in excess of 90% in all four quarters, Outpatients have achieved this for the past three quarters with Inpatients and the Emergency Department under the target percentage in all four quarters. A redesign of the Emergency Department is taking place to address the number of patients in the department and the number of patients spending extended periods of time in the Emergency Department. This is aimed to improve overall experience for patients and families.

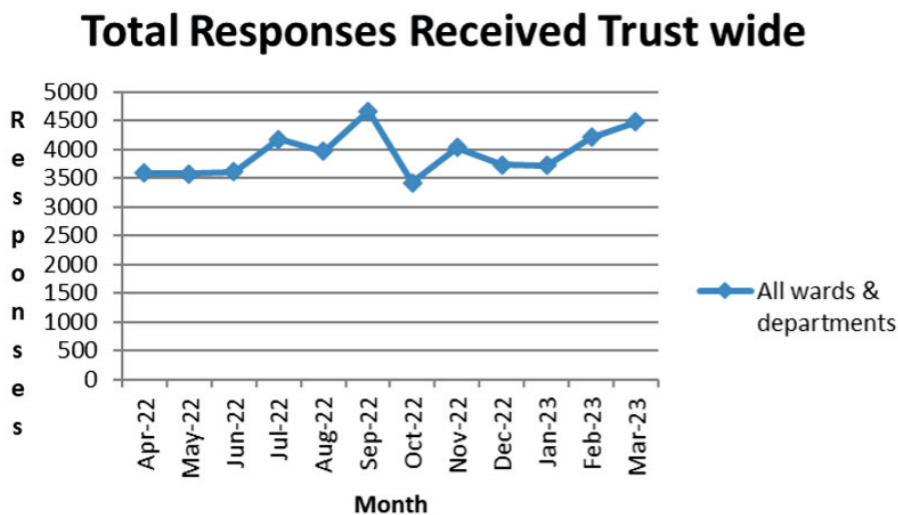
Although not a national requirement, the Trust undertakes surveys in Children and Young People's (CYP) services to ensure an equitable approach to measurement of experience. Positive increases in CYP Emergency Department experiences have been demonstrated in 2022–23 and work continues to improve the experience of families and children in the children's inpatient area. The neonatal service has maintained a sustained performance of 100%.

**Graph 2 – CYP quarterly percentage of positive results**



Source: FFT data Civica

Graph 3 – FFT percentage response Trust-wide



Source: FFT data Civica

The data above demonstrates an overall increase in responses and an increase in usage of the various methods of collection.

- Between April 2021 and March 2022 we received 1,468 surveys completed using the QR codes/online links, 2,829 paper surveys, 3,684 telephone surveys, and 36,128 SMS surveys.
- Between April 2022 and March 2023 we received 2,905 surveys completed using the QR codes/online links, 6,788 paper surveys, 4,421 telephone surveys, and 37,070 SMS surveys.

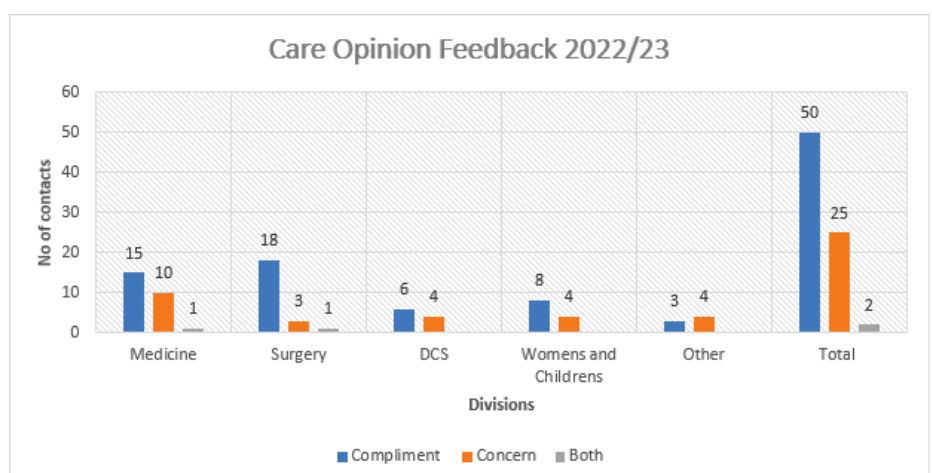
We are actively training staff to use the system and ensure the patient experience boards are kept updated with the 'You said, we did' posters and various reports that can be downloaded using Civica. Monthly reports are being sent to all governance and divisional leads to ensure the results are being reviewed and shared throughout the Trust.

### Care Opinion website ([www.careopinion.org.uk](http://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 contact details for those who wish their concerns to be raised or looked into further. All feedback and compliments are logged on the Datix governance reporting system and shared with the relevant divisions and staff. A quarterly report is provided from the reviews left on Care Opinion and shared with the Clinical 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 77 reviews posted on the website consisting of 50 compliments, 25 concerns, and two with a mix of both compliments and concerns.



## National Patient Survey Results

Surveys stated in this section refer to the most recent available published data.

### Maternity Survey 2022

Lancashire Teaching Hospitals NHS Foundation Trust is ranked 19 out of 65 Trusts in 2022 surveyed by Picker. This is compared to the 2021 survey where the Trust was ranked 11 out of the 66 Trusts surveyed. The response rate to the Maternity survey of 44% was lower than the national average of 48%.

There were no areas identified where the Trust was significantly worse than the 2021 survey. There were two areas identified where the Trust was significantly better than the 2021 survey:

- Partner/companion involved (during labour and birth) – 95% compared to 86% in 2021
- Found partner was able to stay with them as long as they wanted (in hospital after birth) – 94% compared to 36% in 2021

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

- Offered a choice of when to have baby – 93% compared to Picker average of 81%
- Partner/companion involved (during labour and birth) – 95% compared to Picker average of 91%
- Found partner was able to stay with them as long as they wanted (in hospital after birth) – 94% compared to Picker average of 41%
- Involved enough in decisions about their care – 96% compared to Picker average of 92%
- Not left alone when worried (during labour and birth) – 82% compared to Picker average of 73%

#### **We were significantly worse than the national Picker average on the following two questions:**

- Provided with relevant information about feeding their baby – 73% compared to Picker average of 82%
- Given information/advice on risks of induced labour – 47% compared to Picker average of 64%

#### **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)
- 95% involved enough in decisions about their care (during labour and birth)

### 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 31 out of the 67 Trusts nationally. This is compared to the 2018 survey, where the Trust was ranked 58 out of 66 Trusts surveyed. Parents rated experience of care as seven out of 10 or more and this is at part 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 – 92% compared to 90% 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

**Urgent and Emergency Care Survey 2020**

The Trust is ranked 34 out of 66 Trusts nationally. This is compared to the 2018 survey, where the Trust was ranked 47 out of 69 Trusts surveyed. This shows an improvement on the previous survey.

**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%

**Overall, the results for our Trust showed:**

- 88% rated care as 7 out of 10 or more
- 97% treated with respect and dignity
- 95% doctors and nurses listened to patient

**Adult Inpatient Survey 2021**

The Trust is ranked 55 out of the 73 Trusts surveyed by Picker. This is compared to the 2020 survey where the Trust was ranked 61 out of 71 Trusts surveyed. This demonstrates an overall improvement.

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

- Did not have to wait a long time to get a bed on ward – 78% compared to 69% in 2021
- Was involved in decisions about care and treatment – 82% compared to 75% in 2021

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

- Did not have to wait long time to get to bed on ward – 69% compared to Picker average 74%
- Not prevented from sleeping at night – 48% compared to Picker average 47%

- Food was very good or fairly good – 48% compared to Picker average 69%
- Always or sometimes enough nurses on duty – 86% compared to 90%
- Was involved in decisions about care and treatment – 75% compared to Picker average 80%
- Felt involved in decisions about discharge from hospital – 71% compared to Picker average 76%
- Knew what would happen next with care after leaving hospital – 80% compared to Picker average 84%
- Told who to contact if worried about discharge – 70% compared to Picker average 75%
- Asked to give views on quality of care during stay – 8% compared to Picker average 13%
- Overall, the results for our Trust showed:
  - 80% rated experience as 7 out of 10 or more
  - 97% treated with respect or dignity
  - 97% had confidence and trust

### **National Cancer Patient Experience Survey**

The 2021 National Cancer Patient Experience survey (NCPES) involved all adult patients confirmed with a primary diagnosis of cancer who were discharged from an inpatient episode or day case attendance for cancer related treatment during the period April to June 2021. The fieldwork was undertaken during the period October 2021 to February 2022.

#### **The survey was designed to:**

- Monitor national progress on cancer care
- Provide information to drive local quality improvements
- Assist providers and to inform the work of the various stakeholders supporting cancer patients
- Understand what patients think about their cancer care

The survey reflects the views of 1,233 patients with a response rate of 56%, which is lower than the previous year's response of 65% but just above the national rate of 55%. Most of the respondents completed the survey by paper and were white British aged over 55. Only 3% of respondents were ethnic minority background. The distribution between male and female responses were almost equal and responses from males were more positive overall.

#### **Areas of good practice with teams achieving 100% score:**

- The patient has a main contact – Upper Gastro-Intestinal (UGI) team
- The patient found advice from their main contact very helpful – Head & Neck (H&N) and UGI teams
- Review of care plans with patients – all teams except Gynae team
- The patient received all the information about diagnostic tests – Gynae team
- Patients receiving easily understandable information – H&N team (all other teams scored well)
- The patient was given information regarding side effects – UGI team
- Patients were given enough information regarding radiotherapy – H&N and Colorectal teams
- Information given regarding progress with radiotherapy treatment – Colorectal team

#### **Areas to improve care:**

- To improve information regarding referral particularly with the Lung and Gynae pathways
- Finding out the patient has cancer in Lung and Gynae pathways
- Discussing treatment options
- Supporting information for families and loved ones on how to care for patient at home
- Respect and dignity whilst an inpatient
- UGI and Prostate scores were lower regarding inpatient care

The positive results of the survey and many positive patient comments regarding the care of cancer patients at the Trust's Cancer Centre show the dedication and effort of our staff to provide a highly specialised service with patient care at the centre of our work.

## Patient Experience and Involvement

Our Patient Experience and Involvement Strategy is centred on engaging with people who use our services by providing opportunities to share their views, identify areas for change and shape our services. Our overall ambition is to deliver excellent care through promoting positive patient experiences, improving outcomes, and reducing harm.

Involvement has gone from strength to strength over the last year with more collaborative working streams than ever before. Patient groups and forums include:

Patient Information Group	Visually Impaired Forum
Cancer Patient Information Group	Preston Dystonia/Migraine Group
Cancer Patient and Carers Forum	Renal Strategy Group
Carers Forum	Plastics Patient Forum
Specialist Mobility Rehabilitation Centre (SMRC) Mobility Matters	Lancashire Learning Disability and Autism Partnership
SMRC – Complex Regional Pain Syndrome	Renal Dialysis Service Group
Youth Forum	Renal Roadshow across Lancashire and South Cumbria Dialysis Units
Maternity Voices Partnership	Patient Research Group
Oncology Patient Support Group	Diabetes Workshop focusing on learning disabilities
Colorectal Risk Stratified Cancer Pathway	Critical Care – Former Patients and Relatives Support Group
Trache Patient Forum	Asian Ladies Forum

Patient forums help us to learn and engage with our service users. They give us the opportunity to understand the experience felt by our patients and actively work together to ensure the pathways and services are designed to meet expectations.

Through our patient forums many improvements and developments have been made:

- Ward activity boxes
- Policy for registered assistance dogs
- Reasonable adjustments via the Harris Flex system
- Patient contribution to case notes (PCCN) document
- Multi-faith boxes on all wards
- Lancashire Eye Centre
- Signage
- Patient information leaflets
- Design of the new Renal Centres
- Hospital passport
- Multi-faith guidebook



## **Carers**

Created in Carers Week, we have a well-established carers forum which we run in collaboration with Lancashire Carers Service. The forum is designed for carers who use services throughout Lancashire and South Cumbria. Attendees are also Carers UK, Age Concern, NW Disability Equality, Alzheimer UK, and chairs representing NWAS, n-compass, and the visually impaired forum. The purpose of the group is to work with carers, listen to experiences that are gained through using the hospital, the wider NHS and council/community services throughout the region. Since its beginning the group has redesigned and contributed to services in the following areas:

- The Carers Charter, Carers lanyard and the Essential Carers Guide
- Discharge process and inclusion of the carer's role in all activities
- Inpatient physiotherapy processes

Carers have also provided feedback and support to many projects, including the Talking Table Project, NWAS transport facilities, hospital passports, and hospital mealtimes.

The group meet monthly and although well attended has plans to recruit more carers externally. Information is key at these forums and many organisations present regularly to cascade their services. These include Lancashire Fire and Rescue, n-compass, Age Concern, NW Disability Equality and charitable organisations.

## **Collaborative Working**

Feedback is a key requirement to all improvements and this year we have increased our engagement in this area. Friends and family survey productivity has increased through promotion of data and the ability to adapt surveys to key areas. Likewise, collaborative working with external partners has also provided real time data and an opportunity to understand our communities from an external point of view. Healthwatch is now a regular attendee to our hospitals collecting information from our patients and visitors to better understand our services and we are working in collaboration with the ICB to also ensure a wider promotion and delivery of engagement with and feedback from all stakeholders to improve patient experience.

## **Patient Experience and Involvement Group**

A well-established group that has recently undergone some real improvements with the introduction of more patient involvement. The group focuses on services available within the hospital and through working together with representatives from all departments, external representation from Lancashire Carers Service, n-compass, Healthwatch, along with patient and carer voices, it brings the good ideas and great examples of working into one place, thus delivering both impact and improvement.

## **Equality, Diversity and Inclusion**

We have partnership working with several organisations to ensure inclusion for all our communities. The visually impaired forum, Galloways, who now have Eye Liaison Officers on site, along with Deafways, n-compass, Quwwat Education Centre, Deafblind UK and NW Disability Equality have been pivotal in helping support staff and provide involvement with details around diverse community needs. Some of the support that has been provided includes:

- On-line training for staff in deaf culture and basic British Sign Language (BSL)
- On-line training for staff in Deafblind sensory support
- Development of a multi-faith communication book
- Expansion of Chaplaincy services
- On-line training for staff on visual support services
- Contracted services of Co-Sign BSL providers following deaf community consultation

As part of the general duty of the Equality Act (2010) we have in place services to aid our community whose first language is not English. This includes face-to-face language interpreters, along with on-demand video translation, telephone and written translated documents. We also cover the needs of our deaf community by providing hearing loops, hospital communication books, BSL face-to-face interpreters and on-demand BSL video access.



The creation of patient information is a key area in communication, and we have increased our production of easy-read leaflets along with BSL information videos. All our patient information is approved by a group which includes staff, external organisations, patients, and governors, along with representation from the LGBTQ+ community. The provision of good information is vital to the patient's ability to make valued decisions and informed choices about their treatment and care. Our Trust website also includes an option to change its information into different languages, font size and amend to an audio option.

To support disabilities, we have introduced several mechanisms through discussion with patients and organisations, these include:

**AccessAble** – an online detailed guide to our facilities to aid informed choices on access

**Changing Places** – large rooms created to provide a safe space toilet and wash facility

**Hidden Disabilities Sunflower Scheme** – support for all patients/visitors and staff whose disability may not be visible

Registered assistance dog policy – to support patients and staff with information on assistance dogs and procedures to allow them on Trust sites

### **Patient Stories**

Patients' experiences are key to us understanding our service. Over the last two years we have encouraged patients and families to tell us their stories. We have collected these and with permission shared with staff to encourage learning and improvement of our services. Many patients sit on different forums including patient information to ensure their voices are continually present in all we produce and do.

Each of our Divisions deliver a patient story to the Board on a regular basis and the messages from those stories are cascaded through to various other meetings across the organisation to share experiences, discuss and learn.

Our Flow Coaching Academy Big Rooms routinely use patient stories to commence the work of the Big Room and ensure our work remains patient-focused.

Celebrating what we do is something that we also want to focus on. This past year our staff have excelled in their compassion and care, and provided some valuable patient and community experience.

### **Patient Experience Champions**



As part of our Patient Experience and Involvement Strategy we have now introduced our Patient Experience Champion roles. To date, 170 staff have signed-up to this volunteer role which is key to ensuring our involvement services reach and support every area of our hospitals. This role makes a real difference to our patients by having an individual to speak to straight away and thus improve the patient/carer experience by dealing with issues instantly. These Champions empower other colleagues by driving forward support services and ensuring their areas are up to date with all resources, activities and information.

Our first induction event was held in March 2023 with patient stories and staff showing true commitment to our Patient Experience and Involvement Strategy that emphasised how patient experience is everybody's responsibility.

# MAJOR SERVICE DEVELOPMENTS

Despite significant challenges across the Lancashire and South Cumbria healthcare system due to winter pressures and the restoration of activity following the COVID-19 pandemic, we continued to implement a number of major service developments during 2022–23 which have benefitted both patients and colleagues, with some working to help alleviate demand on our emergency care pathways and improve flow across our sites.

These developments are testament to the resilience of our hard-working and dedicated colleagues and key partners who have remained committed to enhancing services available to our patients and improving the experience they received. The major service developments during the past year are outlined below.

## Nightingale and Cuerden Ward



In June 2022, the Nightingale demountable facility at Royal Preston Hospital officially closed its doors after over five months in service. The facility cared for around 1,000 low acuity patients who were nearing discharge with the additional bed base allowing the system to improve flow during the exceptionally busy winter and spring periods.

The facility was originally erected by NHSE to deal with a potential surge of the COVID-19 Omicron variant but it was agreed 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.

Both clinical and non-clinical staff were involved in the set-up, delivery and take-down of the facility and all colleagues are proud of the part they have played in ensuring its success.

Following its closure, elements of the new Cuerden Ward at Chorley and South Ribble Hospital opened to add some much-needed capacity back into the system to improve patient flow. The new ward created 24 additional beds and has provided additional capacity at the hospital to help care for diabetes, endocrinology, and general medical patients.

## Renal services across Lancashire and South Cumbria

Lancashire Teaching Hospitals is responsible for renal services across Lancashire and South Cumbria.

In September 2022, the Laurie Solomon Renal Centre was opened by the Trust, as part of a programme of improvements to renal facilities across the local healthcare system.

The new centre, which was purpose-built on the site of Royal Blackburn Hospital, provides 24 haemodialysis stations and outpatient clinical facilities for patients from across the region and was named in honour of a doctor who recently celebrated 50 years with the NHS.



## Finney House – Lancashire Community Healthcare Hub



Our new Lancashire Community Healthcare Hub at Finney House in Preston has been hugely successful in helping to improve flow across our acute hospital sites. The Trust officially opened the Hub on 30 November 2022, having become the CQC registered provider of services two weeks' earlier following a lease agreement with L&M Healthcare.

Alongside the care of around 30 residents, Lancashire Teaching Hospitals currently manages 64 beds within the facility. The beds are aimed at caring for patients who are medically fit for discharge within our hospitals but do not yet have the current support in place to go back into their community setting. The facility is making huge strides in increasing flow across our hospitals, enabling us to manage patient care effectively and in an environment where they can best recover.

By 31 March 2023, the facility had seen 550 admissions and over 490 discharges with an improving portfolio of services available to patients, including on-site rehabilitation. Its early success was documented in a special BBC feature on The One Show which highlighted how Lancashire Teaching Hospitals is one of the few Trusts nationally to step into this space to help improve discharges.

By freeing up acute beds at a quicker rate, the facility is helping to reduce the waiting times and pressures within Royal Preston Hospital's Emergency Department, giving both staff and patients a much better environment and experience.

So far, feedback from patients has been extremely positive which is testament to the excellent facilities the Trust offers and the work all colleagues are doing to increase flow across our hospital sites.

## COVID-19 Vaccination and Testing Programme

After two years and eight months, the Royal Preston Hospital COVID-19 staff testing POD closed for use in November 2022, following changes to Government guidance for testing.

Over that time, the team performed tens of thousands of PCR (polymerase chain reaction) swabs for colleagues, system partners and initially immediate family members, helping to identify and confirm thousands of positive results to help avoid nosocomial infections within our hospitals.

A month later, Preston's largest vaccination centre, run by Lancashire Teaching Hospitals and located in St John's shopping centre, also closed its doors for the final time after vaccinating over 200,000 people to protect against the COVID-19 virus.

The site opened in January 2021 but closed its doors following vaccinations moving to be delivered within primary care – either in GP surgeries or pharmacies.

## Skylark

Skylark, based at Royal Preston Hospital but run by staff from Lancashire and South Cumbria NHS Foundation Trust (LSCFT), was officially opened by LSCFT's Chief Executive, Chris Oliver, in February 2023 at a special ceremony attended by staff and families of those receiving care on the ward.

Previously a rehabilitation facility within the Avondale Unit, the 11-bed ward will now accommodate adult females aged 65 and over. It is a new ward offering to those who live or have strong family and carer connections to Preston, South Ribble and West Lancashire, meaning they can be closer to home and their loved ones while they are getting treatment.





## Surgical Hub meeting top clinical and operational standards

In March 2023, Chorley and South Ribble Hospital was one of eight surgical hubs awarded Getting It Right First Time (GIRFT) accreditation as part of a pilot scheme to ensure the highest standards in clinical and operational practice.

The scheme, run by NHSE's GIRFT programme in collaboration with the Royal College of Surgeons of England, assesses hubs against a framework of standards to help deliver faster access to some of the most common surgical procedures such as cataract surgeries and hip replacements.

Surgical hubs, which are separated from emergency services, are part of plans nationally to increase capacity for elective care with more dedicated operating theatres and beds. The hubs exclusively perform planned surgery and maintain focus on high volume, low complexity surgery across various specialties including ophthalmology, general surgery, orthopaedics, gynaecology, ear nose and throat, and urology.

Hubs bring together the skills and expertise of staff under one roof, with protected facilities and theatres, helping to deliver shorter waits for surgery. The hub beds are designated for patients waiting for planned surgical procedures, and are protected from emergency admissions, reducing the risk of short-notice cancellations.



## STAKEHOLDER RELATIONS

Lancashire Teaching Hospitals is a key part of the ICS which is a partnership of all organisations that deal with improving care, health and wellbeing for the people of Lancashire and South Cumbria. This includes all the healthcare organisations and local authorities in the region who work together as an ICP.

The ICP works together to address the health, social care, and public health needs of their communities, always making sure the public's voice is at the heart of decision-making. Partners include local authorities, NHS organisations (including primary care), business, education, Healthwatch and VCFSE organisations.

As part of the Health and Social Care Act 2022, NHS Lancashire and South Cumbria ICB and the unitary and upper tier local authorities have a statutory duty to coordinate Lancashire and South Cumbria ICP together.

We have seen that joining forces as equal partners can have significant benefits. Collaboration during the COVID-19 pandemic demonstrated what we can do together at scale to support our colleagues and patient care. Examples of key stakeholder relations in 2022–23 are set out below:

### Lancashire and South Cumbria Provider Collaborative

Our partnership brings together the five provider NHS Trusts in Lancashire and South Cumbria to improve health and healthcare and reduce health inequalities for patients, their families and communities across the whole of the area.



**The Provider Collaborative Board's vision, as agreed by the Chairs and Chief Executives of the five Trusts, is to ensure:**

- The best health and wellbeing of our population
- High-quality services
- A happy and resilient workforce
- Financial sustainability

## The Provider Collaborative Board has agreed seven priorities:

- Develop a joint clinical vision
- Develop a joint vision for central (non-clinical) services
- Achieve parity of esteem between mental and physical health
- Recover and restore elective care and other operational services
- Improve the emergency and urgent care performance of the system
- Develop our leadership and ensure a great place to work with a resilient workforce
- Develop a clear financial strategy

There are many good examples of collaboration making a difference across Lancashire and South Cumbria within both a clinical and non-clinical setting which you can read about on the Provider Collaborative website.

## Lancashire and South Cumbria New Hospitals Programme

Lancashire & South Cumbria  
**New Hospitals**  
Programme



The Lancashire and South Cumbria New Hospitals Programme (NHP) plans to develop cutting-edge facilities, offering the absolute best in modern healthcare and addressing significant problems with the current ageing Royal Preston Hospital and Royal Lancaster Infirmary buildings.

- Following on from the announcement of the shortlist of proposals for new hospital facilities in March 2022, the Lancashire and South Cumbria NHP team has carried out a detailed assessment of the shortlisted options. As a reminder, the published shortlist was as follows:
- A new Royal Preston Hospital on a new site, with partial rebuild/refurbishment of Royal Lancaster Infirmary
- A new Royal Lancaster Infirmary on a new site, with partial rebuild/refurbishment of Royal Preston Hospital
- Investment at both Royal Preston Hospital and Royal Lancaster Infirmary, allowing partial rebuilding work on both existing sites
- Two new hospitals to replace Royal Preston Hospital and Royal Lancaster Infirmary (new sites)

Each shortlisted proposal has been comprehensively assessed for deliverability, affordability, value for money, and viability, considering feedback from patients, local people and staff.

This work has resulted in recommendations for preferred options and alternative options for both Royal Preston Hospital and Royal Lancaster Infirmary. In September 2022, the NHS in Lancashire and South Cumbria stated its preference for new hospitals on new sites for both Royal Preston Hospital and Royal Lancaster Infirmary as part of the NHP.

We are delighted that this option has been approved and work on delivering the NHP outcome in line with the revised timeline has now commenced.

Listening to the views of people living and working here is the only way we can fully understand what is required when shaping plans and proposals for new hospital facilities. The NHP team would like to say a huge thank you to everyone who has taken the time to share their views so far.

## Lancashire and South Cumbria Pathology Collaborative

Four hospital Trusts in Lancashire and South Cumbria are working together to improve pathology services for patients, these are Blackpool Teaching Hospitals NHS Foundation Trust, East Lancashire Teaching Hospitals Trust, Lancashire Teaching Hospitals NHS Foundation Trust, and University Hospitals Morecambe Bay NHS Foundation Trust. The ambition for the Lancashire and South Cumbria Pathology Service is to provide a world-class service for the benefit of all patients that delivers quality research and innovation.



In April 2022, the Pathology Collaborative Board agreed to a renewed process of engagement to capture all voices and invite views on an appropriate structure for the future service, the clinical model and future delivery framework focusing on how the future service will be provided. This engagement ran over a three-month period and formed the basis of recommendations to determine a decision about how pathology services should be configured across Lancashire and South Cumbria.

In August 2022, the service's Managing Director, Mark Hindle, passed on the leadership of the service to Professor Anthony Rowbottom MBE, Lancashire Teaching Hospitals' Clinical Director for Pathology, who had been closely involved with the project. This came prior to Mark's retirement in January 2023 after 45 years of service to the NHS.

Since then, work has been progressing to form a single pathology service for Lancashire and South Cumbria to establish a clinical model and delivery framework that will support working as one service. It describes network priorities that will deliver transformation and ensure that by 2025 the service is operating as a NHSE-defined mature network.

## Local Networks

The Trust continues to support the equality, diversity and inclusion of colleagues across its workforce with its established Inclusion Ambassador Forums, including Living with Disabilities Forum, LGBTQ+ Forum, and Ethnicity Forum. The Forums help provide a voice, give support, discuss issues, review policies and 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. These are complimented with wellbeing-specific forums such as the Menopause Champions and Carers' Forum.

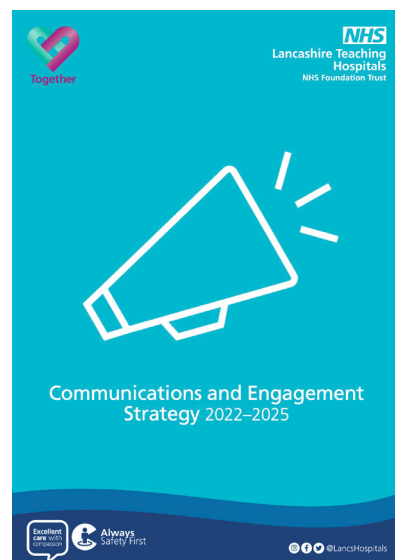
We understand that it is important that our patients, their loved ones, and the local population are involved in decision-making about the care and services that we provide. The Patient Experience and Involvement Group provides a platform for staff to engage and consult with patients and the public to identify their needs. The Trust has several service-user groups and forums covering all different aspects of patient care.

## Communications and Engagement

In June 2022, the Trust published its Communications and Engagement Strategy 2022–25 which outlines our intent towards stakeholder engagement over the next three years. This work has been underpinned with establishing effective working relationships with professional communication colleagues across the local system following the development of the Provider Collaborative. The Trust's Director of Communications and Engagement is the Senior Responsible Officer for the Provider Collaborative, and the Head of Communications and Engagement chairs the weekly Heads of Communications meeting which aims to align activity across the local area.

Throughout the last 12 months the Communications team has been involved in activity at a national, regional, and local level. The Trust has been proactive in facilitating television, radio and press interviews, particularly surrounding industrial action, and wider NHSE key messaging.

Airing in October and November 2022, the Trust worked alongside Lancashire County Council and Lancashire Police to deliver the four-episode Channel 5 documentary Cause of Death to provide insight into the work of HM Coroner's office.



## Joint Hospital and Out of Hospital Cell

The Trust has continued to play an integral part in a number of command and control cell structures including the Joint Hospital and Out of Hospital Cell in response to the COVID-19 pandemic and wider system pressures.

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, 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.

## National networks

Executive team members have maintained their memberships in professional networks throughout the year to ensure partnership working at a national level. This has enabled shared learning nationally to implement best practice for our local population and included shared learning with the wider networks from innovation and best practice adopted within our Trust.

Kate continues her work with the Disabled NHS Directors' Network. The Network set out to raise awareness of the lack of disabled people in leadership positions in the NHS and the benefits of diversity in leadership positions, provide a supportive environment for members to share issues and lobby for improved selection processes for Non-Executive Directors to ensure more accurate representation of the communities that Boards represent – especially in relation to disabled people. The Network has an accessible website, has established a mentoring scheme for aspiring and recently appointed disabled NEDs and Executives, is working with Executive Search Firms to improve their performance in relation to delivering diverse long and short lists, and works closely with NHS Confederation, NHS Providers, NHS Employers and NHSE especially in relation to the Workforce Disability Equality Standard Team.



# 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 NHSE 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 NHSE 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, a Committee of the Trust, is concerned with the Chair and other Non-Executive Directors. The ARTE Committee, as a Committee of the Board, deals with the pay and conditions of senior Executives.

### Nominations Committee

The Committee comprises the Chair (except where there is a conflict of interest in relation to the Chair’s role, when the Vice Chair or Senior Independent Director will attend), two public governors, one staff governor, and one appointed governor. The members have a nominated deputy who attends in their place if they are unable to attend. The Company Secretary advises 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.

The composition of the Committee during 2022–23 is detailed in the attendance summary below.

### Nominations Committee attendance summary

Name of Committee member	A	B	Percentage of meetings attended (%)
Professor Ebrahim Adia, Chair	1	1	100%
Professor Paul O’Neill, Interim Chair	7	7	100%
Tim Watkinson, Senior Independent Director	3	3	100%
Rebecca Allcock, Staff Governor	10	9	90%
Alistair Bradley, Appointed Governor	10	9	90%
Janet Miller, Public Governor	10	10	100%
Mike Simpson, Public Governor	10	5	50%
<b>Substitutes</b>			
Pav Akhtar, Public Governor	2	2	100%
Suleman Sarwar, Appointed Governor	0	0	-

*A = maximum number of meetings the member could have attended | B = number of meetings the member actually attended*  
**NB: There was no Staff Governor Substitute during 2022–23**

## Work of the Committee

During 2022–23, the Committee met on 10 occasions which enabled it to:

- Receive feedback on the outcome of the Chair’s appraisal for 2022–23.
- Receive feedback on the outcome of the Non-Executive Directors’ appraisals for 2022–23.
- Receive, consider and recommend to the Council of Governors re-appointment of three Non-Executive Directors whose terms of office were due to come to an end during 2022–23.
- Consideration and recommendation of the Interim Chair arrangements for the period 1 August 2022 to 31 May 2023.
- Support the shortlisting and interview process for the position of Trust Chair.

Executive search agencies were engaged to support the search for the Trust Chair on three occasions at a total cost of £34,600.

## Appointments, Remuneration and Terms of Employment Committee

All Non-Executive Directors are members of the Committee. The Chief Executive and Chief People Officer are normally in attendance at meetings of the Committee, except when their positions are being discussed. The Company Secretary also attends meetings as appropriate to provide advice and expertise and the Committee has the option to seek further professional advice as required.

During 2022–23 the Committee used independent advice and the services of a Director of the Trust on one occasion to materially assist in consideration of a matter.

### Appointments, Remuneration and Terms of Employment Committee attendance summary

Name of Committee member	A	B	Percentage of meetings attended (%)
Professor Ebrahim Adia	2	2	100%
Victoria Crokken	5	4	80%
Professor Paul O’Neill	5	5	100%
Ann Pennell	4	3	75%
Kate Smyth	5	5	100%
Tim Watkinson	5	4	80%
Jim Whitaker	5	2	40%
Tricia Whiteside	5	5	100%

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

## Work of the Committee

During 2022–23, the Committee met on five occasions. The Committee meetings involved a range of business in line with its terms of reference which enabled it to:

- Consider and approve the process for interim arrangements following the retirement of the Chief People Officer planned for May 2023.
- Receive feedback on the outcome of the Executive Directors’ appraisals for 2022–23.
- Approve the executive pay award for 2022–23.
- Consider and approve the re-designation of certain posts to Chief Officer (with no increase in remuneration).
- Receive details of the Executive team portfolios.

# ANNUAL STATEMENT ON REMUNERATION

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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.



**Professor Paul O'Neill**  
**Interim Chair of the Appointments, Remuneration and Terms of Employment Committee**

## SENIOR MANAGERS' REMUNERATION POLICY

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As detailed in the Chair'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 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 ARTE Committee and are collectively referred to as the senior Executives within this report:

### **Executive Directors**

- Chief Executive
- Chief Finance Officer/Deputy Chief Executive
- Chief Nursing Officer
- Chief Medical Officer
- Chief Operating Officer
- Chief People Officer

### **Other Executives**

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

Details on membership of the ARTE Committee and individual attendance can be found on page 61 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 and Social Care. 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 Chair 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, Audit Committee Chair, and Ockenden Champion (if two or more roles are undertaken by the same individual only one enhanced payment will be applied)
- £55,000 p.a. for the Chair

## In addition the following has been determined:

- £6,500 p.a. for Associate Non-Executive Directors

**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 Board members in post during 2022–23 are included on pages 24 to 30. Details of our Council of Governors are included on pages 128 and 129.

### 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:

	2021–22	2022–23
Total number of Directors in office as at 31 March:	19	22
Number of Directors receiving expenses:	6	8
Aggregate sum of expenses paid to Directors (£00s):	£1,747	£2,190

## 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. The 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 Chief Finance Officer's and the Chief Medical Officer'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 Chief Finance Officer and the Chief Medical Officer to be reasonable.

During the financial year a payment of £35,000 (2021–22, nil) was made to a person that was not a director at the time it was made, but who had been a director of the Trust previously.

### Remuneration Report 2022–23:

Name	Title	2021/22				2022/23			
		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	150–155	4,700	0	155–160	270–275	5,800	0	275–280
Karen Partington	Chief Executive Officer (left 31 December 2021)	140–145	0	55.0–57.5	195–200	0	0	0	0
Faith Button	Chief Operating Officer	140–145	0	65.0–67.5	205–210	150–155	0	75.0–77.5	225–230
Jonathan Wood	Chief Finance Officer / Deputy Chief Executive Officer	170–175	0	65.0–67.5	240–245	175–180	0	50.0–52.5	230–235
Geraldine Skales	Chief Medical Officer	185–190	0	145–147.5	330–335	205–210	0	152.5–155.0	360–365
Sarah Cullen	Chief Nursing, Midwifery and AHP Officer	130–135	800	30.0–32.5	160–165	145–150	4,800	50.0–52.5	200–205
Karen Swindley	Chief People Officer	135–140	0	52.5–55.0	190–195	140–145	0	5.0–7.5	145–150
Stephen Dobson	Chief Information Officer	115–120	0	37.5–40.0	150–155	115–120	0	27.5–30.0	145–150
Gary Doherty	Director of Strategy and Planning	130–135	0	0	130–135	140–145	0	0	140–145
Naomi Duggan	Director of Communications and Engagement	45–50	0	35.0–37.5	80–85	115–120	0	35.0–37.5	155–160

Ailsa Brotherton	Director of Continuous Improvement and Transformation	110–115	0	67.5–70.0	180–185	115–120	0	30.0–32.5	145–150
Angela Mulholland-Wells	Operational Director of Finance (from 17 October 2022)	0	0	0	0	55–60	0	15.0–17.5	70–75
Jennifer Foote	Company Secretary (from 1 July 2022)	0	0	0	0	80–85	0	12.5–15.0	95–100
Ebrahim Adia	Chair (left 31 August 2022)	45–50	0	0	45–50	20–25	0	0	20–25
Paul O'Neill	Interim Chair (from 1 September 2022) / Non-Executive Director	10–15	0	0	10–15	35–40	0	0	35–40
Tricia Whiteside	Acting Vice Chair (from 6 October 2022 / Non-Executive Director	10–15	0	0	10–15	10–15	0	0	10–15
Tim Watkinson	Senior Independent Director (from 20 September 2022) / Non-Executive Director	15–20	0	0	15–20	15–20	0	0	15–20
Geoff Rossington	Non-Executive Director (left 30 September 2021)	5–10	100	0	5–10	0	0	0	0
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
Kate Smyth	Non-Executive Director	10–15	0	0	10–15	10–15	0	0	10–15
Victoria Crocken	Non-Executive Director	0.5	0	0	0.5	10–15	0	0	10–15
Peter Wilson	Associate Non-Executive Director (from 16 June 2022)	0	0	0	0	5–10	0	0	5–10
Michael Wearden	Associate Non-Executive Director (from 10 June 2022)	0	0	0	0	5–10	0	0	5–10

**Notes:**

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

*Non-Executive Directors do not receive any pensionable remuneration*

## Pension benefit:

	2022/23							
	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 2023 (bands of £5,000)	Lump sum at pension age related to accrued pension at 31 March 2023 (bands of £5,000)	Cash Equivalent Transfer Value at 1 April 2022	Real increase in Cash Equivalent Transfer Value (CETV)	Cash Equivalent Transfer Value at 31 March 2023	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
Jonathan Wood Chief Finance Officer / Deputy Chief Executive	2.5–5.0	0.0–2.5	75–80	155–160	1,339	84	1,465	0
Geraldine Skailles Chief Medical Officer	7.5–10.0	12.5–15.0	100–105	235–240	1,949	216	2,226	0
Sarah Cullen Chief Nursing, Midwifery and AHP Officer	2.5–5.0	0.0–2.5	35–40	60–65	462	50	527	0
Ailsa Brotherton Director of Continuous Improvement	2.5–5.0	0	55–60	0	793	77	875	0
Karen Swindley Chief People Officer (2)	0.0–2.5	0	50–55	100–105	1,013	12	1,080	0
Faith Button Chief Operating Officer	2.5–5.0	2.5–5.0	45–50	90–95	702	82	806	0
Stephen Dobson Chief Information Officer	0.0–2.5	0	25–30	0	328	37	375	0
Ailsa Brotherton Director of Continuous Improvement and Transformation	0.0–2.5	0	60–65	0	875	52	954	0
Naomi Duggan Director of Communications and Engagement	2.5–5.0	0	25–30	0	305	44	359	0
Gary Doherty Director of Strategy and Planning (3)	0	0	0	0	0	0	0	0
Jennifer Foote Company Secretary (4)	0.0–2.5	0	0–5	0	0	16	22	0
Angela Mulholland- Wells Operational Director of Finance	0.0–2.5	0	0–5	0	11	11	35	0

Cash equivalent transfer value (CEVT) figures are calculated using the guidance on discount rates for calculating unfunded public service contribution rates that was extant on 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023–24 CETV figures.

### Notes:

- (1) Kevin McGee has chosen not to be covered by the NHS pension arrangements during the reporting year having opted out.
- (2) Karen Swindley opted out of the NHS Pension Scheme in July 2022.
- (3) Gary Doherty chose not to be covered by the NHS pension arrangements during the reporting year, having opted out of the scheme in April 2021.
- (4) Jennifer Foote joined the Trust during 2022 and has no previous NHS pension, therefore the increases in benefits cannot be calculated.



## Fair pay disclosure

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 2022–23 was £270,000 – £275,000 (2021–22, £260,000 - £265,000). This is a change between years of 3.8% (2021–22, 43.8%). The relationship to the remuneration of the organisation's workforce is disclosed in the below table.

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:

	2022–2023			2021–22 Restated			2021–22		
	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
<b>Total remuneration (£)</b>	23,830	31,380	44,029	20,929	27,834	40,583	20,863	27,739	40,139
<b>Salary component of total remuneration (£)</b>	23,830	31,380	44,029	20,929	27,834	40,583	20,863	27,739	40,139
<b>Pay ratio information</b>	11.4	8.7	6.2	12.5	9.4	6.5	12.6	9.5	6.5

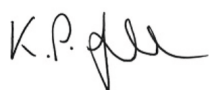
In 2022–23, 2 (2021–22, 2) employees received remuneration in excess of the highest-paid director in 2022–23. Remuneration ranged from £20 to £303,297 (2021–22, £18 to £313,536).

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 7.4% (2021–22 restated, 5.0%; audited 2021–22, 4.2%). On the same basis, the average percentage change from the previous financial year for performance pay and bonuses payable is down 18.4% (2021–22, down 7.3%). The 2021/22 figures have been restated as the remuneration included salary sacrifice deductions in error.

The Group Accounting Manual requires temporary agency staff to be included within the above median pay disclosures. However, due to the lack of availability of the detailed information required to calculate a meaningful annualised cost per temporary staff member the Trust has excluded temporary staff from the above calculations and comparative. The Trust will work with our agency providers to obtain this information such that temporary staff can be included within the disclosure in future years. Temporary agency staff costs equated to £22.2m in the year (2021–22: £21.0m).

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



**Kevin McGee OBE**  
**Chief Executive**  
 27 June 2023

# STAFF REPORT

## Our people

As at 31 March 2023, we employed 9,974 substantive members of staff. This number is broken down as show in the table below; note that some staff hold roles that fall under different staff groups, thus the figures in the table do not sum to the stated distinct headcount.

Staff Group	Headcount
Additional Clinical Services	2,318
Additional Professional, Scientific and Technical	209
Administrative and Clerical ( <i>including NEDs</i> )	1,889
Allied Health Professionals	661
Estates and Ancillary	913
Healthcare Scientists	274
Medical and Dental ( <i>excluding Lead Employer Doctors</i> )	809
Nursing and Midwifery Registered	2,905

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](#)

	2022–23 HC	% of Total HC	2021–22 HC	% of Total HC	2020–21 HC	% of Total HC
<b>Age (years)</b>						
Under 20	74	0.7 %	57	0.6 %	61	0.7 %
20 - 29	1,853	18.6 %	1,778	19.0 %	1,404	15.8 %
30 - 39	2,713	27.2 %	2,359	25.2 %	2,161	24.3 %
40 - 49	2,176	21.8 %	2,091	22.3 %	2,043	23.0 %
50 - 59	2,140	21.5 %	2,157	23.0 %	2,173	24.4 %
60 - 69	961	9.6 %	890	9.5 %	998	11.2 %
70 and over	57	0.6 %	47	0.5 %	53	0.6 %
<b>Ethnicity</b>						
BAME: Asian	1,964	19.7 %	1,637	17.5 %	1,308	14.7 %
BAME: Black	334	3.3 %	196	2.1 %	153	1.7 %
BAME: Mixed	157	1.6 %	141	1.5 %	136	1.5 %
BAME: Other	156	1.6 %	144	1.5 %	120	1.3 %

White: Other	294	2.9 %	267	2.8 %	254	2.9 %
White: UK & ROI	6,935	69.5 %	6,897	73.5 %	6,847	77.0 %
Not Stated	134	1.3 %	97	1.0 %	75	0.8 %
	<b>2022–23 HC</b>	<b>% of Total HC</b>	<b>2021–22 HC</b>	<b>% of Total HC</b>	<b>2020–21 HC</b>	<b>% of Total HC</b>
<b>Gender</b>						
Male	2,309	23.2 %	2,200	23.5 %	2,068	23.3 %
Female	7,665	76.8 %	7,179	76.5 %	6,825	76.7 %
<b>Recorded Disability</b>	477	4.8 %	396	4.2 %	346	3.9 %

As at 31 March 2023, the gender split of our Board of Directors (including Non-Executive Directors) was seven male and eight female. The gender split of our senior Executives, as defined by the ARTE Committee, was four male and eight female, with an average age of 53 years.

As an organisation we are required to publish our Gender Pay Gap report annually. The report can be accessed on our website.

## Attendance management

**Sickness absence data is reported on a calendar year basis (January to December 2022):**

<b>Figures Converted by Department of Health to Best Estimates of Required Data Items:</b>	
Average FTE 2022	8,306
Adjusted FTE days lost (to Cabinet Office definitions)	119,119
Average sick days per FTE	14.3
<b>Statistics published by NHS Digital from ESR Data Warehouse:</b>	
FTE days available	3,045,609
FTE days recorded sickness absence	194,502

*Source: NHS Digital - Sickness Absence and Publication - based on data from the ESR Data Warehouse Period covered: 1 January 2022 to 31 December 2022*

The 12-month average sickness absence rate for the period 1 January to 31 December 2022 was 6.44%, compared to 5.98% in the previous year. Short-term sickness absence has increased by 33.8% over the year to 2.46% FTE, which has contributed to staffing pressures. The reasons for this include changes in the recording of COVID-19-related absences (100% increase) and a higher than usual prevalence of flu, colds and other seasonal viruses (81% increase), mirroring community trends.

Long-term absence has reduced throughout the year by 3.7% from 4.13% to 3.98%. It has been challenging to support some colleagues back to work due to continued delays in NHS surgery or treatment following the pandemic, and in many cases the complexity of physical and mental health conditions. We also continue to observe several colleagues affected by long Covid.

Mental ill-health remains the top reason for working days lost due to sickness absence, but it is encouraging to observe an in-year reduction of 11.4% for this absence rate (from 1.78% to 1.58%), with it now accounting for just under one-quarter of all sickness absence (down from three-tenths). It is the primary reason for colleagues seeking support from our wellbeing services. We recognise that colleagues have been working under sustained pressure for the last three years and we have continued to evolve our psychological wellbeing services to expand the options for support around issues such as stress, anxiety, burnout, and trauma. We have also worked closely with the Lancashire and South Cumbria Resilience Hub to ensure that colleagues access the most appropriate and timely support pathway available to them.

Musculoskeletal conditions are the second highest reason for working days lost due to sickness absence (when excluding infectious diseases), but it is pleasing to observe an in-year reduction of 13.8% for this absence rate (from 0.96% to 0.83%), reflecting the work delivered in the last year to develop new educational resources around protecting musculoskeletal health. We have also collaborated with Lancashire and South Cumbria Occupational Health and Wellbeing partners to jointly engage an external physiotherapy provider to deliver a rapid access remote service to colleagues in work but struggling with musculoskeletal issues. This is a preventative approach to sickness absence and the service will be piloted and evaluated during 2023–24.

Supporting colleagues at higher risk of serious illness from COVID-19 has also been a key focus for us, and we have delivered targeted support which also links to workforce wellbeing priorities around addressing health inequalities. This has included specific group support and health promotion campaigns; and health checks providing blood pressure and BMI monitoring and lifestyle advice.

**Our wellbeing strategy that considers the multiple factors that may lead to sickness absence and other key achievements in the last year includes:**

- training a cohort of Menopause Advocates to help raise awareness on this important subject, which affects a significant proportion of our workforce. The advocates deliver educational sessions, provide peer support and act as a consultative group to help us develop our policies and working practices.
- further development of rest and recreation areas, with four local break areas upgraded and Charters restaurant refurbished. Five new outdoor seating areas are also in development and will be ready by Summer 2023. These schemes have been supported through charitable donations and grants.
- extended opening hours in our catering outlets, enabling increased access to food and drink for colleagues. New water machines have also been installed in several clinical areas to support colleagues to stay hydrated whilst at work.
- launch of a leadership pledge campaign for our leaders to publicise how they will support the wellbeing of their teams.
- introduction of new workshops, including sleep support, weight management through Cognitive Based Therapy and coping with alcohol difficulties in self and others
- delivery of over 5,500 flu vaccinations and over 3,500 COVID-19 booster jabs to our workforce.

**Priorities for the next year include:**

- implementation of a physical activity strategy.
- development of rehabilitation pathways to support colleagues to return to work from serious illnesses, for example cancer.
- launch of 'Making Every Contact Count' training, which is a behavioural science approach to maximising everyday interactions to support conversations about health and can be used to support the development of wellbeing cultures within teams.
- recognising the impact of abuse and aggression from patients and service users on the wellbeing of our colleagues, we will launch zero tolerance resources and deliver enhanced training in preventing and de-escalating incidents.

We will also continue working with colleagues from the Lancashire and South Cumbria ICS to share practice and develop system-wide wellbeing approaches and delivery models.

## Equality Diversity and Inclusion

To support our vision of providing Excellent Care with Compassion, we have an Equality, Diversity and Inclusion (EDI) Strategy 2021–26. 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 meet; patients, their families, carers, colleagues, temporary workers, volunteers and colleagues from other organisations with dignity, respect, kindness and understanding.

The strategy outlines a set of five principles which aim to provide a framework of ideas and options to create systematic changes, these are:

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

Over the past 12 months a number of actions have been progressed, including:

- Creation and subsequent launch of an online toolkit which demonstrates how to be an active bystander, i.e., how to support colleagues who may be on the receiving end of bullying, harassment, abuse, violence or discrimination, seeking to effectively challenge negative behaviours or language in the moment and de-escalate situations. The toolkit will be enriched by the delivery of a short bystander intervention masterclass, helping colleagues to develop the skills and awareness to challenge negative behaviours, language or culture which is not in line with our zero tolerance expectations.
- Re-writing our Transgender and Non-Binary Policy; a joint piece of work engaging with the Chair of our LGBTQ+ Ambassador Forum, the EDI Team and Dr Lewis Turner, Chair of Lancashire LGBTQ+.
- Holding dedicated Schwartz Rounds to discuss EDI-related topics, such as going through hormonal changes in the workplace, the topic of this round has been commended by the Point of Care Foundation as innovative practice. During the round we heard from the panellists and members of the group about their experiences of going through different types of hormonal change in the workplace such as menopause and IVF treatment.
- Signing up to the Disability Employment Charter and the Care Leavers Covenant. The Disability Employment Charter sets out nine areas supporting organisations commit to putting in place to address the disadvantages disabled people encounter in their working lives. The Care Leavers Covenant is a national inclusion programme which supports Care Leavers, aged 16–25, to live independently.
- Several colleagues have been involved in a Reverse Mentoring programme across the Lancashire and South Cumbria ICS. This programme of work involves colleagues in a senior position being mentored by someone in a more junior position than themselves. The programme gives our senior colleagues and leaders insight into what it is like to be working for our organisation as a colleague who belongs to an under-represented/ marginalised group. Within the next quarter, we will launch our own internal Reverse Mentoring programme for colleagues across the Trust.
- The development of Equality Impact Assessment training to support colleagues to review their policies, procedures, processes, practices, events, and decision-making processes are fair and do not present barriers to participation or disadvantage any protected groups from participation.

We have undertaken a review of our workforce profile by ethnic group and pay band so we can understand where minority ethnic colleagues may be experiencing barriers to career progression.

The greatest representation of minority ethnic colleagues in non-clinical roles are in band 2 and below (below band 1 tend to be apprentices) and in band 8b (26.3% of band 8b colleagues are from an ethnic minority background). With the exception of apprentices, band 2 and band 8b colleagues, ethnic minority colleagues are underrepresented across all other bands when compared against the overall non-clinical ethnic minority workforce.

From a clinical workforce perspective, the highest percentage of minority ethnic colleagues can be found in band 5 roles which could, in part, be due to extensive international recruitment in the last 12 plus months. With the exception of band 3 and band 5 clinical roles, minority ethnic colleagues are underrepresented in all other bands when compared against the overall clinical minority ethnic workforce.

From a medical and dental workforce perspective, the highest percentage of minority ethnic colleagues can be found in non-consultant specialist roles. Minority ethnic colleagues are underrepresented at Consultant level and above, when compared against the overall medical and dental minority ethnic workforce.

In addition to this our 2022 Workforce Race Equality Standard (WRES) and Workforce Disability Equality Standard (WDES) staff survey data tells us that:

- 48% of minority ethnic colleagues believe our organisation provides equal opportunities for career progression and promotion as opposed to 62% of white colleagues. The disparity ratio falls outside of 0.8–1.2 indicating there is an adverse impact on minority ethnic colleagues.
- 52.2% of colleagues with a long-term condition (LTC)/disability believe our organisation provides equal opportunity for career progression or promotion versus 61.3% of colleagues without a LTC/disability. The disparity ratio falls between 0.8–1.2 indicating for this metric there is no adverse impact for colleagues with a LTC/disability.

To ensure minority ethnic colleagues have greater opportunity to access development, are supported in their talent and career aspirations, as well as trying to create greater diversity in our senior, Executive and Non-Executive Director level posts, we launched an Inclusive Leadership in Lancs Programme in 2021. The programme took a modular approach and consisted of successful courses already delivered across the organisation alongside some bespoke sessions. This included completing:

- **Talent Management Programme** – which aims to support participants to reflect on their career journey to date and to start to map out the career journey they want moving forward. It also supports participants to reflect on their values, skills, strengths and areas for development.
- **Core People Management Skills** – this 5-session programme provides new and experienced managers with the fundamental management skills in essential areas of recruitment, induction, performance management, team management, health and wellbeing and what to do when things do not go to plan.
- **Microsystem Coaching Academy Programme** – aims to support participants to have the skills to influence, rethink and redesign services by having the knowledge, skills and abilities to apply quality and continuous improvement science in their teams through taking a team coaching approach.
- **RADA Personal Impact Training** – this consisted of three short modules involving actors and role play to support participants to build their personal presence, leadership approach, ability to influence and negotiate.

The first cohort has just drawn to a close, so we are now in a position to undertake a first level evaluation with a view to offering further cohorts across the organisation.

Furthermore, we have ring-fenced a proportionally representative percentage of accredited (such as Institute of Leadership and Management Level 2, and Consultant Leadership Development) and non-accredited (such as CI Programmes, Core People Management Skills, and Senior Leadership Development) taught programmes for colleagues with protected characteristics.

Our WDES staff survey data also told us 75.1% of colleagues who have a disability or LTC say the organisation has made reasonable/adequate adjustments to enable them to carry out their work. This is slightly above the national average for this measure (71.8%). There has been a deterioration in the proportion of colleagues with a disability/LTC who felt under pressure to come into work when not feeling well enough (-1.8%). Whilst this is better than the national average, we have already commenced a review in respect of reasonable/adequate adjustments to understand what the barriers colleagues experience when requesting this support, in addition to what actions we can take to overcome those barriers.

We have seen some increases in the percentage of colleagues who have disclosed a disability/LTC across our workforce as a whole, with 4.7% of our non-clinical workforce who have a disability/LTC and 4% of our clinical workforce. It is positive to also note an increase in colleagues occupying clinical bands 7 and 8b, as well as in non-clinical bands 7 and 8c, disclosing a disability/LTC. Despite these successes we know there is still a significant



gap between the number of colleagues who declare they have a disability/LTC on our ESR (Employee Staff Record) system. Over the next 12 months we will undertake a campaign to bust any myths surrounding how data is used but also support staff to update their EDI data on ESR, which will hopefully improve disability declaration rates.

Within both WRES and WDES we measure the likelihood of disabled and ethnic minority candidates being shortlisted. There have been slight improvements in the last 12 months in relation to the likelihood of disabled candidates being appointed from shortlisting, showing a reduction of adverse impact for disabled candidates compared against the experience of non-disabled candidates. However, for minority ethnic candidates, we need to take further action as the race disparity ratio for this indicator has deteriorated since last year, moving to 1.28 (from 1.23). This means that white candidates are 1.28 times more likely to be appointed from shortlisting than candidates from an ethnic minority group. The disparity ratio is slightly above the range of 0.8–1.2 indicating there is an adverse impact on minority ethnic candidates.

Over the next quarter we will begin work on reviewing our recruitment, selection and induction processes from end to end, to identify processes which may be open to bias and determine actions required to eliminate bias and encourage diversity and inclusion from each stage of the process. This could include having diverse recruitment panels as standard, along with equality representatives who have the authority to stop selection processes if deemed unfair. In addition, all interviews for roles banded 8a and above will include a requirement for candidates to demonstrate the legacy of past EDI work they have undertaken.

We will also schedule and deliver EDI Masterclasses to equip leaders and managers with the skills, competence and confidence to have conversations with colleagues about ethnicity, religion, disability, sexuality or generational differences aligned to their experience of work. As well as enabling them to understand what additional needs colleagues may have and how they may be able to support them to fulfil their potential.

The EDI 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 EDI Strategy Group reports to the Board 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

### Staff engagement

We believe staff engagement is the very essence of what creates positive employment experiences and develops a positive organisational culture. It helps us to retain our talent with individuals wanting to stay working for us and supports high performance, so staff go the extra mile.

Organisations that have higher levels of staff engagement deliver better patient care. Staff engagement remains a priority for us as a Trust to enable us to deliver high quality services, achieve our financial plans and support future organisation change and transformation programmes.

Our approach to staff engagement is driven through the Workforce and Organisational Development People Plan, which sets out our strategic direction as part of our aim to be a Great Place to Work.

The annual programme of work includes measuring and understanding of staff engagement, satisfaction and experience of work in order to drive improvement. This is delivered through the following methods:

### Annual National Staff Survey

This takes place September to November each year with all colleagues invited to participate including temporary bank colleagues. Once embargo is lifted, results are cascaded across the organisation for action to be taken at every level.

As a Trust we develop a corporate level action plan to address key themes which support organisational-wide changes along with progressing the existing People Plan strategic actions. This year, we have also used the results to identify teams from each division to receive the offer of enhanced support as part of a more proactive approach to raise levels of staff engagement and satisfaction.

At Divisional level, we have asked leaders to cascade their results, review these against their existing people plans and identify up to two further actions they feel they need to take, along with participating in their own team engagement plan using our internal Team Engagement and Development (TED) tool.

The Workforce Committee and Divisional Workforce Committees are responsible for the oversight of these.

At team level we enable all managers to have access to the staff survey results along with guidance to support them to share their staff survey results with their team. Managers are provided with training and asked to use our internal TED tool with their team which supports them to have conversations about their team engagement and effectiveness and co-create their own team development action plan sharing ownership and team responsibility for delivering it.

### **National Quarterly Pulse Survey**

This shorter survey is undertaken electronically (in quarters 1, 2 and 4) with all colleagues invited to participate. It provides an opportunity for colleagues to share their feedback at more regular times throughout the year as opposed to a one-off survey.

The response rate for this engagement method is typically lower than the national staff survey and whilst this is not unique to our Trust, a priority will be to improve our participation and develop increased awareness across teams about how and why we measure engagement, helping them to feel confident we are taking action and making improvements in response to their feedback.

### **Team Engagement and Development Tool**

The internal TED tool has been used across the organisation for the last seven years and is designed to be used by team leaders to enable them to have a conversation about their team's levels of effectiveness and engagement. It supports team and individual engagement by providing staff with the opportunity to share their feedback and collectively identify solutions as part of the team development action plan.

As part of our work with NHSE to enable the TED tool to be used with other Trusts we were also able to complete additional data analysis to examine the relationship between the use of the TED tool and the process and delivery of improved organisational performance in satisfaction and engagement as measured by the NHS Staff Survey.

The analysis has found that where we have increased TED completion, we typically have higher levels of staff satisfaction across the People Promise Elements and are more likely to be at or above the national average. We can also see that higher levels of TED completion are found to have a positive impact on team working questions and line manager effectiveness as measured in the National Staff Survey.

In the last 12 months there has been a deliberate, renewed focus on encouraging teams to take part in TED with a target of 159 teams to complete TED. This target has been exceeded with 169 undertaken to date achieving the highest since TED was launched.

Growing the use of TED will continue to be a key priority in 2023 as part of Our Big Plan aim for all teams to use the TED tool on an annual basis.

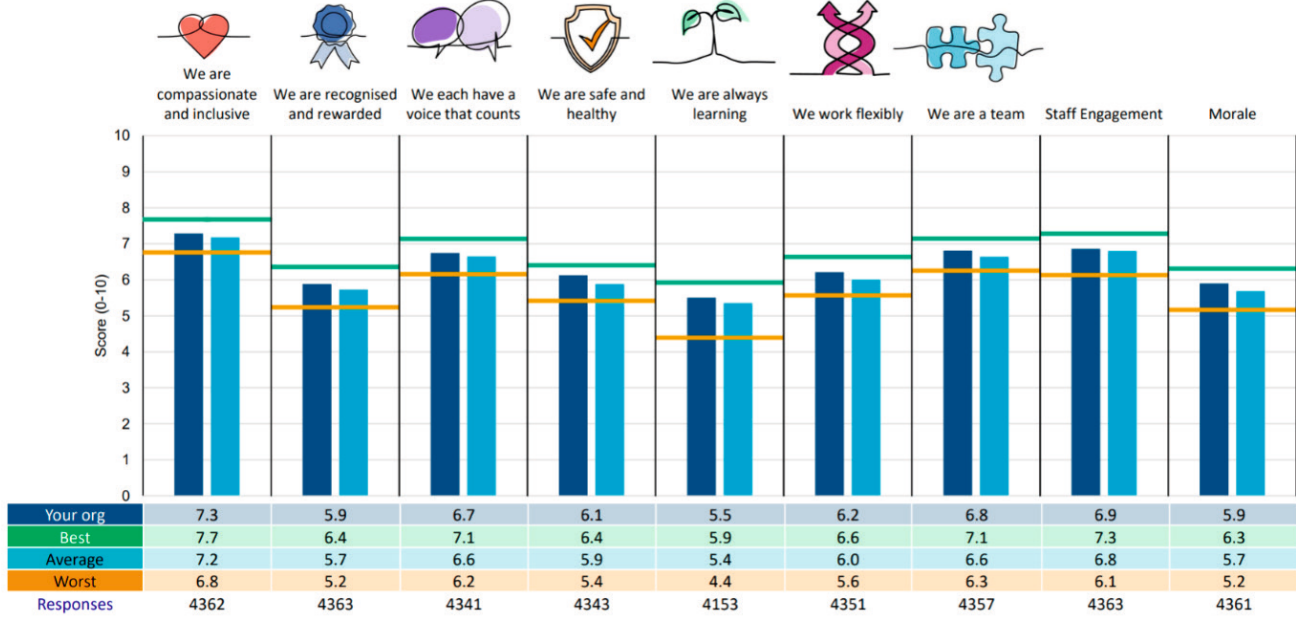
### **NHS Staff Survey**

The NHS staff survey is conducted annually. From 2018 onwards, the results from questions are grouped to give scores in 10 indicators. The indicator scores are based on a score out of 10 for certain questions with the indicator score being the average of those.

The Trust's response rate to the 2022 survey was 47%. This is a 10% increase from the 2021 survey (37%) and is above the national average (44%) in our benchmarking group (Acute and Acute and Community Trusts).

Scores for each indicator together with that of the survey benchmarking group are presented below.

All of the People Promise elements, themes and sub-scores are scored on a 0-10 scale, where a higher score is more positive than a lower score.



As indicated in the summary above, against the nine elements, we have performed above the national average for all of the people promise elements in 2022. This is the first time we have achieved this and whilst the results still show us where the areas for improvement are, we can see we are continuing to make progress towards our aspiration of being the 'best' in the NHS.

From the results, we know a key area of focus for us is to improve our levels of staff advocacy, however looking at trends across acute trusts in the North West, we can also see that we are the only Trust that has not declined over the last three years when asked if they would recommend our Trust as a place to work. This indicates that the work we continue to do around staff engagement and satisfaction is helping us as an organisation to see improvements with overall levels of engagement.

In summary a total of 117 questions were asked in the 2022 survey, of these, 112 can be compared to 2021 and 97 can be positively scored. The pie charts below show how our 2022 scores have compared against how we performed in 2021 against the Picker average.

Comparison to 2021\*\*



Comparison with average\*\*



Below shows our 2021 scores for comparison:

Comparison to 2020\*



Comparison with average\*



## Staff Engagement

The scores below detail the overall staff engagement score for 2022 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 and 2021 results and the national average for this year.

The table below shows that for staff engagement we have seen improvements in all except two questions which have slightly deteriorated and one that has stayed the same in comparison to both our 2021 results and the national benchmarking average.

Description	Organisation 2020	Organisation 2021	Organisation 2022	National Average
<b>Motivation</b>	<b>7.2</b>	<b>7.0</b>	<b>↑ 7.1</b>	<b>7.0</b>
I look forward to going to work.	<b>56.8%</b>	51.8%	<b>↑ 55.2%</b>	<b>52.5%</b>
I am enthusiastic about my job.	74.1%	68.7%	<b>↑ 70.2%</b>	<b>67.7%</b>
Time passes quickly when I am working.	77.2%	75.5%	<b>↓ 74.5%</b>	<b>72.5%</b>
<b>Involvement</b>	<b>6.8</b>	<b>6.9</b>	<b>↑ 7.0</b>	<b>6.8</b>
There are frequent opportunities for me to show initiative in my role.	73.6%	74.8%	<b>↑ 75.7%</b>	<b>72.8%</b>
I am able to make suggestions to improve the work of my team / department.	76.5%	73.6%	<b>↑ 74.6%</b>	<b>70.9%</b>
I am able to make improvements happen in my area of work.	55.5%	53.7%	<b>↑ 56.5%</b>	<b>54.7%</b>
<b>Advocacy</b>	<b>7.0</b>	<b>6.6</b>	<b>● 6.6</b>	<b>6.6</b>
Care of patients/service users is my organisation's top priority.	78.8%	72.6%	<b>↑ 72.8%</b>	<b>73.5%</b>
I would recommend my organisation as a place to work.	63.6%	56.2%	<b>↑ 57.2%</b>	<b>56.5%</b>
If a friend or relative needed treatment I would be happy with the standard of care provided by this organisation.	69.1%	61.9%	<b>↓ 59.9%</b>	<b>61.9%</b>
<b>Overall Staff Engagement Score</b>	<b>7.0</b>	<b>6.8</b>	<b>↑ 6.9</b>	<b>6.8</b>

### To summarise the staff engagement findings:

- In the majority of areas, our results show that we are making improvements and are now above or on the national average benchmarking data.
- Whilst our overall staff engagement score has only slightly increased since 2021 by 0.1 point, we are again, slightly above the national average.
- When we look at the engagement questions relating to motivation, we can see some encouraging increases in relation to looking forward to going to work (+3.4%) and feeling enthusiastic about work (1.5%) with both above national average. This shows us important progress after our 2021 results had seen declines in both these questions.
- When we look at the engagement questions relating to involvement, we can see improvement here for all three questions in comparison to our 2021 results and when looking at this in comparison to the national average, this is an area of strength in our results.
- When looking at the engagement questions relating to advocacy, we can see this remains an area of focus for us. Whilst overall we have remained stagnant in this sub theme, there is work to be done to improve how colleagues feel with regard 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 with both these questions being below the national average for our benchmarking group.

## Future priorities and targets

The 2022 results show where we are making progress to improve our overall staff experience and they help us to understand our priorities and key areas we need to pay attention to over the next 12 months.

Many actions will continue to be delivered by the Workforce and Organisational Development team as outlined in Our People Plan which identifies our key strategic aims and deliverables. Alongside this our three priority areas are:

- 1. Colleagues experiencing physical violence, bullying, harassment or abuse from patients/ public or from other colleagues.**
- 2. Resolving health, safety and building issues raised, as well as colleagues' lack of access to adequate materials, supplies and equipment to do their work.**
- 3. Improvements to the way colleagues feel able to raise concerns and their need to be updated on what action has been taken, so they know they have been heard and listened to.**

The NHS Staff Survey free text comments also shows us how we need to support colleagues to feel more recognised and valued for their contribution at Lancashire Teaching Hospitals and support team members to feel more involved in changes and team decision making.

Finally, as indicated in the data above our results showed a 2% decrease in the number of colleagues who would be happy with the standard of care provided by the organisation if a friend/relative member needed treatment and a 1% increase in colleagues saying they would recommend our organisation as a place to work. We know we can do better to improve these areas and our corporate level action plan will detail the actions we will be taking to make improvements to these areas.

Progress against our priorities and measurement of impact will be reported to the Workforce Committee through the regular cycle of business.

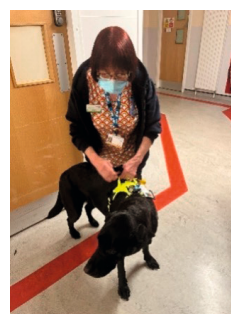
## Volunteers

Our volunteers provide a huge service to the Trust, they give 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.

We have 384 volunteers registered with us and this includes Baby Beat, third party volunteers such as RVS, Families and Babies, Galloways, Action for the Blind and Macmillan. Many of our volunteers continue in the original roles they started but we have also seen existing volunteers try completely new roles this year to support areas of need in the Trust, after years in their original role. Feedback has been that this has been successful with some reporting learning lots of new skills.

### Volunteer roles and activities undertaken during 2022–23 include:

- **Meet and Greet and Assistance** – helping patients and visitors to find their way and assisting with wheelchair transportation and supporting at the Meet and Greet desks encouraging visitors, staff and patients about social distancing, mask wearing and hand sanitising. Feedback from our patients tells us how valued this is.
- **Chaplaincy support** – visiting patients and providing pastoral support. This has been particularly important while visitor restrictions have been in place, and so valued by our patients.
- **Volunteer dogs** – two specially trained dogs and their volunteer handlers have been visiting specific patients and staff. There is Iska, the patient therapy dog who visits patients and staff on request weekly. There is also Bentley, a Labrador who is a health and wellbeing dog to support staff weekly. The feedback on both dogs is so positive with staff commenting on the uplift in morale and feeling of wellbeing.



Bentley



Iska



- **Clinical support** – outpatient clinics, blood clinics, cardiorespiratory discharge lounge.
- **Administrative support** – helping with photocopying, envelope filing, delivering information, making phone calls.
- **Ward/department support** – helping with beverages and snacks for patients and staff as necessary, undertaking errands.
- **Hospital Radio** – both stations have returned to live broadcasting from our studios at Preston and Chorley Hospitals as well as broadcasting from home games at Preston North End Football Club and some of the horserace meets taking place in the North West.



Posters were developed and distributed to all wards. We also undertook an interview with the Lancashire Evening Post about our radio stations.

## Engagement

We continue to work hard to keep in touch with our volunteers throughout the year:

- We send them the CEO communication briefs.
- We inform them of new volunteering opportunities that they may be interested in trying and encourage them to try new roles.
- We send regular email updates on anything of interest taking place within the Trust and also the Health and Wellbeing newsletters and information.
- We also have an open door to our offices on both hospital sites when volunteers can arrange to meet us, socially distanced, to discuss any issues they may have and telephone support is always available on both sites.

Raising visibility of our volunteers and the work they do

We invested in new uniforms for all volunteers in 2022. 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. The new uniforms have gone down really well and are being worn by the majority of volunteers. They have the choice of yellow tabards or polo shirts and grey fleeces for those in open areas and contrasting volunteer lanyards.

We promoted our new uniforms by placing posters around the organisation to notify visitors, patients and staff. The feedback on the uniforms continues to be positive with people reporting the new colour makes them stand out and much easier to spot.

We have developed and extended our social media channels and increased sharing the activity our volunteers undertake on Facebook, Instagram, Linked-in and Twitter.



## Colleagues and networks

To stay in touch with colleagues across our networks, we continue to attend regular virtual meetings with the National Association of Voluntary Service Managers as well as accessing all the resources available on the NHSE 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 which helps us evolve each other's services. There are monthly Volunteer Q&A Forums supported by NHSE with Trusts across the country attending which we attend and contribute to.

## Recruitment

We have welcomed some new volunteers throughout 2022–23 in specific areas and have plans to reopen general recruitment for volunteers in line with organisational requests.



We have been engaging with staff groups and departments to develop new roles and increase the profile of volunteers across the Trust, specifically within the dementia service, Patient Advice and Liaison Service (PALS), Eye Clinic and recently to provide a service to Finney House.

We have recently had discussions with RVS volunteers who will no longer support the Trust through the RVS, to discuss them joining our Volunteer Service instead. A number of those volunteers have indicated they are happy to continue volunteering with the Trust and look forward to trying out new roles with us.

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 and to be able to report on demographics of our volunteers and how they compare to other areas.

## Funding for volunteer activities

Last year we were successful in receiving funding from NHSE for a number of initiatives – one of which allowed us to purchase activity items for volunteers to engage with dementia patients and to train for the specific role which we hope to put in place shortly. We engaged with the Alzheimer's Society to make up packs and for these to be distributed across the Trust by volunteers.

## 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** – volunteers to assist with beverages, chatting and message running.
- **Dementia Team** – to help with distraction therapy and socialising within our wards but also to develop a team for Finney House.
- **PALS** – to engage with patients on wards and outpatients to obtain views and comments.
- **Gordon Hesling Block** – volunteers to support Meet and Greet in this newly refurbished area.

We plan to do more work this year ensuring all wards/departments can easily engage with us if they want to request a volunteer and simplify the process. We will be developing an intranet page all about our Volunteer Service.

## 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 a Volunteer Handbook and monthly newsletter.
- Continue to monitor our volunteer ESR records to keep them up-to-date 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 to enable them to better understand the role of volunteers and the role profiles – those available and opportunities to develop new ones.
- To raise the profile of how volunteers can proactively support service delivery, ensuring our volunteers are embedded into clinical teams, and pro-actively supported in the workplace.
- Improve positive celebration of volunteering through case studies, awards, social media posts, posters, volunteers' stories such as Schwartz rounds and communications to showcase the immersive and uplifting culture of volunteering.
- Investigate the introduction of 'guaranteed interviews' for volunteers who are looking to progress into employment with the Trust.
- Develop a calendar of events with recruitment and education to ensure our Volunteer Service is promoted.

## Learning and Development

This section provides a summary overview of learning, development, education, and training activity delivered during 2022–23. This was the final year of the Education and Training Strategy 2020–23; however, objectives and associated timescales were adjusted over the lifetime of the strategy to offer maximum flexibility in response to critical service pressures. The strategy has therefore been extended by one year for 2023–24 to allow a further year to complete the objectives as far as possible and prepare for a full strategy refresh.

Mandatory training is a key enabler to delivering safe and effective patient care, reducing organisational risk, and ensuring a safe working environment. Of the training subjects which are nationally mandated, either through the national Core Skills Training Framework or other relevant legislation, at the end of March 2023 the Trust has demonstrated target compliance (95% for Information Governance, 90% for all other subjects) in 21 out of 26 subjects. This is an improvement from the year-end position reported in 2021–22 where the target compliance was achieved in 19 out of 26 subjects. This performance over the two-year period is exceptional from a 2020–21 baseline position of target compliance demonstrated in 9 out of 26 subjects.

Overall medical device compliance across the Trust exceeds the interim target of 80%, which demonstrates a 9–10% improvement since April 2022. The target compliance will be increased to 90% as from 1 April 2023 aligned to Our Big Plan metrics. An e-learning based system has been implemented which aligns to the mandatory training model with individual medical device compliance reporting and automatic reminders sent to staff members. During 2023–24 this model will continue to develop to include clinical competencies and point of care training.

The Skills Passport Programme, funded by Health Education England, is an initiative the Trust is leading on behalf of Trusts in the Lancashire and South Cumbria ICS with the aim of developing an ICS-level common mandatory training framework, ICS-level agreement on required training and associated training levels for practitioners, developing a model that supports skills and training transferability across the ICS, enhances staff mobility and offers the potential to deliver cost efficiencies through an integrated service delivery model. This is a two-year programme scheduled to complete in Spring/Summer 2024. However, this will need to be an ongoing work programme supported by the ICS to realise the full benefits that a fully integrated delivery model could offer.

### **During 2022–23, the Clinical Skills Education team has delivered a broad range of activity including:**

- 563 newly qualified staff attended preceptorship.
- 431 Healthcare Assistants (HCAs) completed HCA induction programme and Care Certificate
- Finney House induction programme for 23 new HCAs.
- 20 days of Clinical Competency Assessment (CCA) medical student examinations.
- Run 'Doctor for a Day' and supported career events.
- Fit tested 3,435 staff with 8,367 mask fit tests conducted.
- Delivered 5 courses for 24 Return to Training doctors.

In November 2022 our new Virtual Reality Suite opened offering interactive and immersive learning environments to enable learners to train in different scenarios. The suite has advanced technology that creates a simulated environment with sights and sounds that mirror clinical environments. Learners can develop skills through simulated high pressure and complex simulations, community-based practice, or other environments such as clinic rooms and theatre settings.



The resuscitation defibrillator replacement programme commenced in December 2021 to replace all defibrillators in the Trust with modernised equipment and is scheduled to complete by Summer 2023.

The Clinical Skills Education team, alongside senior managers from corporate services, has facilitated a review of the Trust's Clinical Educator service. This programme was delivered within a six-month timescale and completed in February 2023. The final report with key recommendations for driving service improvements was presented to Executive Leads in March 2023 and is currently under consideration by the Chief Nursing Officer for taking the review findings forward.

During 2022–23 1,351 learners (excluding postgraduate and other trainees) were successfully placed in clinical departments as part of their clinical placement requirement. As part of our refreshed Learner Offer, learner boards have been installed across all ward and clinical areas providing learners with information and signposting to available resources. A small task and finish group has led the development of our enhanced approach to recognising success and celebrating achievements, with the first multi-professional staff awards event scheduled for June 2023. Placement Welcome material is available to help learners understand the environments in which they are on placement, key contacts, and other helpful information to ensure they have a high-quality learning experience whilst in the Trust.

This year we received our first cohort of nine T Level students. T levels are Level 3 classroom-based technical programmes that equip students with the skills, knowledge and behaviours needed to progress into skilled employment. As part of the curriculum, students must undertake a minimum of 315 hours on an appropriate industry placement. The Trust has commenced industry placements in clinical and non-clinical services and is growing its offer aligned to demand from our local partner colleges.

We offer an accessible and comprehensive Learner Support service for all learners in the Trust, providing information, guidance, and advice on a wide range of issues such as academic, health, personal, financial, and pastoral/welfare support. Targeted and personalised support is available for any learners requiring additional interventions relating to their wellbeing and successful personal development. During 2022–23, 511 learners/trainees have accessed the service.

### **In Postgraduate Medical Education, achievements include:**

- Organised and ran 16 Skills in Practice courses to support International Medical Graduates settle into their first training post in the UK.
- Reviewed 215 trainee portfolios as part of the trainees' Annual Review of Competency Progression (ARCPs).
- Co-ordinated 228 teaching sessions across the Foundation, GP Specialty (GPST) and Internal Medicine Training programmes.
- Member of our team won Specialist, Associate Specialist and Specialty Doctors (SAS) Administrator of the Year 2022 at the annual Health Education England North West (HENW) SAS Awards 2022.
- Arranged Junior Doctor induction for 259 new trainees across all grades joining the Trust.
- Continued to develop our training programmes with the introduction of new Integrated Training posts for the GPSTs in Inclusive Health, and the expansion of Longitudinal Integrated Foundation Training (LIFT) posts for Foundation trainees.
- Secured funding from HENW to run 14 different courses to support the development of SAS doctors.
- Delivered a Compassionate Leadership Programme for Foundation Doctors with positive evaluation received from the General Medical Council.
- Increased Foundation Doctor recruitment following successful competitive application process.
- Through Covid recovery funding, appointed Associate Director of Medical Education to support trainee wellbeing.

The Medical Intern Programme (MIP) that was launched in 2020 has seen its third cohort recruited with 16 international doctors joining the programme in 2022, and the programme extended across the Lancashire and South Cumbria footprint to include Blackpool Teaching Hospitals NHS Foundation Trust. Upon completion these doctors can opt to apply for specialty training and thus remain in the UK. A programme is under development for middle grade doctors, the Overseas Registrar Development and Recruitment (ORDER) programme. If successful, this programme will help to address chronic gaps in medical workforce supply and introduce an annual pipeline

of additional specialty trainees. These two programmes are both important in contributing to our future medical workforce and will be further developed in 2023–24. MIP was also shortlisted for Workforce Initiative of the Year in the 2022 Health Service Journal Awards.

In partnership with the University of Central Lancashire, the new Practice-Based Pathway successfully launched in January 2023 with 25 students enrolling on the programme. This programme is an innovative approach to delivering a hospital-based pathway for the BSc Hons Pre-Registration Nursing (Adult) Programme and is based on additionality thus offering additional pre-registration nursing students and growth in future registered nurse workforce supply.

The Registered Nurse Degree Apprenticeship, delivered in partnership with Northumbria University, has continued with the final cohort recruited in September 2022 from within the funding received from Health Education England. Since programme commencement in September 2020 a total of 84 participants have been recruited, with 21 having completed (the first cohort completed in July 2022), 63 currently in training and the last cohort scheduled to complete in March 2024. Opportunities to secure additional funding are being pursued with the aim of integrating this model of training with the Practice-Based Pathway.



**Other achievements within Professional Education Development include:**

- Delivering 100 clinical skills sessions for 98 Bolton University nursing students.
- Supporting Trainee Nurse Associates with 23 qualifying in 2022–23.
- Delivering the support requirements for 267 international nurses recruited during 2022–23 (April to December).

**Apprenticeships continue to be a government priority and offer structured learning pathways towards meaningful employment. During 2022–23, we have delivered a range of apprenticeships targeted towards workforce supply and skills gaps. Outcomes include:**

- 58 Level 3 Healthcare Support Worker apprenticeships.
- 77 Level 3 Learning Mentor apprenticeships.
- 2.3% new staff recruitments as apprentices.
- 116 outsourced apprenticeships across clinical and non-clinical pathways.
- 78.2% Qualification and Achievement Rate against a target of 62%.



The first Lancashire and South Cumbria NHS Health and Social Care Apprenticeship Awards were delivered in 2022–23 with a prestigious event held in June 2022. The Trust was shortlisted for Apprentice Employer of the Year alongside 12 apprentices from the Trust being shortlisted across the range of categories. One apprentice received a highly commended award in the Non-Clinical Apprentice of the Year category.



**In August 2022, the Trust was inspected by the Office for Standards in Education, Children’s Services and Skills (OFSTED) with the following outcome (overall grade and sub-domain grades):**

<b>Overall outcome</b>	<b>Good</b>
Quality of education	Good
Behaviours and attitudes	Outstanding
Personal development	Good
Leadership and management	Good

This was the first OFSTED inspection since the Trust became an Apprenticeship Training provider in 2017 and is a significant achievement demonstrating the high quality of our apprenticeship provision.

The Education Governance team is responsible for collecting learner feedback and monitoring compliance against internal and external quality standards. Improved reporting has been implemented across all clinical divisions during 2022–23 aligned to Health Education England’s Quality Framework and the NHS Education Contract. The introduction of internal learner surveys has further supported this approach, with questions now aligned to specific themes to ensure that data collected from surveys and targeted focus groups is used to inform action plans and drive continuous quality improvements.

Improved promotion and engagement with learners and trainees led to a significant increase in national survey completions with General Medical Council survey participation increasing by 6.2% on the previous year to 87.9% and National Education and Training Survey participation increasing by 191% up to 382 survey completions from 131 the previous year.

Aligned to the mechanisms for managing education investment through contracts with the clinical divisions, service level agreements have been developed during 2022–23 for managing educational investment across corporate services. These agreements will be effective from 1 April 2023 and will provide enhanced accountability for educational income and expenditure.

**Recognising the importance of good governance in relation to departmental effectiveness, the education and training team has completed several operational reviews during 2022–23, including the following:**

- Fundamental review of Datix risks aligned to the Trust’s risk maturity framework.
- Review of all education policies to ensure currency and relevance.
- Review of information assets, business continuity plans and other relevant information governance requirements.
- Review of COVID-19 decisions log and review and closure of associated action log.
- Review and refresh of all Education and Training Subcommittees and operational groups.
- Full refresh of consolidated education income and expenditure profile.

**The above provides a brief overview of activity during 2022–23; other key achievements include:**

- Our newsletter, Education Matters, first edition was published during the Winter period.
- Upgrades to Education Centre 1 including a newly created Multimedia Studio and a dedicated Microsoft Teams videoconferencing suite.
- A range of digital developments have been implemented including multiple media for Virtual Reality and Mixed Reality technology and a Polecam medical rig providing live feed birds-eye view of surgical procedures.
- The third year of the three-year Continuing Professional Development funding for non-medical healthcare professionals representing £952,000 investment for 2022–23 in developing our workforce.
- Secured bid investment totalling in excess of £500,000 for Postgraduate Medical Education recovery funding, workforce upskilling and other programme activity.

**A full refresh of the Education and Training Strategy for 2024–27 will take place during the next business year, and key areas for strategic focus include:**

- Leading system-level developments to develop more integrated ways of working, drive solutions to chronic supply gaps and enhance staff mobility.
- Be the training provider of choice for the ICS and extend our regional, national and international reach; this will focus on apprenticeship training opportunities, simulation and surgical simulation developments, and further partnership opportunities with academia.
- Support clinical and technological advancements in healthcare through enhanced simulation and digital education and blended delivery models.
- Develop a commercial delivery model to maximise income generation opportunities and promote agility of educational investment.
- Strategy to be reflective of and align to all relevant Trust strategies, wider Trust agenda, and external drivers recognising the broader landscape and system-wide pressures.
- Drive efficiencies through cost improvements, digital developments, harmonising approaches across our service delivery, and streamlined ways of working.

## Occupational health

**In 2022–23, our Occupational Health Services were provided in three ways:**

1. The services related to pre-employment screening, management referrals, immunisations, health surveillance and support for needle-stick injuries were provided by Wellbeing Partners (our joint venture with Wigan, Wrightington and Leigh NHS Foundation Trust). The last year has been a period of change for Wellbeing Partners with the loss of some commercial contracts. However, the business remains profitable with a predicted surplus at the end of the financial year, and the strategy has been refocused including the planned upgrade of digital technology.
2. Occupational Health physiotherapy is an in-house service, aligned with our Core Therapies Team. Over the last 12 months the service has provided rapid access assessment and treatment for colleagues suffering from musculoskeletal injuries or conditions, in addition to providing valuable support to health promotion campaigns.
3. Psychological Wellbeing services are also provided in-house by a small team of Clinical Psychologists, Cognitive Behavioural Therapy Therapists, Counsellors, and Psychological Wellbeing Practitioners. Support options have been developed in the last year with an expanded range of individual and group therapies available, along with mindfulness programmes, drop-in sessions, and education around supporting mental health. Our psychological wellbeing helpline is the main point of access for support, and this has been enhanced to include outreach calls to colleagues off sick for mental health related reasons.

In addition, we offer an Employee Assistance Programme to colleagues which is provided by VIVUP. Uptake of this has increased over the last year with more colleagues accessing online self-help resources and telephone advice.

A programme of collaborative work has commenced in the last 12 months with colleagues from the five provider organisations in Lancashire and South Cumbria coming together to begin shaping a standardised wellbeing offer for our workforce, and future delivery models for services. This follows the national 'Growing Occupational Health and Wellbeing Together' Strategy which provides a long-term roadmap to improve the health and wellbeing of our NHS people.



## Staff Costs

			2022/23	2021/22
	Permanent	Other	Total	Total
	£0	£0	£0	£000
Salaries and wages	362,927	36,018	<b>398,945</b>	352,293
Social security costs	38,492	3,785	<b>42,277</b>	33,762
Apprenticeship levy	1,810	179	<b>1,989</b>	1,737
Employer's contributions to NHS pensions	54,263	5,390	<b>59,653</b>	54,408
Pension cost – other	212	21	<b>233</b>	177
Other post-employment benefits	-	-	-	-
Other employment benefits	-	-	-	-
Termination benefits	-	-	-	-
Temporary staff	-	22,210	<b>22,210</b>	21,021
NHS charitable funds staff	-	-	-	-
<b>Total gross staff costs</b>	<b>457,704</b>	<b>67,603</b>	<b>525,307</b>	<b>463,398</b>
Recoveries in respect of seconded staff	-	-	-	-
<b>Total staff costs</b>	<b>457,704</b>	<b>67,603</b>	<b>525,307</b>	<b>463,398</b>
Of which				
Costs capitalised as part of assets	2,543	1,118	<b>3,661</b>	3,343

Consultancy costs	
2022/23	2021/22
£0	£0
5,000	116,000

## Average number of employees (WTE basis)

			2022/23	2021/22
	Permanent	Other	Total	Total
	Number	Number	Number	Number
Medical and dental	982	119	1,101	1,024
Ambulance staff	3	0	3	2
Administration and estates	1,366	72	1,437	1,384
Healthcare assistants and other support staff	2,799	471	3,270	3,103
Nursing, midwifery and health visiting staff	2,486	263	2,749	2,554
Nursing, midwifery and health visiting learners	-	-	-	-
Scientific, therapeutic and technical staff	748	23	771	732
Healthcare science staff	243	8	252	247
Social care staff	-	-	-	-
Other	34	-	34	34
<b>Total average numbers</b>	<b>8,660</b>	<b>956</b>	<b>9,616</b>	<b>9,080</b>
Of which:				
Number of employees engaged on capital projects	39	20	59	55

## 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 62 to 64 of this report.

## Off-payroll arrangements

**Table 1:** Highly paid off-payroll worker engagements as at 31 March 2023 earning at least £245 per day or greater:

Number of existing engagements as of 31 March 2023	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	0
Number that have existed for between two and three years at time of reporting	1
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four or more years at time of reporting	0

**Table 2:** All highly paid off-payroll workers engaged at any point during the year ending 31 March 2023 earning £245 per day or greater:

Number of off-payroll workers engaged during the year ended 31 March 2023	6
Not subject to off-payroll legislation *	0
Subject to off-payroll legislation and determined as in-scope of IR35 *	0
Subject to off-payroll legislation and determined as out-of-scope of IR35 *	6
Number of engagements reassessed for compliance or assurance purposes during the year	0
Of which:	
Number of engagements that saw a change to IR35 status following review	0

\* A worker that provides their services through their own limited company or another type of intermediary to the client will be subject to off-payroll legislation and the Trust must undertake an assessment to determine whether that worker is in-scope of Intermediaries legislation (IR35) or out-of-scope for tax purposes.

**Table 3:** For any off-payroll engagements of Board members and/or senior officials with significant financial responsibility, between 1 April 2022 and 31 March 2023 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 packages cost band including any special payment element	2022/23			2021/22		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	5	-	5	1	2	3
£10,000 - £25,000	2	1	3	-	1	1
£25,001 - £50,000	1	-	1	1	-	1
£50,001 - £100,000	-	-	-	-	1	1
£100,001 - £150,000	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-
>£200,000	-	-	-	-	-	-
Total number of exit packages by type	8	1	9	2	4	6
<b>Total resource cost</b>	<b>£84,000</b>	<b>£16,000</b>	<b>£100,000</b>	<b>£40,000</b>	<b>£103,000</b>	<b>£143,000</b>

## Exit packages: non-compulsory departure payments

	2022/23		2021/22	
	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
Mutually agreed resignations contractual costs	-	-	-	-
Early retirements in the efficiency of the service contractual costs	-	-	-	-
Contractual payments in lieu of notice	1	16	2	7
Exit payments following Employment Tribunals or court orders	-	-	1	80
Non-contractual payments requiring HMT approval	-	-	-	-
<b>Total</b>	<b>1</b>	<b>16</b>	<b>4</b>	<b>103</b>
Of which:				
Non-contractual payments requiring HMT approval made to individuals where the payment value was more than 12 months of their annual salary	-	-	-	-

## Value of special severance payments approved by NHS Improvement

No special severance payments were submitted to NHSE for approval in 2022–23.

## Facilities and Time Off for Union Representatives

The 2022–23 collation and reporting of facilities and time off for union representatives falls outside of the timing of this report. Based on 2021–22 however the organisation had a headcount of 61 local trade union representatives, equating to 52.77 whole-time equivalents. Two of these were seconded into our Partnership team for 100% of working hours. Of the remaining representatives:

- There were no representatives who had between 51% and 99% of their working hours as facilities time
- 18 representatives had between 1% and 50% of their working hours as facilities time
- 41 representatives had 0% of their working time as facilities time

The hours spent totalled 3,748.5 and of these 429.5 hours (12.26%) were for paid trade union duties. The total cost of facility time was £87,278.64, representing 0.02% 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. NHSE, 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. Whilst a new code is in place from 1 April 2023, for the purpose of this report the NHS Foundation Trust Code of Governance, as revised in July 2014, and based on the principles of the UK Corporate Governance Code issued in 2012 has been reported against. 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

NHSE 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, 33, 112
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.	28-31, 34, 58, 59, 121
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.	112, 113
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.	113
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.	28-30, 34

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.	28–31
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	27–33
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.	33, 59
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.	28
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.	111, 117
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, 59
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.	NOT APPLICABLE
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).	36, 98
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.	93–110
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.	120
C3.5	If the council of governors does not accept the audit committee's recommendation on the appointment, reappointment or removal of an external auditor, the board of directors should include in the annual report a statement from the audit committee explaining the recommendation and should set out reasons why the council of governors has taken a different position.	NOT APPLICABLE
C.3.9	A separate section of the annual report should describe the work of the audit committee in discharging its responsibilities. The report should include: <ul style="list-style-type: none"> <li>the significant issues that the committee considered in relation to financial statements, operations and compliance, and how these issues were addressed;</li> <li>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</li> <li>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.</li> </ul>	118–121
D.1.3	Where an NHS foundation trust releases an executive director, for example to serve as a non-executive director elsewhere, the remuneration disclosures of the annual report should include a statement of whether or not the director will retain such earnings.	NOT APPLICABLE



Code ref.	Summary of requirement	See page(s):
E.1.5	The board of directors should state in the annual report the steps they have taken to ensure that the members of the board, and in particular the non-executive directors, develop an understanding of the views of governors and members about the NHS foundation trust, for example through attendance at meetings of the council of governors, direct face-to-face contact, surveys of members' opinions and consultations.	111–112
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.	116–117
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.	36, 115, 168
FT ARM	The annual report should include: <ul style="list-style-type: none"> <li>• a brief description of the eligibility requirements for joining different membership constituencies, including the boundaries for public membership;</li> <li>• information on the number of members and the number of members in each constituency; and</li> <li>• 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.</li> </ul>	116–117
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.	106

*'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.	71–77
The foundation trust's policies in relation to disabled employees and equal opportunities.	69, 70, 71
Information on health and safety performance and occupational health.	24–26, 82
Information on policies and procedures with respect to countering fraud and corruption.	24, 120
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.	19
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.	NOT APPLICABLE
Consultation with local groups and organisations, including the overview and scrutiny committees of local authorities covering the membership areas.	49–51
Any other public and patient involvement activities.	49–51
The number of and average additional pension liabilities for, individuals who retired early on ill-health grounds during the year.	Note 5.2 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.	15, 64
Sickness absence data.	67–68
Details of serious incidents involving data loss or confidentiality breach.	107–108

## 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	20–21
Equality reporting	69–71
Slavery and human trafficking statement (Modern Slavery Act 2015)	35

# NHS OVERSIGHT FRAMEWORK

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NHS England's NHS Oversight Framework provides the framework for overseeing systems including providers and identifying potential support needs. NHS organisations are allocated to one of four 'segments'.

A segmentation decision indicates the scale and general nature of support needs, from no specific support needs (segment 1) to a requirement for mandated intensive support (segment 4). A segment does not determine specific support requirements. By default, all NHS organisations are allocated to segment 2 unless the criteria for moving into another segment are met. These criteria have two components:

- (a) objective and measurable eligibility criteria based on performance against the six oversight themes using the relevant oversight metrics (the themes are: quality of care; access and outcomes; people; preventing ill-health and reducing inequalities; leadership and capability; finance and use of resources; local strategic priorities)
- (b) additional considerations focused on the assessment of system leadership and behaviours, and improvement capability and capacity.

An NHS Foundation Trust will be in segment 3 or 4 only where it has been found to be in breach or suspected breach of its licence conditions.

## Segmentation

NHSE placed the Trust in segment 3. This segmentation information is the Trust's position as at November 2021. Current segmentation information for NHS Trusts and Foundation Trusts is published on the NHSE website.

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.

# STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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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 NHSE.

NHSE, in exercise of the powers conferred 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.

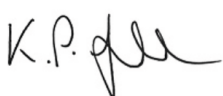
In preparing the accounts and overseeing the use of public funds, the Accounting Officer is required to comply with the requirements of the Department of Health and Social Care Group Accounting Manual and in particular to:

- observe the Accounts Direction issued by NHSE, 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**  
27 June 2023

# ANNUAL GOVERNANCE STATEMENT 2022–23

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## 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 2023 and up to the date of approval of the annual report and accounts.

## Capacity to handle risk

### Leadership and accountability

The Chief Executive has overall responsibility for ensuring that effective risk management systems are in place within the Trust, for meeting all statutory requirements, and for adhering to guidance issued by NHSE and other regulatory bodies in respect of risk and governance. The Chief Executive ensures the work of the Committees of the Board is reviewed by the Board of Directors.

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

### Accountability arrangements for risk management in 2022–23:

- (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) Committees of the Board scrutinise 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 Senior Leadership Team (formerly 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 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 Policy;
- (f) the Chief Nursing Officer, supported by the Associate Director of Risk and Assurance (appointed May 2022) and Associate Director of Safety and Learning advises the Trust Board on all matters relating to clinical governance, risk and quality;
- (g) the Company Secretary (appointed July 2022) advises the Trust Board on corporate governance and regulation;

- (h) each member of the Executive team has responsibility for the identification and management of risks within their executive portfolios;
- (i) the Chief Finance Officer/Deputy Chief Executive has responsibility for ensuring that the Trust has sound financial arrangements that are controlled and monitored through financial regulations and policies;
- (j) 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
- (k) the Deputy Associate Director of Risk and Assurance was the Nominated Individual with the CQC from November 2021 and this was changed to the Chief Nursing Officer from October 2022. The Chief Nursing Officer was also made the Registered Manager with CQC for Finney House Community Healthcare Hub upon its acquisition in November 2022.

The BAF 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, BAF and supporting documentation are openly accessible via the intranet for all staff to reference.

The existing organisational management structure and Risk Management Policy illustrate the Trust's commitment to effective governance and quality governance, including risk management processes.

There is a central Risk Management team and a centralised Health and Safety team, supported by Divisional Governance and Risk teams, led by a Lead Clinical Governance and Risk Manager in each division.

As Accounting Officer, I have overall accountability for risk management within the Trust, however the Risk Management Policy 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 staff are encouraged to participate in the consultation of new and updated policies, such as the new Risk Management Policy, which was approved by the Board of Directors in August 2022. Newly approved policies are published through a network of policy leads and notified in a monthly briefing issued to staff.

Risk management training is provided through the Datix training programme, available to all staff. Training for individual roles continues to be identified by managers and agreed with staff through personal development plans. Divisional Governance teams also deliver localised risk management training for their services and for those who have requested additional support.

Incident reporting training is provided, and additional risk management training is delivered to staff who manage risks. There is additional risk management and incident management training available for staff on a monthly basis.

Mandatory training for all staff reflects essential training needs and includes risk management processes such as health and safety, fire safety, infection prevention and control, safeguarding children and vulnerable adults, patient safety for all staff, information governance, moving and handling, conflict resolution, fraud and bribery in the NHS, and equality, diversity and human rights.

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 good performance and can ensure targeted action in respect of areas or staff groups where performance is not at the required level. 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.

The Trust also delivers additional risk management training and development to Board members (both Executive and Non-Executive Directors), the Senior Leadership Team and Divisional Governance Teams. During 2022–23, a risk maturity workshop was held with Executive and Non-Executive Directors and as a result the Board has reviewed and updated the risk appetite statement developed during 2020–21 to ensure it remains fit for purpose.



The output of this was shared through a series of further training and development sessions with the Senior Leadership Team and Divisional Governance Teams for cascading to staff throughout the Trust.

As a learning organisation, the Trust takes an Always Safety First approach and has a strategy and dedicated group which seeks to ensure good practice is identified and shared via corporate and divisional governance arrangements using multiple mediums, learning from mortality reviews, complaints, incidents and claims to reduce the risk of repeated issues. The Board of Directors receives assurances from the Safety and Quality Committee relating to the management of all serious untoward incidents, including Never Events.

## The risk and control framework

Risk management is a fundamental part of operational working and service delivery. As set out in the Risk Management Policy, it is the responsibility of all employees and requires commitment and collaboration of both clinical and non-clinical staff.

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 Policy;
- (c) the organisational process for risk identification and analysis;
- (d) a definition of significant risk and acceptable risk within the organisation;
- (e) organisational risk management structures;
- (f) the development and application of risk registers within the organisation;
- (g) incident reporting;
- (h) the accountability and responsibility arrangements for risk management; and
- (i) the BAF.

Throughout the reporting period the Education, Training and Research Committee, Finance and Performance Committee, Safety and Quality Committee and Workforce 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 but not limited to:

- Divisional Management Groups
- Health and Safety Governance Group
- Infection Prevention and Control Group
- Medicines Governance Group
- Patient Experience and Involvement Group
- Safeguarding Board
- Mortality and End of Life Group
- Safety and Learning Group
- Capital Planning Forum
- Information Governance Forum
- Emergency Preparedness, Resilience and Response Group
- Always Safety First Group
- 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 through the Head of Internal Audit Opinion. This is based on an Internal Audit Programme which tests key aspects of the Trust's governance arrangements through a series of risk-based reviews undertaken throughout the year, which are also reported to the Audit Committee.

## The Risk Management Policy

The Trust's Risk Management Policy was revised in 2022–23 and changed from a strategy document to a policy following an external governance review. The policy provides a framework for managing risk within the Trust and outlines the objectives and structures in place to support the management of risk across the organisation.

The policy defines risk in the context of clinical, health and safety, organisational, business, information, financial or environmental risk, and 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 Chief Officers with responsibility for implementation of the policy and the execution of risk management through operational and monitoring committees;
- action plans to maintain compliance with regulatory standards, which contribute to the delivery of the risk control framework; and
- the process by which risks are evaluated and controlled throughout the organisation. In support of the Risk Management Policy, a range of supplementary 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.

To ensure consistency, risks are systematically identified using a standardised approach. The potential consequence and likelihood of the risk occurring are scored and the sum of the scores determines the level in the organisation at which the risk is reported and monitored to ensure effective mitigation. Risk control measures are identified and implemented to reduce the potential for harm. A target risk score is created and monitored through the risk management process. In recognition that a risk may not be eliminated, this score must be set at the lowest tolerable level.

Each division has governance arrangements in place including a systematic process for assessing and identifying risk in line with the policy. Risk assessments are undertaken, and this information is utilised to populate the relevant divisional risk register via our online system. Risks are continually reassessed and upon implementation of mitigating actions, where it is considered that the mitigation provides a tolerable level of risk in line with the Trust's risk appetite, the risk can be considered controlled. The responsibility for the management and control of a particular risk rests with the division concerned.

Risks are escalated to the Senior Leadership Team when an action to control a particular risk falls outside the control or responsibility of that division or, where local control measures are considered potentially inadequate, require significant financial investment or the risk is 'rated high'. The Senior Leadership Team may escalate a particular risk to the appropriate Committee of the Board for further consideration when required and the Committee may, in turn, choose to escalate an operational risk to the Board of Directors for oversight.

The Trust has in place a 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.

Responsibility for reviewing and updating the strategic risk and providing assurance to the Board on the controls and mitigations in place is retained by the relevant Chief Officer. The BAF is also presented in full to the Audit Committee at each meeting once given approval by the Board.

All operational risks are categorised in line with the Trust aims or ambitions that they predominantly impact upon. Any higher scoring operational 15+ risks are also presented to Committees of the Board to which the strategic aims or ambitions are aligned.

At the end of 2023, the risk profile of the Trust remains similar to that at the end of 2022 with 488 overall risks in March 2023 compared to 482 in March 2022, and 92 high risks in March 2023 compared to 93 in March 2022. High risk themes continue to be reflective of the following:

- increasing demand;
- use of escalation areas;
- suboptimal capacity to meet targets/manage backlog following COVID-19;
- staffing challenges;
- physical environment/estate being suboptimal; and
- mental health care provision.

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

- The Risk Management Policy, which is available to all staff through the Trust's internet and intranet sites.
- Effective use of the strategic and operational risk registers at both divisional and corporate level, and the BAF.
- 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 Committees of the Board and the Board, if required.
- Embedding the use of dashboards, including themes, risk appetite, heat-maps, trajectory of risk and qualitative narrative on actions and mitigations.
- Introduced automated governance dashboards for each division, providing easy access and removing the need for manual creation dashboards. These are monitored as part of the accountability framework in Divisional Improvement Forums with a specific risk section.
- Strengthening of divisional accountability processes through Divisional Boards and the Accountability Framework through challenging performance of risk at Clinical Business Unit and Specialty Business Unit level.
- Continued training 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.
- The Senior Leadership Team meeting used 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, Safety Triangulation Accreditation Review (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 Specialty 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's strategic aims and ambitions.
- Information within specific reports is categorised by and presented by strategic ambitions, for example the 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 for staff to raise concerns. The team is promoted within the Trust and any concerns are triangulated with other processes for management, improvement, and shared learning.
- Use of an equality 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.

## Risk Appetite

The Trust's Risk Appetite Statement was refreshed by the Board of Directors following developmental work undertaken with the GGI. The Risk Appetite Statement outlines the level of risk that the Trust is prepared to accept, after balancing the potential opportunities and threats a situation presents. In addition, the Trust's risk tolerance levels were also updated to outline the boundaries within which the Board is willing to allow the true day-to-day risk profile of the Trust to fluctuate while executing strategic objectives.

### The Risk Appetite Statement set by the Board is as follows:

Providing safe and effective care for patients is paramount and so we have a low tolerance of risks which would adversely affect the quality and safety of clinical care. However, to **Consistently Provide Excellent Care**, we recognise that, in pursuit of this overriding objective, we may need to take other types of risk which impact on different organisational aims. Overall, our risk appetite in relation to consistently providing excellent care is cautious – we prefer safe delivery options with a low degree of residual risk, and we work to regulatory standards.

We have an open appetite for those risks which we need to take in pursuit of our commitment to create a **Great Place to Work**. By being open to risk, we mean that we are willing to consider all potential delivery options which provide an acceptable level of reward to our organisation, its staff and those who it serves. We tolerate some risk in relation to this aim when making changes intended to benefit patients and services. However, in recognising the need for a strong and committed workforce this tolerance does not extend to risks which compromise the safety of staff members or undermine our trust values.

We also have an open appetite for risk in relation to our strategic ambition to **Deliver Value for Money** and our strategic aim to **offer a range of high-quality specialist services to patients in Lancashire and South Cumbria**, maintaining and strengthening our position as the leading tertiary care provider in the local system, where we can demonstrate quality improvements and economic benefits. However, we will not compromise patient safety whilst innovating in service delivery. We are also committed to work within our statutory financial duties, regulatory undertakings, and our own financial procedures which exist to ensure probity and economy in the Trust's use of public funds.

We seek to be **Fit for the Future** through our commitment to working with partner organisations in the local health and social care system to make current services sustainable and develop new ones. We also seek to lead in **driving health innovation through world class Education, Training & Research** by employing innovative approaches in the way we provide services. In pursuit of these aims, we will, where necessary, seek risk - meaning that we are eager to be innovative and will seek options offering higher rewards and benefits, recognising the inherent business risks.

## Quality Governance

The Trust has strong quality governance arrangements in place, which are overseen by the Safety and Quality Committee. There is a thorough cycle of business in place to ensure assurance is received about safety, patient experience, and effectiveness.

A suite of quality metrics aligned to the Trust's strategic objective to Consistently Deliver Excellent Care are provided in Our Big Plan on a monthly basis to track performance which supports the Committee in understanding areas to focus attention. This is replicated in other Committees of the Board where versions of Our Big Plan metrics are aligned to the relevant strategic objective overseen by the Committee. The Board of Directors also receive an overview of Our Big Plan metrics related to all strategic objectives.

This approach is replicated at divisional level with a detailed set of key performance indicators aligned to Our Big Plan, split by strategic objective, produced for divisions. These are considered as part of Divisional Improvement Forums which are chaired by a member of the Executive Team as part of the Accountability Framework.

## Safety, Quality and Patient Experience

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

- An Always Safety First Strategy (2021–24) which outlines the Trust’s response and approach to implementing the National Patient Safety Strategy, published in 2019 and updated in 2021, as well as local priority areas.
- A Patient Experience and Involvement Strategy (2022–25) which was launched this year.
- 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.
- Arrangements and monitoring processes to ensure ongoing compliance with NICE guidance and service accreditation standards.
- The Chief Medical Officer has an identified Deputy Chief Medical Officer who is the Trust Lead for mortality and reports regularly to the Safety and Quality Committee in respect of mortality.
- STAR Quality Assurance Framework is operated in all clinical departments.
- A Board Safety and Experience Programme is in place to maintain Board visibility and contact with staff delivering services.
- 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, for example national patient surveys and other national publications such as the Ockenden Report and reports from the Health Service Investigation Branch.
- 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.
- There is a 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 NHSE or other national bodies are acted upon. 2022–23 has seen a process initiated to test and ensure actions from all safety alerts (since publications began in 2006) remain in place.
- 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 ICB meetings with remedial action plans enacted.

## Clinical Effectiveness

With respect to clinical audit, the Trust has an annual clinical audit and effectiveness plan for the year 2022–23 which incorporates national audits, corporate audits, audits associated with Trust-wide priorities, audits of national guidelines, as well as other audits commissioned specifically in response to areas of identified risk and concern. The Chief Medical Officer has an identified Deputy Chief Medical Officer who is the Trust Lead for Clinical Audit.

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.

## Capacity and Flow Waiting

The NHS continues to be faced with significant pressures in 2022–23 and like all other NHS Trusts across the country Lancashire Teaching Hospitals remains challenged by the COVID-19 pandemic, influenza, and periods of industrial action. As a result, performance, both emergency and elective, continues to be impacted with operational pressures experienced through the year resulting in non-compliance in relation to a number of key standards.

Whole health economy system pressure in response to increased demand resulted in high bed occupancy throughout the year, together with the requirement to recover and restore services and activity impacted during the COVID-19 pandemic. A system-wide action plan remains in place to address the urgent care capacity and demand pressures; with identified primary, community and social care initiatives/schemes delivering a level of sustainability.

### **Since the beginning of the COVID-19 pandemic the Trust has put in place a range of measures that continued into 2022–23:**

- Additional medicine bed capacity to meet increased demand.
- Re-zoning of our estate to meet infection prevention and control requirements.
- Delivery of SDEC.
- Additional Intensive Therapy Unit surge beds with additional staffing through redeployment.
- Nightingale Surge Hub capacity to support increased demand as a result of the Omicron variant of COVID-19.

### **The Trust has also introduced new changes in 2022–23 to support recovery, including:**

- Standing down the Nightingale Surge Hub and establishing the Community Healthcare Hub at Finney House, providing 64 health-led time-limited community beds, reducing medicine bed capacity in hospital as a result.
- Reduced infection prevention and control measures, in line with guidance.
- Established an Acute Assessment Unit to reduce time spent in the Emergency Department and reflect the changes to zoning put in place during COVID-19.
- Launched Virtual Ward pathways for Frailty, Respiratory and Acute Medicine.
- Increased internal escalation measures, including Full Capacity Protocol to support ambulance handovers and capacity in the Emergency Department.

### **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.
- A range of continuous improvement and transformational work streams that include patient flow.
- The Flow Coaching Academy, applying 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 2023–24 with the development and delivery of the Trust's new Transformation Programmes.



## STAR Quality Assurance Framework

**The Trust ensures assurance of delivery of CQC standards and recommendations through the Trust's STAR Quality Assurance Framework which provides evidence of the standard of care delivery, including what works well and where further improvements are required, through:**

- Ward/clinical department to Board reporting arrangements through Our Big Plan and reporting cycle.
- STAR monthly reviews – 17 audit questions are undertaken by the Matron or professional leads, peer reviewed for each area.
- STAR accreditation visits – an in-depth, unannounced CQC-style audit is undertaken by the Quality Assurance team with support from staff, governors, and volunteers from across the Trust. Follow up to the visits is risk stratified depending on the outcome of the previous review.

## Annual Quality Account

In line with the Health Act 2009, subsequent Health and Social Care Act 2012 and the National Health Service (Quality Accounts) Regulations 2010 organisations are required to produce an annual Quality Account if they deliver services under an NHS Standard Contract, have staff numbers over 50 and NHS income greater than £130k per annum.

NHSE has updated the guidance for 2022–23 and confirmed that NHS Foundation Trusts are not required to produce a Quality Account as part of their Annual Report and as such the Trust will continue to produce a separate Quality Account for 2022–23. ICBs have assumed responsibilities for the review and scrutiny of Quality Accounts for 2022–23.

## Data Quality and Security

The Trust has a clear focus on data quality. Performance information is triangulated with other known information to identify any areas of weakness and where data requires further exploration, specific reviews are undertaken. For example, the Trust identified an error in its children's emergency re-admissions data whereby latest national guidance had not been applied. The Internal Audit team was asked to conduct a review to assess how the Trust could improve processes to ensure that controls were in place to minimise the risk of such error in its performance data, and to assess how the Trust could identify areas of high data risk in order to then efficiently direct its assurance resources and establish confidence levels that reported performance is a true and fair reflection of activity.

A data quality management review was undertaken in 2022–23 and some recommendations provided. In response, the Trust is taking forward a refreshed data quality group in relation to high priority performance metrics and a data quality audit will be undertaken in 2023–24.

The Digital and Health Informatics Directorate continue to secure the Trust's data and services with monitoring through the NHSE Data Security and Protection Toolkit (DSPT). Regional Health Information and Management Systems Society Infrastructure Adoption Model assessments have also been undertaken, with recommendations assessed and added to the Cyber Security action plan and monitored through the Cyber Security Committee.

The Trust has a high risk (scoring 15) related to the potential for a cyber-attack. The risk is reviewed and updated monthly as controls are continuously improved. All eligible Windows servers and workstations have been onboarded to enhanced national threat detection and monitoring systems. Cyber recovery solutions have been procured to protect critical server backups and over 11,000 staff members have been onboarded to multi-factor authentication, thus protecting Trust email and applications.

## 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 2022–23, 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 undertake 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 2022–23 the Trust continued elective recovery and restoration work as well as targeted work to improve cancer performance following the pandemic. The Trust has also increased the bed base with the acquisition of Finney House Community Healthcare Hub in November 2022 which provides 96 beds over three floors with 32 rooms per floor, and single room facilities. The Community Healthcare Hub provides care for up to 36 residents who reside in Finney House, and also provides short-term care to patients who no longer meet the criteria to reside in hospital. This has been a positive acquisition for the Trust in providing opportunities for flow and reducing extended lengths of stay within the Emergency Department.

- **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 financial pressures. System-wide transformational solutions are being sought to adopt optimum service configurations and improve operational efficiencies, including the NHP. 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 on financial plans for 2023–24 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 continued effects of the COVID-19 pandemic on staff resilience, coupled with local and national workforce shortages, an ageing estate and national strike action relating to the pay deal for staff. To ensure effective and sustainable solutions are implemented, the Trust continues to invest in psychological support for staff and has identified innovative ways of engaging with staff and enhanced its focus on equality, diversity, and inclusion. The Trust continues to participate 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 strategy Our Big Plan, governance and risk maturity programmes, the CI Strategy, the Always Safety First Strategy, and a number of other key programmes of work, including research. Over the next 12 months, the Trust will continue to focus on opportunities to transform service development 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 has continued to impact the Trust's education, training and research functions. However, this is reducing and the Trust continues to mitigate this 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. Future opportunities to invest may be limited by the tightening of rules relating to the treatment of deferred income and mitigations are being considered alongside the Trust's financial plans.

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

## Operational High Risks escalated to the Board

**During 2022–23, there have been four operational high risks escalated to the Board within the BAF. These are:**

- **Impact of exit block on patient safety** which has been escalated to the Board via the Safety and Quality Committee since December 2020 and remains a risk with long lengths of stay in the Emergency Department and high ambulance handover times. To mitigate this risk, standard operating procedures are in place which describe the processes for patient reviews, reporting of patient harm incidents and associated clinical governance arrangements. These procedures have been supplemented with a series of actions, including virtual wards, frailty, therapy pathway improvements and an increase in the community bed base through the acquisition of the Community Healthcare Hub, which are reflected within the urgent and emergency care transformation plan and reported to the Finance and Performance Committee. Monthly safety forums are also in place to identify further opportunities to improve flow and reduce long waits in the Emergency Department.
- **Elective restoration following the COVID-19 pandemic** which has been escalated to the Board via the Safety and Quality Committee since June 2021 with patients continuing to wait for a significant amount of time to receive non-urgent surgery. Plans remain in place to eliminate 104+ week waits and reduce waits with weekly reviews to oversee achievements and ensure performance against the trajectory is on track to deliver.
- **The impact of strikes on patient safety following announcement of the national pay award and the probability of ongoing strikes** which has been escalated to the Board via the Safety and Quality Committee since October 2022. Over the last 12 months, strikes have taken place for nursing, ambulance and physiotherapy staff and further strikes are suspended at the end of March 2023. This is due to a negotiated pay offer for staff, covered by Agenda for Change terms and condition, which is under review by union members. In March 2023, the Trust has also experienced a 72-hour consecutive period of strike action from junior doctors, with further strikes planned. There is also a potential risk of strikes by consultants with the British Medical Association having undertaken a consultative ballot with consultants. The risks associated with ongoing strikes have been effectively managed in partnership with Staff Side, workforce and clinical leaders at the Strike Action Emergency Planning Group with evidence of significant planning undertaken and learning implemented from previous strike action.
- **Impact of COVID-19** which was re-escalated to the Board in December 2021. This risk was de-escalated in October 2022 following a recommendation from the Safety and Quality Committee as the COVID-19 step-up, step-down criteria designed by the ICS Director of Infection Prevention and Control and Medical and Nursing Directors had been met. The guidance was also considered in detail by medical and nursing leads in the Trust to ensure teams had been involved in shaping how the new guidance was implemented in practice which led to a reduction in the risk.

## Financial Sustainability

During the 2022–23 financial year the Trust's underlying financial deficit position has been temporarily and partially offset by the arrangements put in place by the Department of Health and Social Care to support the NHS to deal with the pandemic. 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. The additional non-recurrent income that was provided to meet excess demand on urgent and emergency care pathways are being withdrawn by NHSE. New rules applied to urgent care pathways now means that Trusts are unable to recover the cost of these services, resulting in unfunded infrastructure. This has directly contributed to the overspending position in 2022–23. With further reductions to non-recurrent income going into 2023–24 and a challenging efficiency requirement set by NHSE, the Trust expects to continue in an overspending position through the course of 2023–24 and in to 2024–25. However, as a Trust we are working hard to deliver the necessary financial improvements, many of which will require system-wide working and collaboration across the ICS. Our commitment to this is reflected in the Trust's operational plans for 2023/24.

The pandemic and associated operational pressures in 2022–23 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 recovery post-pandemic.

## **At the end of 2022–23 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 active participant in the ICB delivery boards which aim to implement robust pathways of care. We are also working within the ICB on specific projects to maximise efficiency opportunities (these arrangements transitioned from the ICS to the ICB from 1 July). We, along with our local and system partners, are together seeking sustainable solutions through the NHP where 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 NHSE, and will comply with any spending approvals processes that are deemed necessary by NHSE.

## **Well Led**

The CQC last undertook a Well Led inspection at the Trust in 2019 and rated the Trust as 'Good' for Well Led. The Trust as a whole reviews its own leadership and governance arrangements periodically in line with the requirements of NHSE that providers carry out developmental reviews.

Since the last Well Led inspection, the Trust has developed a Well Led and Governance Maturity Plan to drive improvement in the Well Led domain of the organisation and this incorporates recommendations from a review undertaken of the divisional governance arrangements by the Quality Governance lead from the Nursing Directorate at NHSE which identified the Trust as an exemplar organisation in October 2020, a Risk Maturity self-assessment tool supported by MIAA, and a MIAA developmental Well Led review in February 2021. In addition, two external consultants have been engaged from July 2021 to date. Firstly, an external leadership consultant undertook a series of development sessions with the Board. Secondly, the GGI undertook a Risk and Assurance Review from February to November 2022.

## **Effectiveness of Governance and Risk Maturity**

The effectiveness of the Trust's governance structures continued to be internally tested during 2022–23 via the process of internal and external audit, CQC inspections, Royal College Reviews, national audits, national staff surveys and external reviews. The Trust is confident that the measures and frameworks as articulated throughout this report effectively discharges its duties of compliance with its NHS Provider Licence.

In 2022–23, the GGI undertook a Risk and Assurance Review commissioned by the Board of Directors from February to November 2022. The review was positive about the risk and governance arrangements at the Trust and did not identify any legislative or regulatory requirements that were not being met. There were 26 recommendations for the Trust to consider, which were largely practical and supportive suggestions, recognising the maturing governance arrangements of the Trust. An action plan was developed which was adopted by the Board of Directors and will be monitored by the Audit Committee as part of the Well Led and Governance Maturity Plan.

In addition to the GGI review, there have also been reviews undertaken by Internal Audit in relation to Divisional Risk Maturity and the Confidential Risk process. Both reviews received significant assurance.

## **Head of Internal Audit Opinion 2022–23**

The overall opinion for the period 1 April 2022 to 31 March 2023 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.

## Workforce

To ensure that short, medium and long-term workforce strategies and staffing systems are in place, the Trust has an annual workforce plan 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 the Board. The workforce plan takes 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 analyses 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.

Recruitment trajectories are monitored and reviewed by the Workforce Committee for key staff groups such as nurses and healthcare support workers. There continues to be a focus on international recruitment for registered nurses and medical staff.

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.

## Care Quality Commission

### System Inspection

The CQC undertook a system-wide inspection of urgent and emergency care pathways across Lancashire and South Cumbria. This system inspection was a new kind of inspection conducted in March and April 2022 looking at services across the ICS including GPs, NWS, nursing homes, urgent care, mental health, and acute hospital providers and included an inspection of Urgent and Emergency Care and Medical Services of the Trust on the Royal Preston Hospital site. The CQC published its findings on 22 July 2022.

Overall, the Urgent and Emergency Care Services at Royal Preston Hospital remained 'Requires Improvement' with inspectors providing a 'Good' rating for being Effective, Caring and Well Led, and 'Requires Improvement' rating for being Safe and Responsive.

Whilst Medical Services at Royal Preston Hospital were also inspected, no overall rating was given due to it being a focussed inspection looking at flow pathways and the Responsive domain.

In the main, the report highlighted several areas of good practice in both the Emergency Department and across the medical division, recognising improvements and positive changes the Trust has made to drive its safety and improvement culture while acknowledging various challenges including shortages of nursing and medical staff, bed pressures and flow. Inspectors also highlighted areas where further work was needed, including compliance with infection prevention and control practices and oxygen prescribing. An improvement plan was developed and progress has been monitored through the Safety and Quality Committee.

### Radiotherapy Inspection

The CQC also carried out a routine inspection of the Radiotherapy Service on 11 May 2022 to assess the department's compliance with the Ionising Radiation (Medical Exposure) Regulations 2017 and to check that radiotherapy was being safely delivered at the Trust.



The final inspection report was received on 23 June 2022. Although no overall rating was provided, inspectors concluded that staff were knowledgeable about their roles and felt supported to achieve and maintain competency. Inspectors also felt that the Trust had appropriate oversight of radiation protection through its governance structures and that this was clearly documented.

The report did identify two breaches. These breaches did not justify regulatory action but the CQC did make recommendations for action to prevent the Trust from failing to comply with legal requirements and to improve the quality of services. The Trust formulated an action plan in response to these recommendations which have been monitored through the Safety and Quality Committee.

### **Finney House**

The Trust acquired Finney House Community Healthcare Hub in November 2022 and the registration was duly authorised by CQC. Prior to acquisition, Finney House was operated by a private provider and during the last inspection by CQC there were some areas for improvement identified and breaches of regulations. As part of its due diligence, the Trust undertook to develop an action plan to address the identified areas for improvement and progress is being monitored through the Safety and Quality Committee.

The 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 Code of Business Conduct Policy (TP-200) within the past 12 months and as required by Managing Conflicts of Interest in the NHS guidance.

### **NHS Pension Scheme**

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

### **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.

As required through the NHS Standard Contract the Trust completes and publishes compliance against the WRES and WDES processes.

### **Greener NHS Programme**

The Trust has undertaken risk assessments and has plans in place which take account of the Delivering a Net Zero Health Service report under the Greener NHS programme. The Trust ensures that its obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

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.

### **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 financial performance, including:**

- Trust-wide commitment to the adoption of a CI approach, which has involved undertaking extensive staff engagement to identify priorities for improvement and is informing the development of a system-wide CI 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 their 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;
- further strengthening 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 NHSE which provided a positive assurance on our approach;
- the divisions continuing 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 continuing 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.

## 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.

## Information Governance

The confidentiality and security of information regarding patients, staff and the Trust is maintained through governance and control policies, all of which support current legislation and is 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 Social Care and the Information Commissioner's Office (ICO) where appropriate.

The Trust experienced four externally reportable serious incidents in the 2022–23 period: two of the incidents reached the reporting criteria and were sent to the ICO. For all incidents full internal processes were followed. All four incidents were reported using the DSPT.

As part of our annual assessment, the 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 and Data Protection legislation.

Although the Board of Directors is ultimately responsible for information governance it has delegated operational oversight to the Information Governance/Records Committee which is accountable to the Finance and Performance Committee. The Information Governance Committee is chaired by the Chief Medical Officer who is also the Caldicott Guardian. The Board appointed Senior Information Risk Owner is the Chief Finance Officer.

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 DSPT assessment and by participation in the Information Governance Assurance Framework.

## Data Quality and Governance

The Trust has a clear focus on data quality and was commended nationally through the CHKS top hospitals programme data quality awards in 2019 which recognised achievements by acute sector organisations in clinical coding and data quality. Good quality information is vital to enable individual staff and the organisation to evidence they are delivering high quality care.

As such a Data Quality team, via the Trust’s Data Quality Policy and Framework, continuously monitor data; looking for, correcting and feeding back to divisional teams for improved data capture on areas such as:

- Outpatient appointments
- Waiting lists
- Inpatient commissioning services
- GP information
- NHS numbers
- Addresses
- Visits
- Discharge dates
- Length of stay information
- Duplicates
- Coding

In addition, a separate team validates waiting lists to ensure future events are correctly associated with their original referrals. This involves a combination of algorithmic and human validation with further checks on data consistency performed by the national team as data is submitted. Validated data is updated onto the Trust’s electronic patient record.

The Trust has initiated an external data quality audit to identify areas of focus, as commissioning activity returns to payment by results following a period of block contract during the COVID-19 pandemic. The output of this audit will be combined with an earlier review by MIAA, looking at assurances over the processes by which source data is rolled up into measures of performance, and will drive the agenda for a new Executive-led Data Quality Committee.

## Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal audits, clinical audit and the executive managers and clinical leads within the NHS Foundation Trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on 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 results of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and Safety and Quality Committee, and a plan to address weaknesses and ensure continuous improvement of the systems is in place.

### **The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control, include:**

- The Head of Internal Audit Opinion for 2022–23 that Substantial Assurance can be given that there is an adequate system of internal control.
- The Assurance Framework and the monthly performance reports, which provides 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. Minutes of the Audit Committee and a Committee Chair's report are considered at Board meetings.
- Internal audit's review on the BAF 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 BAF 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 BAF, 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 organisations' 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.

## 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 at the Trust in 2022–23. 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 both a continuous focus by the Trust and a collaborative approach for 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 Policy.

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

A handwritten signature in black ink, appearing to read 'K.P. McGee', written over a light blue horizontal line.

**Kevin McGee OBE**  
**Chief Executive**  
27 June 2023

# COUNCIL OF GOVERNORS' REPORT

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The Council of Governors comprises elected and appointed governors who represent the interests of the members and the wider public. It also has an important role in holding Non-Executive Directors of the Board to account.

The Council of Governors has an essential function in influencing how the Trust develops its services to meet the needs of patients, members and the wider community in the best way possible. The Council needs to be assured the Trust Board has considered the consequences of decisions on other partners within their system, and the impact on the public at large.

At the end of 2022–23, the Council comprises 28 governor seats, of which: 18 are elected governors who represent the public constituency; five are elected governors who represent the staff constituencies; one is appointed by our University partnership organisations (University of Central Lancashire, Lancaster University and University of Manchester); and four are appointed by local authorities (being Lancashire County Council, Preston City Council, Chorley Council and South Ribble Borough Council).

The Trust Chair also chairs the Council of Governors and the Chief Executive usually attends formal meetings. Other Directors and senior managers attend 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 governor election process takes place between January and March each year, and governors generally serve a three-year term of office, beginning in April. At the end of March 2023, the terms of office of eight public governors and two staff governors came to an end. Vacancies for the University partnership governor and the staff governor representing doctors and dentists were vacated following in-year resignations. Six public governors were returned uncontested. No nominations were received for the staff governors representing doctors and dentists, other healthcare professionals/healthcare scientists or unregistered healthcare and support workers. Following an election Steven Doran was duly elected as staff governor for nurses and midwives.

Ahead of this year's election process, various governor recruitment activities were undertaken to promote the role of the governor, including, issuing dedicated pre-election mailing to all members; advertising governor vacancies within the 'Trust Matters' magazine and advertising on media screens at both hospital sites; two pre-election workshops were held virtually to encourage members to stand for election; and social media was used to highlight the election opportunities.

## Council of Governors Subgroups

Two governor subgroups are in place to consider specific issues in more detail than is possible at formal Council meetings. The subgroups focus on care and safety, and 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. In addition, the Council nominates governors as members of the Trust Nominations Committee.

## 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 that members' events and meetings during 2022–23 have been held either in person or through using digital technology as appropriate, to reflect both the need to maintain safe working conditions and to allow those isolating but well to contribute as much as possible.

## **During the year we continued to focus on maintaining an effective relationship between the Board and governors through a number of ways, including the following:**

- (i) Governor attendance at public Board meetings (in the capacity of observer) is encouraged 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 the 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 annually 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) Information flows through a variety of events, including the Strategic Operational Group weekly feedback meeting, consultation on Trust strategic plans, and a range of working groups on patient-specific topics such as car parking and patient letters.
- (vi) Opportunities for visits to clinical areas, such as the newly introduced Cuerden Ward on the Chorley site, following relaxation of on-site restrictions towards the end of the year. For 2023 onwards, such opportunities will increase significantly as on-site restrictions are permanently lifted.

## **Board and Council engagement**

The Trust Chair leads both the Board of Directors and the Council of Governors and, as such, is an important link between the two bodies. To strengthen communication and engagement further there is Non-Executive Director representation on each of the core governor subgroups. 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. 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, there is a policy on engagement between the Board and Council, which was reviewed and refreshed during 2021–22. The lead governor role (with a remit as set out in the Code of Governance) during 2022–23 was held by public governor Janet Miller.

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 2022–23, which were quarterly meetings scheduled for April, July and November 2022 and January 2023.

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	4	100%
Will Adams	01/04/22 – 31/03/23	Appointed	4	3	75%
Pav Akhtar	01/04/18 – 31/03/24	Public	4	4	100%
Takhsin Akhtar	01/04/19 – 31/03/25	Public	4	3	75%
Rebecca Allcock	01/04/14 – 31/03/23	Staff: other healthcare professionals and healthcare scientists	4	3	75%
Peter Askew	01/04/19 – 31/03/25	Public	4	3	75%
Sean Barnes	01/04/21 – 31/03/24	Public	4	3	75%
Alistair Bradley	01/07/22 – 31/06/23	Appointed	4	4	100%
Sheila Brennan	01/04/22 – 31/03/25	Public	4	4	100%
Paul Brooks **	01/04/20 – 20/09/22	Public	2	2	100%
Anneen Carlisle	01/04/20 – 31/03/23	Staff: nurses and midwives	4	1	25%
David Cook **	01/04/20 – 27/11/22	Public	3	1	33%
Kristinna Counsell	01/04/22 – 31/03/25	Public	4	1	25%
Margaret France	01/04/17 – 31/03/23	Public	4	4	100%
Steve Heywood	01/04/16 – 31/03/25	Public	4	4	100%
Waqas Khan **	01/04/21 – 05/10/22	Staff: doctors and dentists	2	0	0%
Lynne Lynch	01/04/15 – 31/03/24	Public	4	3	75%
Janet Miller	01/04/17 – 31/03/23	Public	4	4	100%
Jacinta Nwachukwu **	01/07/20 – 12/09/22	Appointed: Universities	2	0	0%
Eddie Pope	10/06/21 – 09/06/25	Appointed	4	2	50%
Frank Robinson	01/03/19 – 31/03/23	Public	4	4	100%
Suleman Sarwar	19/05/22 – 18/05/23	Appointed	4	2	50%
Anne Simpson	01/04/20 – 31/03/23	Public	4	2	50%
Michael Simpson	01/04/18 – 31/03/25	Public	4	4	100%
Piotr Spadlo	01/04/21 – 31/03/24	Staff: non-clinical	4	4	100%
David Watson	01/04/20 – 31/03/23	Public	4	3	75%
Paul Wharton-Hardman	01/04/22 – 31/03/25	Public	4	4	100%

A = maximum number of meetings the governor could have attended during 2022–23

B = number of meetings the governor actually attended during 2022–23

\*\* Term of office ended due to resignation in 2022–23

## Director attendance at Council of Governors' meetings

The following Directors attended Council meetings during 2022–23:

- Ebrahim Adia, Chair (April and July 2022)
- Paul O'Neill, Interim Chair
- Faith Button, Chief Operating Officer
- Victoria Crokken, Non-Executive Director
- Sarah Cullen, Chief Nursing Officer
- Gary Doherty, Chief Strategy and Planning Officer
- Naomi Duggan, Director of Communications and Engagement
- Kevin McGee, Chief Executive

- Ann Pennell, Non-Executive Director
- Kate Smyth, Non-Executive Director
- Karen Swindley, Chief People Officer
- Tim Watkinson, Non-Executive Director
- Michael Wearden, Associate Non-Executive Director
- Jim Whitaker, Non-Executive Director
- Tricia Whiteside, Non-Executive Director
- Peter Wilson, Associate 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. Induction is a continuous, tailored process, with skills and knowledge being identified and developed at an early stage.

A number of governor training sessions and workshops 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 2022–23, our governors have participated in a number of workshops which included the following topics:**

- A joint Board and Council session to discuss the new world of the ICS, Our Big Plan refresh and the winter plan.
- Engagement with governors on the annual Quality Account for 2022–23, the Patient Experience Strategy including Patients as Partners, and the Council Workshop programme.
- An introductory session with the new Company Secretary.
- A focused session on Digital Health Inequalities, covering what are health inequalities and what work has been completed at the Trust, how data collection has been improved to be able to support it, and what the future data architecture needed to be to tackle digital health inequalities at scale across the ICS.
- Trust governance and the impact of the revised Code for Council, how the Council can support the Trust in the new system way of working, and the code of conduct and communication.
- A dedicated session to discuss NHS finances.
- A dedicated session to provide an update on planning.

## 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 2022–23 no expenses were claimed by our governors:

	2021–22	2022–23
Total number of governors in office (as at 31 March)	28	23
Total number claiming expenses:	0	0
Aggregate sum of expenses (£00s):	£0	£0

## Contacting your Governors

If you wish to contact a governor then please email: [governor@lthtr.nhs.uk](mailto:governor@lthtr.nhs.uk) or alternatively contact the Company Secretary email: [company.secretary@lthtr.nhs.uk](mailto: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. The table below shows member numbers by constituency including the percentage change compared to the previous year:

Constituency	31.03.22	31.03.23	Difference	% Difference
Public	9,767	9,366	- 401	- 4.28%
Staff	9,335	9,314	- 21	- 0.23%
<b>Total Membership</b>	<b>19,102</b>	<b>18,680</b>	<b>- 422</b>	<b>- 2.26%</b>

Source: *Civica Membership Database*

During 2022–23 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.

The membership database has continued to be updated with more 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.

The Health and Care Act 2022 recognised that NHS Foundation Trusts now operate within the new system way of working. The Council of Governors is assessing how it will discharge its wider duty to consider the Board's performance in part of the Trust's contribution to system-wide plans and their delivery, and its openness to collaboration with other partners, including with other providers through Provider Collaboratives. In holding Non-Executive Directors to account for the performance of the Board, the Council of Governors now considers whether the interests of the public at large have been factored into Board decision-making and be assured of the Board's performance in the context of the system as a whole, and as part of the wider provision of health and social care.

## Review of 2022–23

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.

The Trust hosted its third virtual Annual Members' Meeting on 12 October 2022. 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 Chief Officers shared a review of the organisation's 2021–22 annual report and accounts and an outline of the plans for 2022–23 and beyond. This was followed by two insightful and well-planned clinical presentations relating to the 'Patient Contribution to Case Notes (PCCN)' and 'Set for Surgery' initiatives within the Trust.

The virtual Annual Members' Meeting attracted good attendance when compared to previous years. Following the live meeting, a link to watch a recording of the event was published on the Trust's website which benefitted 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.

## 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 in January 2022 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.

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: [corporateaffairs@lthtr.nhs.uk](mailto:corporateaffairs@lthtr.nhs.uk)

Members can contact governors direct via:

Email: [governor@lthtr.nhs.uk](mailto: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 2022–23. 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.

During 2022–23 the Audit Committee comprised four independent Non-Executive Directors: Ann Pennell, Jim Whitaker, Tricia Whiteside and myself, providing a broad range of experience to provide effective challenge on behalf of the Board.

The Audit Committee has met four times between 1 April 2022 and 31 March 2023 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 Chief Finance Officer, Chief Nursing Officer, the Company Secretary and the Associate Director of Risk and Assurance, as a result of their lead roles in matters to be addressed by the Committee, is of further assistance to us.

The Trust's overriding priority post-pandemic has been responding to the establishment of a safe and financially sustainable delivery model in order to deliver the quadruple aims of the NHS.

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 2022–23 annual financial statements. In discharging its responsibilities, the Committee has in 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 2022–23 highlighted as significant audit opinion risks:

- (i) valuation of land and buildings
- (ii) fraud risk from expenditure recognition
- (iii) management override of controls
- (iv) financial sustainability



The Committee was assured that these identified risks were 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.

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

The Committee has considered the appropriateness of the accounts being prepared on a going concern basis and drawn on the views of management and the external auditors to support the conclusion that it is appropriate for the accounts to be prepared on this basis. The Committee has also considered and agreed with the proposal to consolidate the accounts of the Lancashire Hospitals Services 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)	Payroll	High
(ii)	Estates Statutory Compliance	High
(iii)	Divisional Risk Maturity	Substantial
(iv)	Confidential Risk Management	Substantial
(v)	Data Protection and Security Toolkit	Substantial
(vi)	Maternity (BadgerNet System)	Substantial
(vii)	Freedom to Speak Up	Substantial
(viii)	Critical Application – FM First	Substantial
(ix)	Waiting List Management	Moderate
(x)	WHO Checklist	Moderate
(xi)	Theatre List Management	Limited
(xii)	Assurance Framework	No rating
(xiii)	HFMA Financial Sustainability Checklist	No rating
(xiv)	Data Quality	No rating

Assurance ratings were not applicable to three reviews due to the nature of the work.

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, Limited Assurance reports are referred 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 No Assurance. There was one report during the year providing Limited Assurance.

The internal auditors also completed reviews on the Assurance Framework, HFMA Financial Sustainability Checklist, and Data Quality but provided no assurance rating.

The Director of Internal Audit has provided an overall opinion of Substantial Assurance based on the work of internal audit during 2022–23.

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. 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 2023–24 and beyond, recognising the critical importance of addressing the underlying financial deficit whilst ensuring services continue to be delivered safely and effectively. The Committee recognises that many of the solutions are dependent on the Trust being able to work collaboratively with partners in the Lancashire and South Cumbria ICS. As the Committee's chair I am working with my fellow chairs of Audit Committees across the ICS to encourage this collaborative approach.

## Compliance

Under the revised NHS Oversight Framework, the Trust continues to be placed in segment 3. 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 and remain in place.

## 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. 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 Committee has 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 extend the short-term contract arrangements with MIAA 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 has 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 2022–23 the anti-fraud specialist has completed the work programme in accordance with the agreed plan.

## Audit Committee attendance summary from 1 April 2022 to 31 March 2023

Name of Committee member	A	B	Percentage of meetings attended (%)
Tim Watkinson (Committee Chair)	4	4	100%
Ann Pennell	4	3	75%
Jim Whitaker	4	4	100%
Tricia Whiteside	4	3	75%

*A = maximum number of meetings the member could have attended during 2022–23*

*B = actual meetings attended during 2022–23*

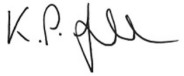
### Audit Committee effectiveness

The Committee undertakes a self-assessment on an annual basis. In July 2022, Committee members participated in a survey of its effectiveness, the results of which were considered by the Committee prior to submission to the Board. 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**  
27 June 2023

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'.

**Kevin McGee OBE**  
**Chief Executive**

27 June 2023

Lancashire Teaching Hospitals NHS Foundation Trust

# FINANCIAL REVIEW 2022–23

# 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 2023 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 2023 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 accounting policies directed by NHS England with the consent of the Secretary of State in March 2023 as being relevant to NHS Foundation Trusts and included in the Department of Health and Social Care Group Accounting Manual 2022/23; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006 (as amended).

### 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 Accounting Officer has prepared the financial statements on the going concern basis as they have not been informed by the relevant national body of the intention to either cease the Group and Trust's services or dissolve the Group and Trust without the transfer of their 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 Accounting Officer's conclusions, we considered the inherent risks associated with the continuity of services provided by the Group and Trust over the going concern period.

Our conclusions based on this work:

- we consider that the Accounting Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified and concur with the Accounting Officer's 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 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 opportunity to materially 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 completeness of 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.
- Assessing the completeness of recorded expenditure through inspecting a sample of expenditure invoices around the year end and carrying out a search for unrecorded liabilities to determine whether expenditure had been recognised in the correct period.

### ***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 Accounting Officer is responsible for the other information, which comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, 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; and
- in our opinion the other information included in the Annual Report for the financial year is consistent with the financial statements.

### ***Annual Governance Statement***

We are required by the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 2022/23. 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 all material respects, in accordance with the NHS Foundation Trust Annual Reporting Manual 2022/23.

### **Accounting Officer's responsibilities**

As explained more fully in the statement set out on page 92, 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 either cease the services provided by the Group and Trust or 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](http://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**

As explained more fully in the statement set out on page 92, the Accounting Officer is responsible for ensuring that the Trust has put 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 planned our work and 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 to use 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**

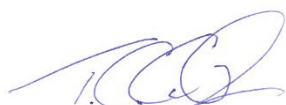
We are required by Schedule 2 to the Code of Audit Practice to report to you if any reports to the Regulator have been made under paragraph 6 of Schedule 10 of the National Health Service Act 2006. We have nothing to report in this respect.

## **THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

This report is made solely to the Council of Governors of the Trust, as a body, in accordance with Schedule 10 of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Council of Governors of the Trust, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council of Governors of the Trust, as a body, for our audit work, for this report, or for the opinions we have formed.

## **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 2023 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

30 June 2023

## Foreword to the accounts

### Lancashire Teaching Hospitals NHS Foundation Trust

These accounts, for the year ended 31 March 2023, 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.

The notes on pages 134 to 167 form part of these accounts

Signed 

**Name** Kevin McGee  
**Job title** Chief Executive  
**Date** 27 June 2023

## Consolidated Statement of Comprehensive Income

	Note	Group	
		2022/23	2021/22
		£000	£000
Operating income from patient care activities	2.1	688,858	660,105
Other operating income	3	79,086	82,804
Operating expenses	6, 8	<u>(778,824)</u>	<u>(745,066)</u>
<b>Operating surplus/(deficit) from continuing operations</b>		<b><u>(10,880)</u></b>	<b><u>(2,157)</u></b>
Finance income	10	973	74
Finance expenses	11	(551)	(226)
PDC dividends payable		<u>(8,443)</u>	<u>(7,636)</u>
<b>Net finance costs</b>		<b><u>(8,021)</u></b>	<b><u>(7,788)</u></b>
Other gains / (losses)	12	(102)	(196)
Gains / (losses) arising from transfers by absorption	31	-	(1,054)
<b>Deficit for the year</b>		<b><u>(19,003)</u></b>	<b><u>(11,195)</u></b>
<b>Other comprehensive income</b>			
<b>Will not be reclassified to income and expenditure:</b>			
Impairments	7	3,584	(9,203)
Revaluations		<u>4,954</u>	<u>1,893</u>
<b>Total comprehensive expense for the period</b>		<b><u>(10,465)</u></b>	<b><u>(18,505)</u></b>
<b>Deficit for the period attributable to:</b>			
Non-controlling interest, and		-	-
Lancashire Teaching Hospitals NHS Foundation Trust		<u>(19,003)</u>	<u>(11,195)</u>
<b>TOTAL</b>		<b><u>(19,003)</u></b>	<b><u>(11,195)</u></b>
<b>Total comprehensive expense for the period attributable to:</b>			
Non-controlling interest, and		-	-
Lancashire Teaching Hospitals NHS Foundation Trust		<u>(10,465)</u>	<u>(18,505)</u>
<b>TOTAL</b>		<b><u>(10,465)</u></b>	<b><u>(18,505)</u></b>

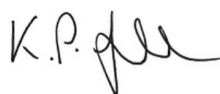


## Statements of Financial Position

	Note	Group		Trust	
		31 March 2023	31 March 2022	31 March 2023	31 March 2022
		£000	£000	£000	£000
<b>Non-current assets</b>					
Intangible assets	14	11,416	7,388	11,416	7,388
Property, plant and equipment	15	339,088	304,394	339,082	304,387
Right of use assets	18	39,075		39,075	-
Receivables	20	6,379	6,461	7,879	7,461
<b>Total non-current assets</b>		<b>395,958</b>	<b>318,243</b>	<b>397,452</b>	<b>319,236</b>
<b>Current assets</b>					
Inventories	19	14,719	13,876	13,669	12,904
Receivables	20	47,844	35,518	48,004	36,659
Cash and cash equivalents	21	14,502	61,887	14,129	61,340
<b>Total current assets</b>		<b>77,065</b>	<b>111,281</b>	<b>75,802</b>	<b>110,903</b>
<b>Current liabilities</b>					
Trade and other payables	22	(105,123)	(99,855)	(105,354)	(100,470)
Borrowings	24	(13,727)	(2,360)	(13,727)	(2,360)
Provisions	25	(505)	(1,808)	(505)	(1,808)
Other liabilities	23	(5,224)	(16,506)	(5,224)	(16,506)
<b>Total current liabilities</b>		<b>(124,579)</b>	<b>(120,529)</b>	<b>(124,810)</b>	<b>(121,144)</b>
<b>Total assets less current liabilities</b>		<b>348,444</b>	<b>308,995</b>	<b>348,444</b>	<b>308,995</b>
<b>Non-current liabilities</b>					
Borrowings	24	(30,449)	(4,937)	(30,449)	(4,937)
Provisions	25	(3,379)	(3,805)	(3,379)	(3,805)
Other liabilities	23	(197)	(608)	(197)	(608)
<b>Total non-current liabilities</b>		<b>(34,025)</b>	<b>(9,350)</b>	<b>(34,025)</b>	<b>(9,350)</b>
<b>Total assets employed</b>		<b>314,419</b>	<b>299,645</b>	<b>314,419</b>	<b>299,645</b>
<b>Financed by</b>					
Public dividend capital		541,952	516,713	541,952	516,713
Revaluation reserve		41,019	33,443	41,019	33,443
Income and expenditure reserve		(268,552)	(250,511)	(268,552)	(250,511)
<b>Total taxpayers' equity</b>		<b>314,419</b>	<b>299,645</b>	<b>314,419</b>	<b>299,645</b>

The notes on pages 134 to 167 form part of these accounts

Signed



Name

Kevin McGee

Position

Chief Executive

Date

27 June 2023

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

Group	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
<b>Taxpayers' and others' equity at 1 April 2022 - brought forward</b>	<b>516,713</b>	<b>33,443</b>	<b>(250,511)</b>	<b>299,645</b>
Impact of implementing IFRS 16 on 1 April 2022	-	-	-	-
Surplus/(deficit) for the year	-	-	(19,003)	(19,003)
Other transfers between reserves	-	(962)	962	-
Impairments	-	3,584	-	3,584
Revaluations	-	4,954	-	4,954
Public dividend capital received	25,239	-	-	25,239
<b>Taxpayers' and others' equity at 31 March 2023</b>	<b>541,952</b>	<b>41,019</b>	<b>(268,552)</b>	<b>314,419</b>

## 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
<b>Taxpayers' and others' equity at 1 April 2021 - brought forward</b>	<b>496,896</b>	<b>41,783</b>	<b>(240,346)</b>	<b>298,333</b>
Surplus/(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
<b>Taxpayers' and others' equity at 31 March 2022</b>	<b>516,713</b>	<b>33,443</b>	<b>(250,511)</b>	<b>299,645</b>

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

Trust	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
<b>Taxpayers' and others' equity at 1 April 2022 - brought forward</b>	<b>516,713</b>	<b>33,443</b>	<b>(250,511)</b>	<b>299,645</b>
Impact of implementing IFRS 16 on 1 April 2022	-	-	-	-
Surplus/(deficit) for the year	-	-	(19,003)	(19,003)
Other transfers between reserves	-	(962)	962	-
Impairments	-	3,584	-	3,584
Revaluations	-	4,954	-	4,954
Public dividend capital received	25,239	-	-	25,239
<b>Taxpayers' and others' equity at 31 March 2023</b>	<b>541,952</b>	<b>41,019</b>	<b>(268,552)</b>	<b>314,419</b>

## 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
<b>Taxpayers' and others' equity at 1 April 2021 - brought forward</b>	<b>496,896</b>	<b>41,783</b>	<b>(240,346)</b>	<b>298,333</b>
Surplus/(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
<b>Taxpayers' and others' equity at 31 March 2022</b>	<b>516,713</b>	<b>33,443</b>	<b>(250,511)</b>	<b>299,645</b>

## Statements of Cash Flows

	Note	Group		Trust	
		2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
<b>Cash flows from operating activities</b>					
Operating (deficit) / surplus		(10,880)	(2,157)	(10,880)	(2,157)
<b>Non-cash income and expense:</b>					
Depreciation and amortisation	6	32,215	18,984	32,213	18,984
Net impairments	7	(1,426)	9,411	(1,426)	9,411
Income recognised in respect of capital donations	3	(1,471)	(1,639)	(1,471)	(1,639)
(Increase) / decrease in receivables and other assets		(12,708)	(3,550)	(13,087)	(5,691)
(Increase) / decrease in inventories		(843)	2,025	(765)	2,997
Increase / (decrease) in payables and other liabilities		(14,853)	18,135	(14,377)	19,173
Increase / (decrease) in provisions		(1,750)	1,861	(1,750)	1,861
<b>Net cash flows from / (used in) operating activities</b>		<b>(11,716)</b>	<b>43,070</b>	<b>(11,543)</b>	<b>42,939</b>
<b>Cash flows from investing activities</b>					
Interest received	10	973	74	973	74
Purchase of intangible assets		(5,999)	(4,936)	(5,999)	(4,936)
Purchase of PPE and investment property		(35,435)	(44,852)	(35,434)	(44,845)
Sales of PPE and investment property		40	48	40	48
Receipt of cash donations to purchase assets		1,471	1,520	1,471	1,520
<b>Net cash flows from / (used in) investing activities</b>		<b>(38,950)</b>	<b>(48,146)</b>	<b>(38,949)</b>	<b>(48,139)</b>
<b>Cash flows from financing activities</b>					
Public dividend capital received		25,239	19,817	25,239	19,817
Movement on loans from DHSC		(2,167)	(3,376)	(2,167)	(3,376)
Movement on other loans		(76)	(452)	(76)	(452)
Capital element of lease liability repayments		(11,203)	(382)	(11,203)	(382)
Interest on loans		(124)	(222)	(124)	(222)
Interest paid on lease liability repayments		(408)	(24)	(408)	(24)
PDC dividend (paid) / refunded		(7,979)	(7,653)	(7,979)	(7,653)
<b>Net cash flows from financing activities</b>		<b>3,281</b>	<b>7,708</b>	<b>3,281</b>	<b>7,708</b>
<b>Increase in cash and cash equivalents</b>		<b>(47,385)</b>	<b>2,632</b>	<b>(47,211)</b>	<b>2,508</b>
<b>Cash and cash equivalents at 1 April - brought forward</b>		<b>61,887</b>	<b>59,255</b>	<b>61,340</b>	<b>58,832</b>
<b>Cash and cash equivalents at 31 March</b>	21	<b>14,502</b>	<b>61,887</b>	<b>14,129</b>	<b>61,340</b>

## Notes to the Accounts

### Note 1 Accounting policies and other information

#### Note 1.1 Basis of preparation

NHS England has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2022/23 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

#### Accounting convention

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

#### Note 1.2 Going concern

These accounts have been prepared on a going concern basis 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. 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.

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 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.

#### Note 1.3 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 2022/23 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.

#### **Note 1.4 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.

#### **Note 1.5 Revenue from contracts with customers**

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

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

#### **Revenue from NHS contracts**

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

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

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

The Trust also receives additional income outside of the block payments to reimburse specific costs incurred and other income top-ups to support the delivery of services. Reimbursement and top-up income is accounted for as variable consideration. The Trust also receives income from commissioners under Commissioning for Quality Innovation (CQUIN) and Best Practice Tariff (BPT) schemes. Delivery under these schemes is part of how care is provided to patients. As such CQUIN and BPT payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the overall contract with the commissioner. In 2022/23 payment under these schemes is included in fixed payments from commissioners based on assumed achievement of criteria.

#### **Revenue from research contracts**

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

#### **NHS injury cost recovery scheme**

The Trust receives income under the NHS injury cost recovery scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid, for instance by an insurer. The Trust recognises the income when performance obligations 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.

## Note 1.6 Other forms of income

### Grants and donations

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

### Apprenticeship service income

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

### 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.

## Note 1.7 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. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://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 2023, is based on valuation data as 31 March 2022, updated to 31 March 2023 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

#### b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6% of pensionable pay.

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

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



## Note 1.8 Expenditure on other goods and services

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

## Note 1.9 Property, plant and equipment

### Recognition

Property, plant and equipment is capitalised where:

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

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

### Subsequent expenditure

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

### Measurement

#### Valuation

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

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

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

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

For specialised assets, current value in existing use is interpreted as the present value of the asset's remaining service potential, which is assumed to be at least equal to the cost of replacing that service potential. Specialised assets are therefore valued at their depreciated replacement cost (DRC) on a modern equivalent asset (MEA) basis. An MEA basis assumes that the asset will be replaced with a modern asset of equivalent capacity and meeting the location requirements of the services being provided. The modern equivalent may be smaller than the existing asset, for example, due to technological advances in plant and machinery or reduced operational use. Assets held at depreciated replacement cost have been valued on an alternative site basis where this would meet the location requirements.

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.

## **Note 1.9 Property, plant and equipment (continued)**

The land and buildings of the Trust have been revalued as at 31st March 2023 by Cushman & Wakefield Ltd. The valuation is based on rules issued by RICS, interpreted in accordance with Trust accounting policies and DHSC guidance. There have been no changes in the estimation techniques used by the valuers since the last valuation

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.

## Note 1.9 Property, plant and equipment (continued)

### Donated and grant funded assets

Donated and grant funded property, plant and equipment assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

The donated and grant funded assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

This includes assets donated to the trust by the Department of Health and Social Care as part of the response to the coronavirus pandemic. As defined in the GAM, the trust applies the principle of donated asset accounting to assets that the trust controls and is obtaining economic benefits from at the year end.

### 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	1	80
Plant & machinery	5	15
Transport equipment	7	7
Information technology	3	12
Furniture & fittings	7	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.

## Note 1.10 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.

## Note 1.10 Intangible assets (continued)

### 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 useful lives in a manner consistent with the consumption of economic or service delivery benefits.

### Useful lives of intangible assets

Useful lives reflect the total life of an asset and not the remaining life of an asset. The range of useful lives are shown in the table below:

	Min life Years	Max life Years
Information technology	5	10
Software licences	2	-
Licences & trademarks	2	10
Patents	-	2

## Note 1.11 Inventories

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

The Trust received inventories including personal protective equipment from the Department of Health and Social Care at nil cost. In line with the GAM and applying the principles of the IFRS Conceptual Framework, the Trust has accounted for the receipt of these inventories at a deemed cost, reflecting the best available approximation of an imputed market value for the transaction based on the cost of acquisition by the Department.

## Note 1.12 Cash and cash equivalents

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

## **Note 1.13 Financial assets and financial liabilities**

### **Recognition**

Financial assets and financial liabilities arise where the Trust is party to the contractual provisions of a financial instrument, and as a result has a legal right to receive or a legal obligation to pay cash or another financial instrument. The GAM expands the definition of a contract to include legislation and regulations which give rise to arrangements that in all other respects would be a financial instrument and do not give rise to transactions classified as a tax by ONS.

This includes the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements and are recognised when, and to the extent which, performance occurs, ie, when receipt or delivery of the goods or services is made.

### **Classification and measurement**

Financial assets and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs except where the asset or liability is not measured at fair value through income and expenditure. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices or valuation techniques.

Financial assets or financial liabilities in respect of assets acquired or disposed of through leasing arrangements are recognised and measured in accordance with the accounting policy for leases described below.

### **Financial assets 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.

### **Derecognition**

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

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

#### **Note 1.14 Leases**

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

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

#### **The Trust as a lessee**

##### *Recognition and initial measurement*

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

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

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

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

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

##### *Subsequent measurement*

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

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

#### **The Trust as a lessor**

The Trust assesses each of its leases and classifies them as either a finance lease or an operating lease. Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

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

##### *Operating leases*

Income from operating leases is recognised on a straight-line basis or another systematic basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.



## Note 1.14 Leases (continued)

### Initial application of IFRS 16

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

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

#### *The Trust as lessee*

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

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

#### *The Trust as lessor*

Leases of owned assets where the Trust is lessor were unaffected by initial application of IFRS 16. For existing arrangements where the Trust is an intermediate lessor, classification of all continuing sublease arrangements has been reassessed with reference to the right of use asset.

#### *2021/22 comparatives*

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

## Note 1.15 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rates effective from 31 March 2022:

		<b>Nominal rate</b>	<b>Prior year rate</b>
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:

	<b>Inflation rate</b>	<b>Prior year rate</b>
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 1.30% in real terms (prior year: minus 0.95).

## **Note 1.15 Provisions (continued)**

### **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 25.2 but is not recognised in the Trust's accounts.

### **Non-clinical risk pooling**

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

### **Note 1.16 Contingencies**

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 26 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 26, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

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

### **Note 1.17 Public dividend capital**

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

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

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

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

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

### **Note 1.18 Value added tax**

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

### **Note 1.19 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.

**Note 1.20 Climate change levy**

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

**Note 1.21 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.

**Note 1.22 Third party assets**

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

**Note 1.23 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.

**Note 1.24 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.

**Note 1.25 Early adoption of standards, amendments and interpretations**

No new accounting standards or revisions to existing standards have been early adopted in 2022/23.

**Note 1.26 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.

**Note 1.27 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. Estimation uncertainty within the revaluation is primarily driven by the following key assumptions:

- Selection of individual Building Cost Information Services (BCIS) values for each individual building component from within a published range, reflecting the condition and specifications of the actual component.
- The application of a 'location factor' adjustment to the overall BCIS index movement to reflect specific local factors relating to the cost of construction.
- The application of physical obsolescence adjustments to the valuation of individual buildings to reflect the building's age and condition, and application of functional obsolescence adjustments to reflect the extent to which a modern equivalent asset would be configured in a more efficient manner and over a reduced gross internal area.

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 15.

## Note 2 Operating income from patient care activities (Group)

All income from patient care activities relates to contract income recognised in line with accounting policy 1.5

<b>Note 2.1 Income from patient care activities (by nature)</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
<b>Acute services</b>		
Income from commissioners under API contracts*	569,982	566,175
High cost drugs income from commissioners (excluding pass-through costs)	60,346	57,641
Other NHS clinical income	266	331
<b>All Trusts</b>		
Private patient income	812	387
Elective recovery fund	19,376	17,033
Agenda for change pay award central funding ***	16,911	-
Additional pension contribution central funding**	18,163	16,548
Other clinical income	3,002	1,990
<b>Total income from activities</b>	<b>688,858</b>	<b>660,105</b>

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

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

\*\*The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administration charge) from 1 April 2019. Since 2019/20, NHS providers have continued to pay over contributions at the former rate with the additional amount being paid over by NHS England on providers' behalf. The full cost and related funding have been recognised in these accounts.

\*\*\* In March 2023 the government announced an additional pay offer for 2022/23, in addition to the pay award earlier in the year. Additional funding was made available by NHS England for implementing this pay offer for 2022/23 and the income and expenditure in these accounts as guided by the Department of Health and Social Care and NHS England. In May 2023 the government confirmed this offer will be implemented as a further pay award in respect of 2022/23 based on individuals in employment at 31 March 2023.

## Note 2.2 Income from patient care activities (by source)

	<b>2022/23</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
<b>Income from patient care activities received from:</b>		
NHS England	245,792	204,020
Clinical commissioning groups*	105,889	453,362
Integrated care boards	332,847	-
Department of Health and Social Care	2	15
Other NHS providers	266	331
Local authorities	250	-
Non-NHS: private patients	672	171
Non-NHS: overseas patients (chargeable to patient)	50	216
Injury cost recovery scheme	3,002	1,909
Non NHS: other	88	81
<b>Total income from activities</b>	<b>688,858</b>	<b>660,105</b>
<b>Of which:</b>		
Related to continuing operations	688,858	660,105
Related to discontinued operations	-	-

\*Clinical Commissioning Groups (CCGs) were dissolved in July 2022 when they ceased to exist as a statutory organisation. CCG functions were subsumed into Integrated Care Boards (ICBs) and their duties were taken on by the new Integrated Care Boards (ICBs) from this date.

**Note 2.3 Overseas visitors (relating to patients charged directly by the provider)**

	2022/23	2021/22
	£000	£000
Income recognised this year	50	216
Cash payments received in-year	50	65
Amounts added to provision for impairment of receivables	9	179
Amounts written off in-year	120	87

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 2022/23: 32 customers (2021/22: 63 customers)

**Note 3 Other operating income (Group)**

	2022/23			2021/22		
	Contract income £000	Non- contract income £000	Total £000	Contract income £000	Non- contract income £000	Total £000
<b>Other operating income from contracts with customers</b>						
Research and development	3,179	-	3,179	2,603	-	2,603
Education and training	34,488	1,953	36,441	26,303	1,605	27,908
Non-patient care services to other bodies	12,426		12,426	8,710		8,710
Reimbursement and top up funding	3,176		3,176	21,589		21,589
Receipt of capital grants and donations and peppercorn leases		1,471	1,471		1,639	1,639
Charitable and other contributions to expenditure		999	999		1,948	1,948
Revenue from operating leases		1,766	1,766		1,628	1,628
Other income (see note 3.1)	19,628	-	19,628	16,779	-	16,779
<b>Total other operating income</b>	<b>72,897</b>	<b>6,189</b>	<b>79,086</b>	<b>75,984</b>	<b>6,820</b>	<b>82,804</b>
<b>Of which:</b>						
Related to continuing operations			79,086			82,804
Related to discontinued operations			-			-

**Note 3.1 Breakdown of Other income recognised in 'Other Operating Income' (Group)**

	2022/23	2021/22
	£000	£000
Car Parking income	2,435	1,573
Catering	1,263	1,036
Pharmacy sales	2,419	2,135
Staff accommodation rental	411	370
Non-clinical services recharged to other bodies	372	838
Clinical excellence awards	152	149
Other income generation schemes (recognised under IFRS 15)*	12,576	10,678
<b>Total Other Income</b>	<b>19,628</b>	<b>16,779</b>

\*Charges for discretionary services and sales of goods.

**Note 4.1 Additional information on contract revenue (IFRS 15) recognised in the period**

	2022/23	2021/22
	£000	£000
Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end	16,439	7,571
Revenue recognised from performance obligations satisfied (or partially satisfied) in previous periods	10,637	-

**Note 4.2 Transaction price allocated to remaining performance obligations**

	31 March 2023	31 March 2022
	£000	£000
Revenue from existing contracts allocated to remaining performance obligations is expected to be recognised:		
within one year	5,027	16,506
after one year, not later than five years	197	608
after five years	-	-
<b>Total revenue allocated to remaining performance obligations</b>	<b>5,224</b>	<b>17,114</b>

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.



### Note 4.3 Income from activities arising from commissioner requested services

Under the terms of its provider licence, the trust is required to analyse the level of income from activities that has arisen from commissioner requested and non-commissioner requested services. Commissioner requested services are defined in the provider licence and are services that commissioners believe would need to be protected in the event of provider failure. This information is provided in the table below:

	2022/23 £000	2021/22 £000
Income from services designated as commissioner requested services	684,528	657,382
Income from services not designated as commissioner requested services	-	-
<b>Total</b>	<b>684,528</b>	<b>657,382</b>

### Note 5 Operating leases - Lancashire Teaching Hospitals NHS Foundation Trust as lessor

This note discloses income generated in operating lease agreements where Lancashire Teaching Hospitals NHS Foundation Trust is the lessor. These leases relate to parts of the Trust buildings which are occupied by third parties to (for example) use as retail outlets.

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

#### Note 5.1 Operating leases income (Group)

	2022/23 £000	2021/22 £000
<b>Lease receipts recognised as income in year:</b>		
Minimum lease receipts	1,620	1,570
Variable lease receipts / contingent rents	146	58
<b>Total in-year operating lease income</b>	<b>1,766</b>	<b>1,628</b>

#### Note 5.2 Future lease receipts (Group)

	31 March 2023 £000
<b>Future minimum lease receipts due at 31 March 2023:</b>	
- not later than one year	1,124
- later than one year and not later than two years	711
- later than two years and not later than three years	702
- later than three years and not later than four years	702
- later than four years and not later than five years	702
- later than five years	607
<b>Total</b>	<b>4,548</b>

	31 March 2022 £000
<b>Future minimum lease receipts due at 31 March 2022:</b>	
- not later than one year;	1,606
- later than one year and not later than five years;	3,238
- later than five years.	1,308
<b>Total</b>	<b>6,152</b>

## Note 6 Operating expenses

	Group		Trust	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Staff and executive directors costs (see note 8)	521,562	460,014	520,623	459,119
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	67,343	60,104	67,273	61,032
Supplies and services - clinical (excluding drugs costs)	56,177	61,512	56,177	61,512
Premises	35,373	51,819	36,473	51,801
Depreciation on property, plant and equipment and right of use assets	30,068	17,679	30,066	17,679
Clinical negligence	20,186	21,369	20,186	21,369
Purchase of healthcare from non-NHS and non-DHSC bodies	18,335	17,991	18,335	17,991
Supplies and services - general	11,236	13,117	11,221	13,111
Establishment	4,641	3,630	4,641	3,630
Education and training	4,611	3,881	4,611	3,881
Transport (including patient travel)	3,235	4,017	3,223	4,017
Amortisation on intangible assets	2,147	1,305	2,147	1,305
Expenditure on short term leases (current year only)	1,357	-	1,357	-
Expenditure on low value leases (current year only)	800	-	800	-
Insurance	775	805	763	777
Legal fees	758	1,399	758	1,399
Purchase of healthcare from NHS and DHSC bodies	601	115	601	115
Other	505	2,396	498	2,332
Inventories written down	250	775	221	872
Research and development	214	47	214	47
Increase/(decrease) in other provisions	201	100	201	100
Remuneration of non-executive directors	180	185	180	185
Audit services *	155	150	141	136
Internal audit costs	114	78	114	78
Redundancy	84	41	84	41
Losses, ex gratia & special payments	55	24	55	24
Consultancy costs	5	116	5	116
Change in provisions discount rate(s)	(217)	67	(217)	67
Movement in credit loss allowance: contract receivables / contract assets	(501)	320	(501)	320
Net impairments	(1,426)	9,411	(1,426)	9,411
Operating leases expenditure (comparative only)	-	12,599	-	12,599
<b>Total</b>	<b>778,824</b>	<b>745,066</b>	<b>778,824</b>	<b>745,066</b>
<b>Of which:</b>				
Related to continuing operations	778,824	745,066	778,824	745,066
Related to discontinued operations	-	-	-	-

\* Total audit services relate solely to statutory external audit. No additional work has been undertaken.

### Note 6.1 Limitation on auditor's liability (Group)

The limitation on auditor's liability for external audit work is £2 million (2021/22: £2 million).

### Note 7 Impairment of assets (Group)

	2022/23 £000	2021/22 £000
<b>Net impairments charged to operating surplus / deficit resulting from:</b>		
Changes in market price	(1,426)	9,411
<b>Total net impairments charged to operating surplus / deficit</b>	<b>(1,426)</b>	<b>9,411</b>
Impairments charged to the revaluation reserve	(3,584)	9,203
<b>Total net impairments</b>	<b>(5,010)</b>	<b>18,614</b>

## Note 8 Employee benefits (Group)

	2022/23	2021/22
	Total	Total
	£000	£000
Salaries and wages	398,945	352,293
Social security costs	42,277	33,762
Apprenticeship levy	1,989	1,737
Employer's contributions to NHS pensions	59,653	54,408
Pension cost - other	233	177
Temporary staff (including agency)	22,210	21,021
<b>Total gross staff costs</b>	<b>525,307</b>	<b>463,398</b>
Recoveries in respect of seconded staff	-	-
<b>Total staff costs</b>	<b>525,307</b>	<b>463,398</b>
<b>Of which</b>		
Costs capitalised as part of assets	3,661	3,343
Operating expenditure analysed as redundancy	84	41
<b>Total staff costs</b>	<b>521,562</b>	<b>460,014</b>

Employer's contributions to NHS Pensions includes the costs of the increased contribution rate referred to in note 2.1

### Note 8.1 Retirements due to ill-health (Group)

During 2022/23 there were 15 early retirements from the trust agreed on the grounds of ill-health (7 in the year ended 31 March 2022). The estimated additional pension liabilities of these ill-health retirements is £632k (£634k in 2021/22).

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

## Note 9 Pension costs

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

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

### a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2023, is based on valuation data as at 31 March 2022, updated to 31 March 2023 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

### b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 at 20.6% of pensionable pay.

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

#### Note 10 Finance income (Group)

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

	2022/23	2021/22
	£000	£000
Interest on bank accounts	973	32
Other finance income	-	42
<b>Total finance income</b>	<b>973</b>	<b>74</b>

#### Note 11 Finance expenditure (Group)

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

	2022/23	2021/22
	£000	£000
<b>Interest expense:</b>		
Interest on loans from the Department of Health and Social Care	102	149
Interest on other loans	18	72
Interest on lease obligations	409	25
Interest on late payment of commercial debt	1	-
<b>Total interest expense</b>	<b>530</b>	<b>246</b>
Unwinding of discount on provisions	21	(20)
<b>Total finance costs</b>	<b>551</b>	<b>226</b>

#### Note 11.1 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015 (Group)

	2022/23	2021/22
	£000	£000
Total liability accruing in year under this legislation as a result of late payments	1	-
Amounts included within interest payable arising from claims made under this legislation	1	-

#### Note 12 Other gains / (losses) (Group)

	2022/23	2021/22
	£000	£000
Gains on disposal of assets	12	-
Losses on disposal of assets	(114)	(196)
<b>Total gains / (losses) on disposal of assets</b>	<b>(102)</b>	<b>(196)</b>

#### Note 13 Trust income statement and statement of comprehensive income

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 deficit for the period was £19.0 million (2021/22: £11.2 million). The trust's total comprehensive expense for the period was £10.5 million (2021/22: £18.5 million).

#### Note 14.1 Intangible assets - 2022/23 (Group)

Group	Software licences £000	Licences & trademarks £000	IT (internally generated and 3rd party) £000	Intangible assets under construction £000	Total £000
<b>Valuation / gross cost at 1 April 2022 - brought forward</b>	<b>21,354</b>	<b>13</b>	<b>1,381</b>	<b>-</b>	<b>22,748</b>
IFRS 16 implementation - reclassification of existing finance leased assets to right of use assets	-	-	-	-	-
Transfers by absorption	-	-	-	-	-
Additions	1,655	-	434	3,910	<b>5,999</b>
Reclassifications	180	-	-	-	<b>180</b>
Disposals / derecognition	(9,823)	-	-	-	<b>(9,823)</b>
<b>Valuation / gross cost at 31 March 2023</b>	<b>13,366</b>	<b>13</b>	<b>1,815</b>	<b>3,910</b>	<b>19,104</b>
<b>Amortisation at 1 April 2022 - brought forward</b>	<b>15,310</b>	<b>6</b>	<b>44</b>	<b>-</b>	<b>15,360</b>
IFRS 16 implementation - reclassification of existing finance leased assets to right of use assets	-	-	-	-	-
Provided during the year	1,941	7	199	-	<b>2,147</b>
Reclassifications	4	-	-	-	<b>4</b>
Disposals / derecognition	(9,823)	-	-	-	<b>(9,823)</b>
<b>Amortisation at 31 March 2023</b>	<b>7,432</b>	<b>13</b>	<b>243</b>	<b>-</b>	<b>7,688</b>
<b>Net book value at 31 March 2023</b>	<b>5,934</b>	<b>-</b>	<b>1,572</b>	<b>3,910</b>	<b>11,416</b>
<b>Net book value at 1 April 2022</b>	<b>6,044</b>	<b>7</b>	<b>1,337</b>	<b>-</b>	<b>7,388</b>

#### Note 14.2 Intangible assets - 2021/22 (Group)

Group	Software licences £000	Licences & trademarks £000	IT (internally generated and 3rd party) £000	Intangible assets under construction £000	Total £000
<b>Valuation / gross cost at 1 April 2021 - as previously stated</b>	<b>18,003</b>	<b>13</b>	<b>214</b>	<b>240</b>	<b>18,470</b>
Transfers by absorption	213	-	(624)	-	<b>(411)</b>
Additions	2,898	-	1,791	-	<b>4,689</b>
Reclassifications	240	-	-	(240)	-
Disposals / derecognition	-	-	-	-	-
<b>Valuation / gross cost at 31 March 2022</b>	<b>21,354</b>	<b>13</b>	<b>1,381</b>	<b>-</b>	<b>22,748</b>
<b>Amortisation at 1 April 2021 - as previously stated</b>	<b>14,055</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,055</b>
Provided during the year	1,255	6	44	-	<b>1,305</b>
Reclassifications	-	-	-	-	-
Disposals / derecognition	-	-	-	-	-
<b>Amortisation at 31 March 2022</b>	<b>15,310</b>	<b>6</b>	<b>44</b>	<b>-</b>	<b>15,360</b>
<b>Net book value at 31 March 2022</b>	<b>6,044</b>	<b>7</b>	<b>1,337</b>	<b>-</b>	<b>7,388</b>
<b>Net book value at 1 April 2021</b>	<b>3,948</b>	<b>13</b>	<b>214</b>	<b>240</b>	<b>4,415</b>

Note 15.1 Property, plant and equipment - 2022/23

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
<b>Valuation/gross cost at 1 April 2022 - brought forward</b>	<b>16,475</b>	<b>219,195</b>	<b>11,558</b>	<b>135,645</b>	<b>214</b>	<b>52,798</b>	<b>1,772</b>	<b>437,657</b>
IFRS 16 implementation - reclassification to right of use assets	-	(100)	-	-	-	-	-	(100)
Transfers by absorption	-	-	-	-	-	-	-	-
Additions	3	22,998	1,228	14,506	-	5,095	33	43,863
Impairments	-	(17)	-	-	-	-	-	(17)
Reversals of impairments	462	3,347	-	-	-	-	-	3,809
Revaluations	12	(140)	-	-	-	(1,385)	-	(1,513)
Reclassifications	-	1	-	(182)	-	1	-	(180)
Disposals / derecognition	-	-	-	(61,922)	(126)	(29,840)	(1,553)	(93,441)
<b>Valuation/gross cost at 31 March 2023</b>	<b>16,952</b>	<b>245,284</b>	<b>12,786</b>	<b>88,047</b>	<b>88</b>	<b>26,669</b>	<b>252</b>	<b>390,078</b>
<b>Accumulated depreciation at 1 April 2022 - brought forward</b>	-	<b>1,189</b>	-	<b>91,489</b>	<b>188</b>	<b>38,808</b>	<b>1,589</b>	<b>133,263</b>
IFRS 16 implementation - reclassification to right of use assets	-	-	-	-	-	-	-	-
Transfers by absorption	-	-	-	-	-	-	-	-
Provided during the year	-	7,083	-	7,534	11	4,051	24	18,703
Impairments	-	5,307	-	-	-	738	-	6,045
Reversals of impairments	-	(7,263)	-	-	-	-	-	(7,263)
Revaluations	-	(5,082)	-	-	-	(1,385)	-	(6,467)
Reclassifications	-	-	-	(4)	-	-	-	(4)
Disposals / derecognition	-	-	-	(61,768)	(126)	(29,840)	(1,553)	(93,287)
<b>Accumulated depreciation at 31 March 2023</b>	-	<b>1,234</b>	-	<b>37,251</b>	<b>73</b>	<b>12,372</b>	<b>60</b>	<b>50,990</b>
<b>Net book value at 31 March 2023</b>	<b>16,952</b>	<b>244,050</b>	<b>12,786</b>	<b>50,796</b>	<b>15</b>	<b>14,297</b>	<b>192</b>	<b>339,088</b>
<b>Net book value at 1 April 2022</b>	<b>16,475</b>	<b>218,006</b>	<b>11,558</b>	<b>44,156</b>	<b>26</b>	<b>13,990</b>	<b>183</b>	<b>304,394</b>

Note 15.2 Property, plant and equipment - 2021/22

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
<b>Valuation / gross cost at 1 April 2021 - as previously stated</b>	<b>20,395</b>	<b>201,800</b>	<b>22,619</b>	<b>128,070</b>	<b>214</b>	<b>54,186</b>	<b>1,734</b>	<b>429,018</b>
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)
<b>Valuation/gross cost at 31 March 2022</b>	<b>16,475</b>	<b>219,195</b>	<b>11,558</b>	<b>135,645</b>	<b>214</b>	<b>52,798</b>	<b>1,772</b>	<b>437,657</b>
<b>Accumulated depreciation at 1 April 2021 - as previously stated</b>	-	<b>2,570</b>	-	<b>85,307</b>	<b>175</b>	<b>36,378</b>	<b>1,569</b>	<b>125,999</b>
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	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	(912)	-	-	-	(912)
<b>Accumulated depreciation at 31 March 2022</b>	-	<b>1,189</b>	-	<b>91,489</b>	<b>188</b>	<b>38,808</b>	<b>1,589</b>	<b>133,263</b>
<b>Net book value at 31 March 2022</b>	<b>16,475</b>	<b>218,006</b>	<b>11,558</b>	<b>44,156</b>	<b>26</b>	<b>13,990</b>	<b>183</b>	<b>304,394</b>
<b>Net book value at 1 April 2021</b>	<b>20,395</b>	<b>199,230</b>	<b>22,619</b>	<b>42,763</b>	<b>39</b>	<b>17,808</b>	<b>165</b>	<b>303,019</b>



**Note 15.3 Property, plant and equipment financing - 31 March 2023**

Group	Land £000	Buildings excluding dwellings	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
		£000						
Owned - purchased	16,952	241,811	12,786	47,172	15	14,050	183	332,969
Owned - donated/granted	-	2,239	-	3,624	-	247	9	6,119
<b>NBV total at 31 March 2023</b>	<b>16,952</b>	<b>244,050</b>	<b>12,786</b>	<b>50,796</b>	<b>15</b>	<b>14,297</b>	<b>192</b>	<b>339,088</b>

**Note 15.4 Property, plant and equipment financing - 31 March 2022**

Group	Land £000	Buildings excluding dwellings	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
		£000						
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
<b>NBV total at 31 March 2022</b>	<b>16,475</b>	<b>218,006</b>	<b>11,558</b>	<b>44,156</b>	<b>26</b>	<b>13,990</b>	<b>183</b>	<b>304,394</b>

**Note 15.5 Property plant and equipment assets subject to an operating lease (Trust as a lessor) - 31 March 2023**

Group	Land £000	Buildings excluding dwellings	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
		£000						
Subject to an operating lease	-	3,831	-	-	-	-	-	3,831
Not subject to an operating lease	16,952	240,219	12,786	50,796	15	14,297	192	335,257
<b>NBV total at 31 March 2023</b>	<b>16,952</b>	<b>244,050</b>	<b>12,786</b>	<b>50,796</b>	<b>15</b>	<b>14,297</b>	<b>192</b>	<b>339,088</b>

Note 16.1 Property, plant and equipment - 2022/23

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
<b>Valuation/gross cost at 1 April 2022 - brought forward</b>	<b>16,475</b>	<b>219,195</b>	<b>11,558</b>	<b>135,645</b>	<b>214</b>	<b>52,798</b>	<b>1,765</b>	<b>437,650</b>
IFRS 16 implementation - reclassification of existing leased assets to right of use assets	-	(100)	-	-	-	-	-	(100)
Transfers by absorption	-	-	-	-	-	-	-	-
Additions	3	22,998	1,228	14,506	-	5,095	32	43,862
Impairments	-	(17)	-	-	-	-	-	(17)
Reversals of impairments	462	3,347	-	-	-	-	-	3,809
Revaluations	12	(140)	-	-	-	(1,385)	-	(1,513)
Reclassifications	-	1	-	(182)	-	1	-	(180)
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	(61,922)	(126)	(29,840)	(1,553)	(93,441)
<b>Valuation/gross cost at 31 March 2023</b>	<b>16,952</b>	<b>245,284</b>	<b>12,786</b>	<b>88,047</b>	<b>88</b>	<b>26,669</b>	<b>244</b>	<b>390,070</b>
<b>Accumulated depreciation at 1 April 2022 - brought forward</b>	<b>-</b>	<b>1,189</b>	<b>-</b>	<b>91,489</b>	<b>188</b>	<b>38,808</b>	<b>1,589</b>	<b>133,263</b>
IFRS 16 implementation - reclassification of existing leased assets to right of use assets	-	-	-	-	-	-	-	-
Transfers by absorption	-	-	-	-	-	-	-	-
Provided during the year	-	7,083	-	7,534	11	4,051	22	18,701
Impairments	-	5,307	-	-	-	738	-	6,045
Reversals of impairments	-	(7,263)	-	-	-	-	-	(7,263)
Revaluations	-	(5,082)	-	-	-	(1,385)	-	(6,467)
Reclassifications	-	-	-	(4)	-	-	-	(4)
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	(61,768)	(126)	(29,840)	(1,553)	(93,287)
<b>Accumulated depreciation at 31 March 2023</b>	<b>-</b>	<b>1,234</b>	<b>-</b>	<b>37,251</b>	<b>73</b>	<b>12,372</b>	<b>58</b>	<b>50,988</b>
<b>Net book value at 31 March 2023</b>	<b>16,952</b>	<b>244,050</b>	<b>12,786</b>	<b>50,796</b>	<b>15</b>	<b>14,297</b>	<b>186</b>	<b>339,082</b>
<b>Net book value at 1 April 2022</b>	<b>16,475</b>	<b>218,006</b>	<b>11,558</b>	<b>44,156</b>	<b>26</b>	<b>13,990</b>	<b>176</b>	<b>304,387</b>

Note 16.2 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
<b>Valuation / gross cost at 1 April 2021 - as previously stated</b>	<b>20,395</b>	<b>201,800</b>	<b>22,619</b>	<b>128,070</b>	<b>214</b>	<b>54,186</b>	<b>1,727</b>	<b>429,011</b>
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)	-	-	-	-	-
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	(1,156)	-	-	-	(1,156)
<b>Valuation/gross cost at 31 March 2022</b>	<b>16,475</b>	<b>219,195</b>	<b>11,558</b>	<b>135,645</b>	<b>214</b>	<b>52,798</b>	<b>1,765</b>	<b>437,650</b>
<b>Accumulated depreciation at 1 April 2021 - as previously stated</b>	<b>-</b>	<b>2,570</b>	<b>-</b>	<b>85,307</b>	<b>175</b>	<b>36,378</b>	<b>1,569</b>	<b>125,999</b>
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	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	(912)	-	-	-	(912)
<b>Accumulated depreciation at 31 March 2022</b>	<b>-</b>	<b>1,189</b>	<b>-</b>	<b>91,489</b>	<b>188</b>	<b>38,808</b>	<b>1,589</b>	<b>133,263</b>
<b>Net book value at 31 March 2022</b>	<b>16,475</b>	<b>218,006</b>	<b>11,558</b>	<b>44,156</b>	<b>26</b>	<b>13,990</b>	<b>176</b>	<b>304,387</b>
<b>Net book value at 1 April 2021</b>	<b>20,395</b>	<b>199,230</b>	<b>22,619</b>	<b>42,763</b>	<b>39</b>	<b>17,808</b>	<b>158</b>	<b>303,012</b>

Note 16.3 Property, plant and equipment financing - 31 March 2023

Trust	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Owned - purchased	16,952	241,811	12,786	47,172	15	14,050	177	332,963
Owned - donated / granted	-	2,239	-	3,624	-	247	9	6,119
<b>Total net book value at 31 March 2023</b>	<b>16,952</b>	<b>244,050</b>	<b>12,786</b>	<b>50,796</b>	<b>15</b>	<b>14,297</b>	<b>186</b>	<b>339,082</b>

Note 16.4 Property, plant and equipment financing - 31 March 2022

Trust	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
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
<b>Total net book value at 31 March 2022</b>	<b>16,475</b>	<b>218,006</b>	<b>11,558</b>	<b>44,156</b>	<b>26</b>	<b>13,990</b>	<b>176</b>	<b>304,387</b>

Trust	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Subject to an operating lease	-	3,831	-	-	-	-	-	3,831
Not subject to an operating lease	16,952	240,219	12,786	50,796	15	14,297	186	335,251
<b>Total net book value at 31 March 2023</b>	<b>16,952</b>	<b>244,050</b>	<b>12,786</b>	<b>50,796</b>	<b>15</b>	<b>14,297</b>	<b>186</b>	<b>339,082</b>

### Note 17 Donations of property, plant and equipment

In 2022/23, the Trust received medical equipment donations total £1,471k from the non-consolidated charity. Of the total, £1,295k related to the purchase of a surface guided radiation therapy system.

### Note 18 Leases - Lancashire Teaching Hospitals NHS Foundation Trust as a lessee

The Trust leases many assets including land and buildings, vehicles, machinery, equipment, and IT. This note details information about leases for which the Trust is a lessee.

#### Land & Buildings leases

The Trust leases clinical space within other NHS sites which are owned by NHS Property Services or other NHS Foundation Trusts. These leases run for 5 to 12 years and amounts payable under the leases are revised annually using inflation factors as set out in NHS Planning guidance issued by NHSE.

The Trust also has two leases with commercial landlords; one for Preston Business Centre and one for Finney House. The lease for Preston Business Centre is for 10 years and commenced on 1st December 2021. The amount payable under this lease is revised at five yearly intervals as per the clauses in the lease. The lease for Finney House commenced on the 15th November 2023 for a 5 year term. The lease terms provide for an annual rental review each April using the consumer price index from the preceding February.

The Trust leases some of its premises under operating leases (see note 5.1)

Some leases contain extension options exercisable by the Trust in accordance with the lease terms. The Trust seeks to include extension options in new leases to provide operational flexibility. The extension options are exercisable only by the Trust and not by the lessors. The Trust assesses at lease commencement whether it is reasonably certain to exercise the extension options. It reassesses whether it is reasonably certain to exercise options if there is a significant event or significant change in circumstances within int control.

#### Other leases

The Trust leases vehicles and equipment, with terms between 1 to 8 years. In some cases the Trust has options to purchase the assets at the end of the contract term; in other cases the Trust is obliged to return the items to the lessor or negotiate a secondary lease. Neither are considered to be obligations and therefore the Trust is not estimating liabilities beyond the original lease terms.

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

#### Note 18.1 Right of use assets - 2022/23

Group	Property	Plant &	Transport	Information	Furniture &	Total	Of which:
	(land and buildings)	machinery	equipment	technology	fittings		leased from DHSC group bodies
	£000	£000	£000	£000	£000	£000	£000
<b>forward</b>	-	-	-	-	-	-	-
existing leased assets from PPE or intangible	100	-	-	-	-	100	-
operating leases / subleases	24,488	18,393	260	6	21	43,168	11,581
Additions	8,684	1,123	-	-	-	9,807	-
Disposals / derecognition	(3,111)	-	-	-	-	(3,111)	(3,011)
<b>Valuation/gross cost at 31 March 2023</b>	<b>30,161</b>	<b>19,516</b>	<b>260</b>	<b>6</b>	<b>21</b>	<b>49,964</b>	<b>8,570</b>
<b>brought forward</b>	-	-	-	-	-	-	-
Provided during the year	4,284	6,999	70	2	10	11,365	2,109
Disposals / derecognition	(476)	-	-	-	-	(476)	(376)
<b>Accumulated depreciation at 31 March 2023</b>	<b>3,808</b>	<b>6,999</b>	<b>70</b>	<b>2</b>	<b>10</b>	<b>10,889</b>	<b>1,733</b>
<b>Net book value at 31 March 2023</b>	<b>26,353</b>	<b>12,517</b>	<b>190</b>	<b>4</b>	<b>11</b>	<b>39,075</b>	<b>6,837</b>

Net book value of right of use assets leased from other NHS providers

6,795

Net book value of right of use assets leased from other DHSC group bodies

42

## Note 18.2 Reconciliation of the carrying value of lease liabilities

Lease liabilities are included within borrowings in the statement of financial position. A breakdown of borrowings is disclosed in note 24.

	<b>Group</b>	<b>Trust</b>
	<b>2022/23</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
<b>Carrying value at 31 March 2022</b>	<b>99</b>	<b>99</b>
IFRS 16 implementation - adjustments for existing operating leases	43,168	43,168
Lease additions	9,807	9,807
Interest charge arising in year	409	409
Early terminations	(2,647)	(2,647)
Lease payments (cash outflows)	(11,611)	(11,611)
<b>Carrying value at 31 March 2023</b>	<b>39,225</b>	<b>39,225</b>

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

These payments are disclosed in Note 6. Cash outflows in respect of leases recognised on-SoFP are disclosed in the reconciliation above.

The Trust does not sub lease any right of use assets so the value included within revenue from operating leases in note 3 all relates to Trust owned property that is leased.

## Note 18.3 Maturity analysis of future lease payments at 31 March 2023

	<b>Group</b>		<b>Trust</b>	
	<b>Total</b>	Of which leased from DHSC group bodies:	<b>Total</b>	Of which leased from DHSC group bodies:
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Undiscounted future lease payments payable in:</b>				
- not later than one year;	12,386	1,774	12,386	1,774
- later than one year and not later than five years;	21,378	5,229	21,378	5,229
- later than five years.	6,527	-	6,527	-
<b>Total gross future lease payments</b>	<b>40,291</b>	<b>7,003</b>	<b>40,291</b>	<b>7,003</b>
Finance charges allocated to future periods	(1,066)	(133)	(1,066)	(133)
<b>Net lease liabilities at 31 March 2023</b>	<b>39,225</b>	<b>6,870</b>	<b>39,225</b>	<b>6,870</b>
<b>Of which:</b>				
- Leased from other NHS Providers	12,062	1,717	12,062	1,717
- Leased from other DHSC group bodies	27,163	5,153	27,163	5,153

## Note 18.4 Maturity analysis of finance lease liabilities at 31 March 2022 (IAS 17 basis)

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

	<b>Group</b>	<b>Trust</b>
	<b>31 March</b>	<b>31 March</b>
	<b>2022</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Undiscounted future lease payments payable in:</b>		
- not later than one year;	101	101
<b>Total gross future lease payments</b>	<b>101</b>	<b>101</b>
Finance charges allocated to future periods	(2)	(2)
<b>Net finance lease liabilities at 31 March 2022</b>	<b>99</b>	<b>99</b>
of which payable:		
- not later than one year;	99	99

**Note 18.5 Commitments in respect of operating leases at 31 March 2022 (IAS 17 basis)**

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

	Group 2021/22 £000	Trust 2021/22 £000
<b>Operating lease expense</b>		
Minimum lease payments	12,599	12,599
<b>Total</b>	<b>12,599</b>	<b>12,599</b>
	<b>31 March 2022 £000</b>	<b>31 March 2022 £000</b>
<b>Future minimum lease payments due:</b>		
- not later than one year;	12,244	12,244
- later than one year and not later than five years;	26,389	26,389
- later than five years.	9,810	9,810
<b>Total</b>	<b>48,443</b>	<b>48,443</b>
Future minimum sublease payments to be received	-	-

**2022**

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

The standard has been applied using a modified retrospective approach without the restatement of comparatives. Practical expedients applied by the Trust on initial application are detailed in the leases accounting policy in note 14.

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

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

	Group 1 April 2022 £000	Trust 1 April 2022 £000
<b>Operating lease commitments under IAS 17 at 31 March 2022</b>	<b>48,443</b>	<b>48,443</b>
rate		
<b>IAS 17 operating lease commitment discounted at incremental borrowing rate</b>	<b>46,976</b>	<b>46,976</b>
Finance lease liabilities under IAS 17 as at 31 March 2022	99	99
<b>Total lease liabilities under IFRS 16 as at 1 April 2022</b>	<b>43,267</b>	<b>43,267</b>

**Note 19 Inventories**

	Group		Trust	
	2023 £000	31 March 2022 £000	2023 £000	2022 £000
Drugs	5,093	4,077	4,043	3,105
Work In progress	-	-	-	-
Consumables	9,457	9,593	9,457	9,593
Energy	143	196	143	196
Other	26	10	26	10
Charitable fund inventory	-	-	-	-
<b>Total inventories</b>	<b>14,719</b>	<b>13,876</b>	<b>13,669</b>	<b>12,904</b>
<b>of which:</b>				
Held at fair value less costs to sell	-	-	-	-

Inventories recognised in expenses for the year were £92,406k (2021/22: £80,002k). Write-down of inventories recognised as expenses for the year were £250k (2021/22: £775k).

In response to the COVID 19 pandemic, the Department of Health and Social Care centrally procured personal protective equipment and passed these to NHS providers free of charge. During 2022/23 the Trust received £999k of items purchased by DHSC (2021/22: £1,573k).

These inventories were recognised as additions to inventory at deemed cost with the corresponding benefit recognised in income. The utilisation of these items is included in the expenses disclosed above.

## Note 20 Receivables

	Group		Trust	
	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
<b>Current</b>				
Contract receivables	41,818	30,253	42,201	31,886
Allowance for impaired contract receivables / assets	(1,764)	(1,892)	(1,764)	(1,892)
Prepayments (non-PFI)	4,234	2,940	4,226	2,930
Operating lease receivables	169	152	169	152
PDC dividend receivable	224	688	224	688
VAT receivable	1,308	2,156	1,093	1,674
Corporation and other taxes receivable	25	49	25	49
Other receivables	1,830	1,172	1,830	1,172
<b>Total current receivables</b>	<b>47,844</b>	<b>35,518</b>	<b>48,004</b>	<b>36,659</b>
<b>Non-current</b>				
Contract receivables	5,916	6,849	5,916	6,849
Allowance for impaired contract receivables / assets	(619)	(1,627)	(619)	(1,627)
Other receivables	1,082	1,239	2,582	2,239
<b>Total non-current receivables</b>	<b>6,379</b>	<b>6,461</b>	<b>7,879</b>	<b>7,461</b>
<b>Of which receivable from NHS and DHSC group bodies:</b>				
Current	33,436	25,414	33,221	24,932
Non-current	1,082	1,239	1,082	1,239

### Note 20.1 Allowances for credit losses

	Group		Trust	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
<b>Contract receivables and contract assets</b>				
<b>Allowances as at 1 April - brought forward</b>	<b>3,519</b>	<b>4,157</b>	<b>3,519</b>	<b>4,157</b>
New allowances arising	575	700	575	700
Changes in existing allowances	(838)	128	(838)	128
Reversals of allowances	(238)	(508)	(238)	(508)
Utilisation of allowances (write offs)	(635)	(958)	(635)	(958)
<b>Allowances as at 31 March</b>	<b>2,383</b>	<b>3,519</b>	<b>2,383</b>	<b>3,519</b>

### Note 21 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	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
<b>At 1 April</b>	<b>61,887</b>	<b>59,255</b>	<b>61,340</b>	<b>58,832</b>
Net change in year	(47,385)	2,632	(47,211)	2,508
<b>At 31 March</b>	<b>14,502</b>	<b>61,887</b>	<b>14,129</b>	<b>61,340</b>
<b>Broken down into:</b>				
Cash at commercial banks and in hand	392	565	19	18
Cash with the Government Banking Service	14,110	61,322	14,110	61,322
<b>Total cash and cash equivalents as in SoFP</b>	<b>14,502</b>	<b>61,887</b>	<b>14,129</b>	<b>61,340</b>
<b>Total cash and cash equivalents as in SoCF</b>	<b>14,502</b>	<b>61,887</b>	<b>14,129</b>	<b>61,340</b>

### Note 21.1 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.

	Group and Trust	
	31 March 2023 £000	31 March 2022 £000
Bank balances	6	7
<b>Total third party assets</b>	<b>6</b>	<b>7</b>



## Note 22 Trade and other payables

	Group		Trust	
	2023	2022	2023	2022
	£000	£000	£000	£000
<b>Current</b>				
Trade payables	15,029	18,298	15,139	18,316
Capital payables	26,713	18,285	26,713	18,285
Accruals	46,810	46,469	46,947	47,083
Social security costs	5,459	5,357	5,451	5,350
Other taxes payable	5,048	4,847	5,042	4,839
Pension contributions payable	5,662	5,204	5,662	5,204
Other payables	402	1,395	400	1,393
<b>Total current trade and other payables</b>	<b>105,123</b>	<b>99,855</b>	<b>105,354</b>	<b>100,470</b>

### Of which payables from NHS and DHSC group bodies:

Current	9,682	6,095	9,682	6,095
Non-current	-	-	-	-

## Note 23 Other liabilities

	Group		Trust	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	£000	£000	£000	£000
<b>Current</b>				
Deferred income: contract liabilities	5,224	16,506	5,224	16,506
<b>Total other current liabilities</b>	<b>5,224</b>	<b>16,506</b>	<b>5,224</b>	<b>16,506</b>
<b>Non-current</b>				
Deferred income: contract liabilities	197	608	197	608
<b>Total other non-current liabilities</b>	<b>197</b>	<b>608</b>	<b>197</b>	<b>608</b>

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.

## Note 24 Borrowings

	Group		Trust	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	£000	£000	£000	£000
<b>Current</b>				
Loans from DHSC	1,586	2,182	1,586	2,182
Other loans	79	79	79	79
Lease liabilities*	12,062	99	12,062	99
<b>Total current borrowings</b>	<b>13,727</b>	<b>2,360</b>	<b>13,727</b>	<b>2,360</b>
<b>Non-current</b>				
Loans from DHSC	2,870	4,445	2,870	4,445
Other loans	416	492	416	492
Lease liabilities*	27,163	-	27,163	-
<b>Total non-current borrowings</b>	<b>30,449</b>	<b>4,937</b>	<b>30,449</b>	<b>4,937</b>

\* The Trust has applied IFRS 16 to lease arrangements within these accounts from 1 April 2022 without restatement of comparatives. More information about leases and the impact of this change in accounting policy can be found in note 18.

**Note 24.1 Reconciliation of liabilities arising from financing activities (Group)**

Group - 2022/23	Loans from		Lease	Total
	DHSC	Other loans	liabilities	
	£000	£000	£000	£000
<b>Carrying value at 1 April 2022</b>	<b>6,627</b>	<b>571</b>	<b>99</b>	<b>7,297</b>
<b>Cash movements:</b>				
Financing cash flows - payments and receipts of principal	(2,167)	(76)	(11,203)	(13,446)
Financing cash flows - payments of interest	(106)	(18)	(408)	(532)
<b>Non-cash movements:</b>				
IFRS 16 implementation - adjustments for existing operating leases / subleases	-	-	43,168	43,168
Additions	-	-	9,807	9,807
Application of effective interest rate	102	18	409	529
Early terminations	-	-	(2,647)	(2,647)
<b>Carrying value at 31 March 2023</b>	<b>4,456</b>	<b>495</b>	<b>39,225</b>	<b>44,176</b>

Group - 2021/22	Loans from		Finance	Total
	DHSC	Other loans	leases	
	£000	£000	£000	£000
<b>Carrying value at 1 April 2021</b>	<b>10,005</b>	<b>1,022</b>	<b>480</b>	<b>11,507</b>
<b>Cash movements:</b>				
Financing cash flows - payments and receipts of principal	(3,376)	(452)	(382)	(4,210)
Financing cash flows - payments of interest	(151)	(71)	(24)	(246)
<b>Non-cash movements:</b>				
Application of effective interest rate	149	72	25	246
<b>Carrying value at 31 March 2022</b>	<b>6,627</b>	<b>571</b>	<b>99</b>	<b>7,297</b>

**Note 25 Provisions for liabilities and charges analysis (Group)**

Group	Pensions:			Total
	injury benefits	Legal claims	Other	
	£000	£000	£000	£000
<b>At 1 April 2022</b>	<b>1,563</b>	<b>248</b>	<b>3,802</b>	<b>5,613</b>
Change in the discount rate	(217)	-	(974)	(1,191)
Arising during the year	46	150	912	1,108
Utilised during the year	(99)	(122)	(1,001)	(1,222)
Reversed unused	(20)	-	(447)	(467)
Unwinding of discount	21	-	22	43
<b>At 31 March 2023</b>	<b>1,294</b>	<b>276</b>	<b>2,314</b>	<b>3,884</b>
<b>Expected timing of cash flows:</b>				
- not later than one year;	97	276	132	505
- later than one year and not later than five years;	702	-	74	776
- later than five years.	495	-	2,108	2,603
<b>Total</b>	<b>1,294</b>	<b>276</b>	<b>2,314</b>	<b>3,884</b>

**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.

**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.

## Note 25.1 Clinical negligence liabilities

At 31 March 2023, £324,548k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Lancashire Teaching Hospitals NHS Foundation Trust (31 March 2022: £464,126k).

## Note 26 Contingent assets and liabilities( Group)

	Trust			
	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
<b>Value of contingent liabilities</b>				
NHS Resolution legal claims	(113)	(111)	(113)	(111)
<b>Gross value of contingent liabilities</b>	<b>(113)</b>	<b>(111)</b>	<b>(113)</b>	<b>(111)</b>
Amounts recoverable against liabilities	-	-	-	-
<b>Net value of contingent liabilities</b>	<b>(113)</b>	<b>(111)</b>	<b>(113)</b>	<b>(111)</b>

The Trust has no contingent assets to disclose.

## Note 27 Contractual capital commitments (Group)

	Trust			
	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
Property, plant and equipment	3,159	4,433	3,159	4,433
<b>Total value of contractual capital commitments</b>	<b>3,159</b>	<b>4,433</b>	<b>3,159</b>	<b>4,433</b>

The contractual capital commitments represent the value of works committed to on

## Note 28 Financial Instruments

### Note 28.1 Financial risk management

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 2023 is within Receivables from customers, as disclosed in the Trade and Other Receivables note to these Accounts.

## Note 28.2 Carrying values of financial assets

	Group		Trust	
	Held at amortised cost	Total book value	Held at amortised cost	Total book value
	£000	£000	£000	£000
<b>Carrying values of financial assets as at 31 March 2023</b>				
Trade and other receivables excluding non financial assets	48,457	<b>48,457</b>	50,340	<b>50,340</b>
Cash and cash equivalents	14,502	<b>14,502</b>	14,129	<b>14,129</b>
<b>Total at 31 March 2023</b>	<b>62,959</b>	<b>62,959</b>	<b>64,469</b>	<b>64,469</b>

	Group		Trust	
	Held at amortised cost	Total book value	Held at amortised cost	Total book value
	£000	£000	£000	£000
<b>Carrying values of financial assets as at 31 March 2022</b>				
Trade and other receivables excluding non financial assets	36,193	<b>36,193</b>	38,823	<b>38,823</b>
Cash and cash equivalents	61,887	<b>61,887</b>	61,340	<b>61,340</b>
<b>Total at 31 March 2022</b>	<b>98,080</b>	<b>98,080</b>	<b>100,163</b>	<b>100,163</b>

## Note 28.3 Carrying values of financial liabilities

	Group		Trust	
	Held at amortised cost	Total book value	Held at amortised cost	Total book value
	£000	£000	£000	£000
<b>Carrying values of financial liabilities as at 31 March 2023</b>				
Loans from the Department of Health and Social Care	4,456	<b>4,456</b>	4,456	<b>4,456</b>
Obligations under leases	39,225	<b>39,225</b>	39,225	<b>39,225</b>
Other borrowings	495	<b>495</b>	495	<b>495</b>
Trade and other payables excluding non financial liabilities	89,358	<b>89,358</b>	89,603	<b>89,603</b>
<b>Total at 31 March 2023</b>	<b>133,534</b>	<b>133,534</b>	<b>133,779</b>	<b>133,779</b>

	Group		Trust	
	Held at amortised cost	Total book value	Held at amortised cost	Total book value
	£000	£000	£000	£000
<b>Carrying values of financial liabilities as at 31 March 2022</b>				
Loans from the Department of Health and Social Care	6,627	<b>6,627</b>	6,627	<b>6,627</b>
Obligations under finance leases	99	<b>99</b>	99	<b>99</b>
Other borrowings	571	<b>571</b>	571	<b>571</b>
Trade and other payables excluding non financial liabilities	89,651	<b>89,651</b>	86,797	<b>86,797</b>
<b>Total at 31 March 2022</b>	<b>96,948</b>	<b>96,948</b>	<b>94,094</b>	<b>94,094</b>

#### Note 28.4 Maturity of financial liabilities

The following maturity profile of financial liabilities is based on the contractual undiscounted cash flows. This differs to the amounts recognised in the statement of financial position which are discounted to present value.

	Group		Trust	
	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
In one year or less	103,290	93,219	103,535	90,365
In more than one year but not more than five years	23,750	3,698	23,750	3,698
In more than five years	8,021	1,524	8,021	1,524
<b>Total</b>	<b>135,061</b>	<b>98,441</b>	<b>135,306</b>	<b>95,587</b>

#### Note 29 Losses and special payments (Group)

Group and trust	2022/23		2021/22	
	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000
<b>Losses</b>				
Cash losses	1	-	-	-
Bad debts and claims abandoned	753	162	1,685	141
Stores losses and damage to property	3	216	3	343
<b>Total losses</b>	<b>757</b>	<b>378</b>	<b>1,688</b>	<b>484</b>
<b>Special payments</b>				
Compensation under court order or legally binding arbitration award	2	15	-	-
Ex-gratia payments	81	620	51	171
<b>Total special payments</b>	<b>83</b>	<b>635</b>	<b>51</b>	<b>171</b>
<b>Total losses and special payments</b>	<b>840</b>	<b>1,013</b>	<b>1,739</b>	<b>655</b>

#### Note 30 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.

#### 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 24 members of the Council of Governors, 4 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.

**Note 30 Related parties (continued)**

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	
Lancashire and South Cumbria ICB	327,829	76	6,681	1,895	Council of Governors Chief Executive Officer
Health Education England	28,226	5	310	773	Corporate Director
NHS England & NHS Improvement	22,367	9	17,704	2,102	Corporate Director
East Lancashire Hospitals NHS Trust	3,782	3,274	2,239	1,754	Non-Executive Director
Manchester University NHS Foundation Trust	341	359	83	263	Non-Executive Director
Southport and Ormskirk NHS Trust	276	5	134	3	Council of Governors
Lancashire County Council	255	9	5	76	Council of Governors
University of Central Lancashire	209	719	164	10	Executive Director Corporate Director
St Catherine's Hospice	96	3	10	-	Executive Director
NHS Blood and Transplant	80	2,115	-	131	Council of Governors
Warrington and Halton Hospitals NHS Trust	72	25	20	5	Chief Executive Officer
North West Ambulance Service NHS Trust	27	254	8	59	Non-Executive Director Executive Director
West Lancashire Borough Council	24	-	7	-	Council of Governors
Derian House Children's Hospice	23	-	-	-	Executive Director
South Ribble Borough Council	6	-	1	27	Council of Governors
Red Rose Recovery Lancashire	-	-	-	-	Associate Non-Executive Director
Preston City Council	-	-	-	2,009	Council of Governors
Chorley Borough Council	-	-	-	684	Council of Governors
University of Manchester	-	60	22	5	Non-Executive Director Corporate Director
Calderdale and Huddersfield NHS Foundation Trust	-	-	-	3	Non-Executive Director
BT Enterprise	-	3	-	-	Non-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 December 2023, 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	124	51	0
Rosemere Cancer Foundation	1131583	1,347	593	0

**Note 31 Transfers by absorption (Group)**

During 2021/22 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. There were no such transfers during 2022/23.

	2022/23	2021/22
	£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
<b>Net transfers - recognised in the SOCI as a loss due to transfers by absorption</b>	<b>-</b>	<b>1,054</b>

**Note 32 Events after the reporting date**

The Boards of Lancashire Teaching Hospitals NHS Foundation Trust (LTH) and Northern Care Alliance NHS Foundation Trust have agreed that with effect from the 1st June 2023 the ELFS Shared Services will be transferred to LTH. The transfer will be accounted for as a transfer by absorption on the transfer date, and thereafter the service will trade as a LTH business activity. The values of assets, liabilities and reserves to be transferred are under negotiation but are not considered to be material. From the 1st June 2023 the income, expenditure, assets and liabilities arising from ELFS trading activities will be reported within the future annual accounts of LTH.

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](http://www.lancsteachinghospitals.nhs.uk)**

 **[@lancshospitals](https://twitter.com/lancshospitals)**

 **[lancshospitals](https://www.facebook.com/lancshospitals)**



# Auditor's Annual Report 2022/23

Lancashire Teaching Hospitals NHS Foundation Trust

30 June 2023

## Key contacts

Your key contacts in connection with this report are:

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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 2022-23 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:

<b>Accounts</b>	<p>We issued an unqualified opinion on the Trust's accounts on X June 2023. 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>
<b>Annual report</b>	<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 Annual Governance Statement had been prepared in line with the DHSC requirements.</p>
<b>Value for money</b>	<p>We are required to report if we identify any significant weaknesses in the arrangements the Trust has in place to achieve value for money.</p> <p>We have nothing to report in this regard.</p>
<b>Other reporting</b>	<p>We did not consider it necessary to issue any other reports in the public interest.</p>



# Accounts Audit

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><b>Valuation of land and buildings</b> 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 misstatement from our work on this significant risk, relating to the inclusion within the net book value of Buildings an amount of £4.9m relating to capital costs accrued close to the year end that should have been impaired as part of the year-end valuation process. Amending for this would lead to a decrease in the net book value of Property, Plant and Equipment, however we did not consider this to be material. We raised a low-priority recommendation to management to ensure that this matter does not reoccur in next year's financial statements.</p> <p>We determined that the judgements made by the external valuers and adopted by the Trust were balanced.</p> <p>We noted increased documentation of scrutiny by management around the draft valuation presented by Cushman and Wakefield, including challenging year-on-year movements on individual buildings that appeared to be outside of the average for the valuation as a whole.</p>
<p><b>Fraudulent expenditure recognition</b> Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately.</p> <p>The setting of a planned surplus or deficit for the year can create an incentive for management to understate the level of non-pay expenditure compared to that which has been incurred. We consider this would be most likely to occur through omitting accruals, for example, pushing back expenditure to 2023-24 to mitigate financial pressures in the current financial year both at the Trust and also the ICS level.</p>	<p>We identified a total of three misstatement impacting on the level of expenditure recorded in the year, relating to the overstatement of accruals for goods and services received but not invoiced, overstatement of the pay award accrual at year end, and the overstatement of accrued costs relating to the Provider Collaborative Board incurred during 2022/23. Updating for these would lead to an decrease in the total reported expenditure of £6.4m, however we did not consider this material.</p> <p>We raised one low-priority recommendation to management regarding the process for compiling the annual leave accrual at year-end.</p>
<p><b>Management override of controls</b> 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> <p>We did not identify any material misstatements relating to this risk.</p> <p>We raised one medium-priority recommendation relating to this risk relating to the ability of journal approvers to make amendments to journal entries during the review and approval process.</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:

Source	Detail
Care Quality Commission rating	Requires improvement (November 2019). Note that the Trust received unannounced inspection visits by the CQC in June 2023. We have followed up with management to ensure there are no matters arising which impact on our value for money commentary for the year ended 31 March 2023.
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 2022/23 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
<b>Financial sustainability</b>	One significant risk identified	No significant weaknesses identified
<b>Governance</b>	No significant risks identified	No significant weaknesses identified
<b>Improving economy, efficiency and effectiveness</b>	No significant risks identified	No significant weaknesses identified



# Value for money

Financial sustainability	
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"> <li>How the Trust sets its financial plans to ensure services can continue to be delivered;</li> <li>How financial performance is monitored and actions identified where it is behind plan; and</li> <li>How financial risks are identified and actions to manage risks implemented.</li> </ul>	<p><i>Risk assessment</i></p> <p>The financial plan for 22/23 was created in accordance with NHS planning guidelines, in addition to ICS-wide principles. We saw appropriate review and approval by budget holders as well as at the Trust level by the Board of Directors. The final plan for 2022/23 was approved on 9 June 2022, with the Board receiving a presentation on the key facets of the plan and how it linked with national priorities and the priority workstreams set out by the ICS (now ICB). The final 2022/23 plan submitted in June 2022 forecast a £0.5m surplus, but there was clear reporting to both Board and Finance and Performance Committee, at that time and throughout the year, regarding the challenges around achievement of the required £26.3m total efficiencies and the unfunded pressures which have resulted in a deterioration in performance against plan despite delivery of the CIP target.</p> <p>We are satisfied that throughout 22/23 the budget monitoring process and associated committee scrutiny was sufficient to identify and analyse pressures that could present risks to the Trust in achieving the financial plan. Additionally, through our review of relevant Board and sub-Committee (Finance and Performance) meeting minutes we found that financial and operational performance was appropriately challenged.</p> <p>In 2022/23 we have seen regular monthly monitoring of Cost Improvement Programme (CIP) performance against targets at an individual scheme level and Trust level through the Finance and Performance (F&amp;P) Committee and to the Board, with more detailed monitoring taking place via Divisional Improvement Forums and at the Budget Holder level through monthly meetings. There is evidence that Quality Impact Assessments are completed for approved efficiency schemes. We noted that the Month 10 report to F&amp;P Committee showed delivery of £21.0m to date, with a slippage of £1.0m, but with continued expectation of delivering the full-year target efficiencies of £26.3m. Of this, we noted that a significant proportion of the savings (c£16m) related to non-recurrent items, putting more pressure on the underlying deficit position carried into 2023/24.</p> <p>We reviewed the terms of reference for the F&amp;P Committee and Divisional Improvement Forums, as well as minutes throughout the year and noted that there is adequate reporting of the actual and forecast financial impact of the efficiency schemes in place, along with detail of the relevant financial RAG ratings. We were therefore satisfied that the scope of reporting is sufficient to enable management to monitor cost performance and identify areas for efficiency savings.</p> <p>While at the time of our risk assessment the 2023/24 financial plan and accompanying CIP requirement was still being drafted, the expectations at that time were that the Trust's plan would include target efficiency savings of £43.5m, which is a considerable increase on the 2022/23 CIP achievement, with fewer non-recurrent savings available. Taking costs out of the system requires a coordinated system-wide response, and through the Emergency, Elective and Outpatients Transformation Boards significant pieces of long-term work are underway to redesign services to reduce the recurrent costs of delivery across the system. In view of the long-term nature of many of the identified solutions, achievement of an in-year CIP target of the required magnitude is subject to considerable risk.</p> <p>As a result of our risk assessment we identified a significant risk relating to the Trust's arrangements for ensuring financial sustainability. In response to this risk, we performed the following additional procedures:</p> <ul style="list-style-type: none"> <li>We reviewed the appropriateness of the latest financial plan for 2023/24 and verified whether there was sufficient challenge by those charged with governance via scrutiny of Board and Committee minutes.</li> <li>We reviewed the arrangements in place for planning and monitoring of the entity's 2023/24 CIP programme. In particular, we assessed how developed the efficiency plans are, the level of identified versus unidentified savings and whether the arrangements in place are conducive to informed decision making.</li> </ul>



# Value for money

## Financial sustainability (continued)

### Description

### Commentary on arrangements

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.

#### *Findings in respect of significant risk identified*

The Trust has a significant financial challenge in achieving the planned £15.3m deficit in 2023/24. To do so it must deliver financial improvement of £67m, of which £18m relates to a 'system gap' for which a system-wide solution must be found. Of the residual amount, approximately 50% are subject to medium (11%) or high risk (17%) or are at the 'hopper' stage (22%). Aside from the risks attached to the financial improvement there are further risks around additional pressures which must be managed effectively to deliver the £15.3m deficit, including a £10m risk around income restoration (based on activity levels). It is clear therefore that the level of risk around achievement of the 2023/24 plan is significant.

Our review of internal reporting to Board and Finance and Performance Committee, in addition to our review of the external report findings has highlighted some opportunities for improvement in the Trust's arrangements during the year which could have been addressed to reduce the level of unidentified financial improvement at the year end. We have made a recommendation to management regarding the pace of implementation of service optimisation activities, and earlier development of CIP in respect of 2024/25.

What is also clear from our work is that the impact of addressing those opportunities for improvement do not in isolation, or in aggregate, constitute a significant weakness in arrangements during 2023/24. Auditor Guidance Note 3, issued by the National Audit Office, describes significant weaknesses in terms of those which expose the body to significant financial loss. While there is a significant degree of risk around delivery of the financial improvement programme, there is a significant proportion of this which relies heavily on an ICS-wide solution and/or necessitates a significant degree of transformational change at a system level.

#### **Conclusion**

Based on the procedures performed we have not identified a significant weakness associated with the Trust's arrangements in respect of financial sustainability.



# 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"> <li>Processes for the identification and management of strategic risks;</li> <li>Decision making framework for assessing strategic decisions;</li> <li>Processes for ensuring compliance with laws and regulations;</li> <li>How controls in key areas are monitored to ensure they are working effectively.</li> </ul>	<p>Through our review of the Standing Financial Instructions (SFIs) we were satisfied that these detail the roles, responsibilities and delegation of the various committees, and that this gave an appropriate escalation framework for making key decisions.</p> <p>The Trust has a Local Counter Fraud Specialist who undertakes anti-fraud activities throughout the year and reports into the Audit Committee. Other key arrangements designed to detect fraud such as Whistleblowing Policy, Freedom to Speak Up and associated governance features are well embedded within the organisation.</p> <p>The key element of the risk management process at the Trust is embodied in the Board Assurance Framework (BAF). We reviewed the BAF at various stages throughout the year to ensure that strategic risks are appropriately included and we were satisfied that these risks were regularly discussed and challenged at Trust board meetings. The Trust's risk assessment criteria, outlined in the Risk Management policy, are used to assess all risks to ensure a consistent methodology is used.</p> <p>We inspected the Corporate Risk Register and noted that this gives strong coverages of ongoing risks, showing that the Trust had appropriate processes for monitoring the implementation and effectiveness of actions to address identified risks.</p> <p>We reviewed Finance and Performance Committee and Board minutes as well as the related papers throughout the financial year. We were satisfied that there was sufficient ability for committee and Board members to take informed decisions based upon the detail provided in the attached papers. These papers also demonstrated that with respect to financial risks reported and recommendations made, there are detailed discussions occurring to challenge and analyse the information presented.</p> <p>Through our review of the Board Minutes we were satisfied that the regular presentation of the Integrated Performance Report (IPR) enables the Trust to undertake appropriate monitoring of its non-financial performance, with reporting occurring on Workforce, Operational and Quality &amp; Safety metrics, designed around the ambitions contained within the Trust's 'Big Plan'.</p> <p>Reviews for compliance with the staff code of conduct, laws &amp; regulations and the Trust's constitution are completed via the Audit Committee, Board meetings and other governance structures, as identified through our testing. We made one low-priority recommendation regarding the fact that the Standards of Business Conduct and Recruitment &amp; Selection Policies are now beyond their target review dates and should be refreshed.</p> <p>We noted from our review of the Board and Safety and Quality Committee papers throughout the year that there was sufficient reporting and delivery against the Quality Improvement Plan which is the Trust's document for collating and monitoring delivery of the 'Must Do' and 'Should Do' recommendations raised by CQC. Actions are RAG-rated and an update provided bi-annually to both the Safety and Quality Committee and Trust Board to provide assurance on the work being undertaken to address the risks identified. We also saw evidence that learning around CQC inspections between providers within the Lancashire &amp; South Cumbria system is taking place.</p> <p><b>Conclusion</b></p> <p>Based on the procedures performed we have not identified a significant risk or significant weakness associated with the Trust's governance arrangements.</p>



# Value for money

## Improving economy, efficiency and effectiveness

### Description

### Commentary on arrangements

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.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- 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.

Non-financial performance is scrutinised regularly by the Executive Team with specific follow up of non-compliant metrics and associated recovery plans. Non-financial performance is formally reported and scrutinised via the Integrated Performance Report to the Board on a monthly basis, as well as detailed reports on Finance, Workforce, Safety & Quality being presented to each meeting of the respective Board sub-Committees. We reviewed examples and evidence of this in action and consider it to be appropriate.

In terms of developing and assessing plans relating to major decisions, we reviewed the activity of the Finance function regarding the preparation of business cases, and were satisfied that there is a standard business case template and guidance being utilised. The Trust has the required number of staff trained to NHS Better Business Cases training standards, and business case guidance and templates include the need to have strategic, management, economic and financial relevance. Quality / Equality Impact Assessment is required for all business cases. We specifically reviewed documentation relating to the Targeted Investment Funding (TIF) capital bids approved during 2022/23 and confirmed that the process as designed was followed, with appropriate use of the template documentation available.

There was an appropriate framework for monitoring of the performance of subcontractors depending on the scale of the contract (e.g. a whole clinical service versus a single specialty). We reviewed contract / performance review documentation pertaining to three different contracts of differing size and scope, and considered that the monitoring systems and processes in place were designed and implemented appropriately.

The Trust works closely with the other providers within the Lancashire and South Cumbria (L&SC) system through a prominent role on the Provider Collaborative Board, with the Trust's Chief Executive (CE) being the lead CE for the Provider Collaborative among numerous other Board-level links with both the providers in L&SC and the ICB. The Trust interfaces with the ICB on a regular basis both in terms of providing accountability for in-year performance but also with respect to strategic planning for 2023/24 and beyond. The Trust is taking a lead role on numerous projects aimed at increasing collaboration and therefore removing costs from the L&SC system, for example as the Lead Provider for the planned Pathology Collaborative.

The Trust undertook a number of initiatives during the year to redesign services and ease pressure on the urgent and emergency care system locally. During the Covid-19 pandemic the Trust's capacity expanded, with the support of non-recurrent resource. However the challenge is now to remove that additional capacity given that the funding for it is no longer available.

The most impactful of the arrangements put in place during 2022/23 was the opening of Finney House, a 'step-down' facility for those requiring community-based care but not meeting the Criteria to Reside in hospital. This reduced the number of hospital beds occupied locally by such patients by around 60%. Continued funding for Finney House for 2023/24 and beyond is under discussion, but there have been clear efficiencies delivered by the scheme.

We saw evidence that the Trust used benchmarking during the year to challenge Clinical Divisions around efficiency and productivity, with these sessions used to assist divisions in developing 'local' cost improvement programmes.

### Conclusion

Based on the procedures performed we have not identified a significant risk or significant weakness associated with the Trust's arrangements for improving economy, efficiency and effectiveness.





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