NHS
St Helens and Knowsley Teaching Hospitals
NHS Trust

Annual Report and Accounts 2022-23

Contents

SECTION 1 - PERFORMANCE REPORT

SECTION 2 - ACCOUNTABILITY REPORT

SECTION 3 – ANNUAL ACCOUNTS 2021/22

Section 1 - Performance Report

1. Performance Report

This section provides the reader with information on the organisation, its purpose, how it has performed in 2022/23 and the key risks to the achievements of its objectives.

1.1 Statement from the Chief Executive

We are pleased to present the Trust's annual report and accounts, which reviews performance and achievements over the past year, as well as outlining the priorities for improvement in the coming year.

2022/23 has been another challenging year for the Trust and the whole of the NHS. The immediate impact of the COVID-19 pandemic has reduced but the legacy consequences for patients and staff of the treatment backlogs remain. Since the pandemic we have found that patients are presenting later for urgent and emergency care, with more complex needs and are harder to discharge from hospital when admitted. This complex environment means it remains challenging to provide normal NHS services.

In addition, the Trust has continued to feel the impact of the combined pressures on primary care and social care which has resulted in the Trusts' medical beds being 100% fully occupied for most of the year. This level of bed occupancy makes the flow of patients through the hospital system less efficient and this in turn creates long waits in the emergency department and for the handover of ambulance patients. These challenges have been particularly pronounced during winter and spring, as they have for many acute trusts across the country.

The Trusts staff have continued to work incredibly hard to reduce the waiting lists and waiting times for planned care that increased during the pandemic and for which demand has remained high with significant increases in referrals to some specialties. Significant progress has been made locally and across our neighbouring areas to reduce waiting times in line with national plans. Despite the constraint of multiple system pressures the Trust has continued to diagnose and treat cancer patients and those with the greatest clinical need for urgent planned procedures but we know there is more to be done, with partners, to stabilise the system and improve patient flow in the Trust.

2022/23 is another year when the Trust staff have risen wonderfully to the challenges, we have all faced, coping with high levels of uncertainty and the pressures of increased demand, whilst always maintaining high standards of professionalism and patient care. We are pleased to have seen an upturn in our Staff Survey scores which reflect the progress we have made together. Our teams have also responded positively to the opportunities to work with and support partners across our wider system including Southport and Ormskirk Hospital NHS Trust through our Agreement for Long Term Collaboration (ALTC) which culminated in the two trusts coming together to form Mersey and West Lancashire Teaching Hospitals NHS Trust on 1st July 2023.

The Trust has maintained its Outstanding CQC rating and has continued to have close contact with our CQC relationship manager throughout the year. The Trust continues to monitor key quality, safety, and performance indicators via the monthly comprehensive integrated performance report (IPR).

The staff survey results in 2022 increased to a level we are more familiar with, and we are pleased to have been able to resume many of our usual engagement activities as COVID restrictions eased, alongside some new ones like the weekly Trust Brief Live

During 2022/23 the Trust reported one methicillin-resistant staphylococcus aureus (MRSA) bacteraemia and two never events, which arose from wrong site surgery within the plastic surgery department and a retained foreign body (guide wire) following an invasive procedure. As a Trust, we remain committed to learning from these incidents and putting measures in place to improve the care we provide, these are outlined in more detail in the Trust's Quality Account.

The Trust's vision to deliver Five Star Patient Care remains the driving force for our focus on providing the best possible care for patients and for continuous improvement in all areas.

The Trust was able to operate a business-as-usual governance structure during 2022/3 albeit making use of technology where appropriate.

I continue to be extremely proud of all Trust staff who, whatever their role, have worked together as a team to keep responding to the different challenges and demands placed on them during the last 12 months. This commitment to provide the best possible care for our patients and their families and to support each other is inspiring. I would like to offer my sincere gratitude and ongoing thanks to all our staff for everything they do to care for our patients.

1.2 Overview of the purpose and activities of the Trust

The Trust provides acute and community healthcare services at St Helens and Whiston Hospitals, both of which are modern, high quality facilities. Community and Intermediate Care services are delivered from Newton Community Hospital in Newton-le-Willows, the Urgent Treatment Centre, operating from the Millennium Centre, which is in the centre of St Helens and a range of other community nursing services from clinics and GP surgeries across St Helens.

Alongside these community and secondary care services, the Trust also provides primary care services from the Marshalls Cross Medical Centre, which is situated inside St Helens Hospital.

The Trust has an excellent track record of providing high standards of care to a population of approximately 360,000 people, principally from St Helens, Knowsley, Halton, and Liverpool, but also from other neighbouring areas such as Warrington, Ormskirk and Wigan. In addition, the Mersey Regional Burns and Plastic Surgery Unit provides treatment for patients across Merseyside, Cheshire, North Wales, the Isle of Man, and other parts of the North West, serving a population of over 4 million. St Helens Hospital also provides specialist neuro-rehabilitation services for patients from the mid-Mersey area.

The organisational structure of the Trust is based on four Care Groups (Medical Care, Surgical Care, Clinical Support Services, Community and Primary Care) which are supported by the collective corporate services (Human Resources, Finance and Information, Estates and Facilities Management, Governance and Risk, Informatics and Medicines Management).

The Trust acts as a Lead Employer for over 11,000 Doctors in Training across the country, on behalf of Health Education England.

The Trust provides the payroll function for other organisations in Cheshire and Merseyside, delivering both a weekly and monthly payroll service and supporting the Cheshire and Merseyside Collaborative Bank.

The Trust also hosts the Mid-Mersey Digital Alliance which provides informatics services to other NHS bodies and GP surgeries.

The Trust employed an average of 6,964 full time equivalent (FTE) staff during 2022/23. The Trust's turnover grew from £525m in 2020/21 to £586m in 2022/3.

Our catchment population

The areas served by the Trust are mostly urban and densely populated. These communities have a high level of health inequalities, with local people being generally less healthy than the rest of England, and a higher proportion suffering from at least one long-term health condition. Rates of smoking, cancer, obesity, and heart disease, related to poor general health and nutrition, remain significantly higher than the national average. Many areas also have high levels of deprivation, which has a strong correlation to health inequalities. The local population is not ethnically diverse, although this is expected to gradually change.

The population in our catchment area is growing because of new housing developments and regeneration but is also ageing faster than the general population of the UK. This means there are proportionally more older people who are living in poor health.

These characteristics give rise to a population with greater health needs that require increased access to both health and social care. Our local communities were hit hard by COVID-19 with some of the highest community infection rates in the country and this also resulted in a high degree of supressed need during the pandemic which has resulted in increased demand for urgent and emergency care and increased referrals to other specialties in the aftermath of the pandemic that we continued to experience in 2022/23.

During 2022/23 the Trust continued to play a significant role in supporting the Cheshire and Merseyside COVID 19 vaccination programme, including operating a vaccine hub for local staff and supporting Primary Care Networks to deliver the vaccination programme for the wider population, by administering a Vaccination Programme collaborative "bank" to staff the vaccine centres. The nature of the national vaccine programme changed at the end of 2022/23 and going forward the delivery model for future vaccination campaigns is likely to be different.

Collaborative working

The Trust is part of the Cheshire and Merseyside Integrated Care System. ICBs were formally established as statutory bodies on 1st July 2022. The Trust is a member of both Provider Collaboratives in Cheshire and Merseyside and is also a partner in three of the 9 Place Based Partnership Boards that are the constituent parts of the ICS, namely St Helens, Knowsley and Halton.

The Trust's Chief Executive is the Chair of CMAST, the Acute and Community Provider Collaborative and holds one of the provider Partner Member positions on the Integrated Care Board.

Growing from the emergency response to the pandemic the work of CMAST has supported the Trust to work closely with other acute Trusts to provide mutual aid and coordinate activities so that patients with the greatest clinical need are treated. CMAST's work programmes cover: elective recovery and transformation; clinical pathways; workforce; finance, efficiency and value; and diagnostics.

In September 2021 the Trust entered into an Agreement for Long Term Collaboration (ALTC) with Southport and Ormskirk Hospital NHS Trust (S&O), during 2022/23 this has continued, and significant progress has been made in addressing the challenges that faced the Trust. In September 2022 the Boards of both Trusts agreed that the partnership should be formalised and proposals for a transaction to bring the two organisations together should be progressed. These plans have been supported by the Cheshire and Merseyside ICB and the Lancashire and South Cumbria ICB, and by NHS England North West Region. The transaction plans have been supported by the NHSE Strategy, Performance and Investment Committee and approved by the Secretary of State for Health and Social Care, which allowed the transaction to be completed on 1st July 2023. Throughout 2022/23 the Trust has continued to provide operational and strategic leadership working with the Board of S&O and teams across both organisations continued to work closely to share good practice, improve the fragile services at S&O, increase resilience and prepare for the combined organisation.

1.3 The Trust's vision and objectives

The Trust vision is to deliver Five Star Patient Care. This is achieved by making incremental improvements to safety, care, pathways, communication and systems. Each year the Board agrees objectives under these five domains to move the Trust towards the achievement of its vision.

The Trust Board agreed objectives for 2022/23 acknowledging that because of the impact of the pandemic on usual business some would need to be carried forward from 2021/22 so that these programmes of work to deliver Five Star Patient Care in these areas could be completed. The Trust Board has agreed objectives for 2023/24 in anticipation of the completion of the transaction with Southport and Ormskirk and the creation of Mersey and West Lancashire Teaching Hopsitals NHS Trust on 1st July 2023.

A summary of the 2023/24 objectives is provided in the following table:

2023/24 Trust Objectives

5 STAR PATIENT CARE – Care

We will deliver care that is consistently high quality, well organised, meets best practice standards and provides the best possible experience of healthcare

- Ensure patients in hospital remain hydrated, to improve recovery times and reduce the risk of deterioration, kidney injury, delirium or falls
- Continue to ensure the timely and effective assessment and care of patients in the emergency department
- Recognise our deteriorating patients, providing individualised patient-centred care to achieve the right outcome for the patient

5 STAR PATIENT CARE – Safety

We will embed a culture of safety improvement that reduces harm, improves outcomes and enhances patient experience. We will learn from mistakes and near-misses and use patient feedback to enhance delivery of care

- Implement and embed the national Patient Safety Incident Response Framework (PSIRF) (QA)
- Create a unified safety culture for the new Trust
- Improve the overall experience for women using the Trust's Maternity Services (QA)

5 STAR PATIENT CARE – Pathways

As far as is practical and appropriate, we will reduce variations in care pathways to improve outcome, whilst recognising the specific individual needs of every patient

- Improve the effectiveness of the discharge process for patients and carers (QA)
- Improve access to the Urgent Community Response Team
- Cancer – Early Diagnosis Ambition

5 STAR PATIENT CARE – Communication

We will respect the privacy, dignity and individuality of every patient. We will be open and inclusive with patients and provide them with more information about their care. We will seek the views of patients, relatives and visitors, and use this feedback to help us improve services

- Implement a new speech recognition system to improve the turnaround times for clinic letters
- Improve complaints response times
- Create new staff communication and engagement processes that reflect the enlarged organisation, are accessible for all staff, irrespective of where they work and promote a single culture and values

5 STAR PATIENT CARE – Systems

We will improve Trust arrangements and processes, drawing upon best practice to deliver systems that are efficient, patient-centred, reliable and fit for their purposes

- Deliver the 2023/24 Frontline Digitisation Programme Milestones
- Convergence of the digital agenda between the STHK and S&O legacy systems to optimise performance and develop a single IT strategy for the new organisation
- Improve access to patient information via the implementation of Narrative Digital Clinical Documentation.

DEVELOPING ORGANISATIONAL CULTURE AND SUPPORTING OUR WORKFORCE

We will use an open management style that encourages staff to speak up, in an environment that values, recognises and nurtures talent through learning and development. We will maintain a committed workforce that feel valued and supported to care for our patients.

- Align HR policies for the new Trust, ensuring that all staff have access to the same levels of support wherever they work
- Support the integration of the two trusts teams into to a single organisational structure Improve mandatory training compliance, so that all staff across the Trust are equipped with the core skills and knowledge they need to perform effectively.
- Embed a standardised approach to annual appraisals for the new Trust to support staff to deliver high quality patient care.
- Optimise time to care by implementing a single approach to e-rostering, activity manager and e-job planning systems to ensure the optimal deployment of the workforce to achieve the right number and skill mix of staff
- Make the Trust the best place to work by increasing opportunities for new staff to join the organisation and existing staff to fulfil their ambitions for career development and progression within our organisation.

OPERATIONAL PERFORMANCE

We will meet and sustain national and local performance standards

- Deliver the elective recovery activity targets to reduce waiting lists
- Urgent and emergency care Maximise the productivity and effectiveness of clinical services using benchmarking and comparative data e.g., Get it Right First Time (GiRFT) to ensure that all services meet best practice standards

FINANCIAL PERFORMANCE, EFFICIENCY AND PRODUCTIVITY

We will achieve statutory and other financial duties set by regulators within a robust financial governance framework, delivering improved productivity and value for money

- Continue working with partner organisations in the Cheshire and Merseyside Integrated Care System to develop and deliver opportunities for collaboration at scale to increase efficiency Delivery of the agreed 2023/24 Trust financial targets: outturn, cash balances and revised capital resource limits.
- Deliver the agreed capital schemes.

STRATEGIC PLANS

We will work closely with NHS Improvement (NHSI) and commissioning, local authority and provider partners to develop proposals to improve the clinical and financial sustainability of services

- Continue to meet all regulatory and accountability requirements, including post transaction conditions whilst working collaboratively to achieve system success
- Work with each of the Place Based Partnerships where the Trust provides services to improve the health of the local population Ensure the Trust continues to influence and fully participate in the Integrated Care System to achieve a clinically and financially sustainable acute provider services.
- Take forward the Shaping Care Together Programme to identify the options to achieve a safe and sustainable service configuration between Southport and Ormskirk Hospital Sites for agreement with the Cheshire and Merseyside and Lancashire and South Cumbria ICBs, to be put forward for public consultation.

1.4 Key issues and risks

The Chief Executive's opening statement highlights the key pressures that the Trust has experienced during 2022/23 and these are the bases of the Trust's identified key risks going forward. Rising demand for our services is expected to continue, in many cases referrals far exceed pre pandemic levels. There will also need to be a continued focus on increasing the amount of elective activity to further reduce the waiting times and waiting lists for planned care which built up during the pandemic when elective activity was suspended or the capacity severely reduced. Therefore, the Trusts capacity both workforce, and physical capacity e.g., beds continue to be the major risk in responding to these demands.

The Trust continues to treat COVID-19 patients, but this is at a much lower level and certainly for the vaccinated population the impact of COVID-19 for the majority is less severe. The infection prevention and control measures that were a feature at the height of the pandemic have now been relaxed by the UK Health Protection Agency (HPA), which has a positive impact on capacity albeit we continue to work with partners to support speedy and supported discharge. These changes also mean normal visiting has been resumed, which makes a substantial difference to the experience of our patients.

A major continuing area of focus for the Trust in 2023/24 will be to provide ongoing support the health and wellbeing of staff, extending to cost of living support and our need to provide for a resilient workforce with the skills and capacity to respond to the activity challenges the NHS is facing. The Industrial Action taken by some health unions in the latter half of 2022/23 was a further challenge to which the Trust needed to respond to maintain safe and accessible services for patients and if the action continues in to 2023/24 there will be a risk to the delivery of the elective activity and waiting time recovery plans, as activity had to be suspended to release capacity for acute and emergency care during these periods.

2023/24 also sees the move away from the emergency financial regime for the NHS with the reintroduction of payment by results for elective activity and the withdrawal of COVID 19 top up funding. The financial outlook for the NHS is also difficult and Trusts are being asked to delivery CIP of 5% to ensure the Cheshire and Merseyside Integrated Care System can achieve an acceptable financial plan for the year.

The challenges of successfully delivering the Transaction with Southport and Ormskirk Hospital NHS Trust, consolidating our partnership, will continue to feature in 2023/24, as the issues will continue to be complex and require significant leadership and management capacity. The Trust Board is committed to realising the Transaction and fully embedding the partnership but is aware that there could be impacts on the performance of the new organisation which will have to be closely monitored and mitigated.

The Trust's general approach to managing risks is covered in detail within the Annual Governance Statement later in this document. This describes the Trust's Board Assurance Framework for addressing strategic risk, and how, on a day-to-day basis, the Trust utilises an effective web-based recording and reporting system which all senior managers can use to document risks, gauge their potential impact, capture appropriate mitigation plans, and then report across the organisation, as appropriate.


EMERGENCY DEPARTMENT
SHIFT LEAD

2. Performance Analysis

2.1 Key activity and performance measures

The direct impact of COVID-19 abated during 2022/23 though our efforts and resilience remained stretched with a continued need to manage and respond to the impact of the pandemic by treating increased numbers of patients, clearing elective backlogs whilst responding to very high and sustained levels of occupancy.

The most significant impact on activity and performance during 2022/23 continued to be an increased acuity of patients attending our urgent and emergency services, many of whom required admission. This increased acuity resulted in longer lengths of stay in hospital, further increasing the level of occupancy, resulting in poor patient flow. This was compounded by insufficient capacity to meet the demand for social and domiciliary care packages, to be able to safely discharge patients who required ongoing support once their immediate medical needs had been met. The causes of these changes are mainly driven by our aging population but compounded by the impact of COVID-19 on the health and social care sector. The consequence was that all parts of the system became less efficient; ambulance response times increased because they could not handover patients to the Emergency Department in a timely manner; the Emergency Department became full and waiting times increased because there were insufficient ward beds available to meet the demand for new patients to be admitted into; ward beds were blocked by patients who were medically optimised but could not be discharged to care/nursing homes or with packages of domiciliary care because of the capacity shortages they were also facing. This situation was not unique to St Helens and Knowsley Hospitals NHS Trust (STHK) and was also seen in many other acute Trusts across the country.

We have also experienced significant disruption in our ability to function optimally, as a result of the health unions industrial action. To ensure the safety of patients and sufficient capacity to respond to emergencies, elective activity had to be suspended as part of a planned approach to reschedule planned procedures to release beds during the periods of industrial action.

Throughout all such occurrences we have ensured all patients on waiting lists were clinically reviewed and the Trust maintained emergency, urgent and cancer surgery and treatments throughout the year.

The table opposite compares activity in 2022/23 to the preceding year (2021/22) and to 2019/20 which was the last year of "normal" activity before the COVID-19 pandemic and the baseline used for assessing elective recovery.

Activity Type	19-20	20-21	21-22	22-23	22-23 v 19-20	22- 23 v 21-22
Outpatient 1st attendances	149,517	120,103	150,170	163,217	9.2%	8.6.%
Outpatient follow-up attendances	318,294	268,300	318,554	327,816	2.9%	2.9%
Ward attenders	21,893	17,467	23,068	22,581	3.1%	-2.1%
Outpatient procedures	98,444	58,267	90,455	86,599	-12.1%	-.4.3%
Elective inpatients	6,206	3,725	5,556	5,342	-14,0%	-3.9 %
Day case	45,935	30,889	43,150	47,033	2.4%	8.9%
Non-elective inpatients	69,315	62,324	68,077	75,012	8.2%	10.2%
Non-elective inpatients (less Obstetrics)	56,458	49,771	54,166	61,254	-8.5%	13.1%
A&E attendances (inc. GPAU Atts)	119,181	102,404	121,809	116,203	-2.5%	-4.6%
A&E attendances (excl. GPAU Atts)	112,743	97,885	116,728	111,216	-1.4%	-4.7%
Births	3,983	3,738	3,995	3,770	-5.4%	-5.3%

2.2 Performance in 2021/22

Key performance against national targets in 2021/22 is provided in the following table:

Summary of key national targets 2021/22	Target	Perform.
Emergency Department waiting times within 4 hours (all types mapped)	95%	70.7%
% of patients waiting less than 62 days for first treatment for cancer from urgent GP referral	85%	79.2%
% of patients receiving first treatment within 31 days from diagnosis of cancer	96%	98.5%
% of admitted patients treated within 18 weeks of referral	92%	62.3%
% of patients treated within 28 days following a cancelled operation	100%	100.%
Number of Hospital Acquired MRSA bacteraemia incidences	0	2
Number of Hospital Acquired C. Difficile incidences	56	57*
% of patients admitted with a stroke spending at least 90% of their stay on a stroke unit	83%	88.5%
Staff sickness	4.5%	6.3%

*****of the 57 reported cases following investigation 23 cases were found to have no lapses in care

Equality, diversity and inclusion

St Helens and Knowsley Teaching Hospitals NHS Trust is committed to the principles of equality, diversity and inclusion. All staff, patients and visitors to the Trust can expect to be treated with dignity and respect and we will not tolerate any form of harassment, discrimination or victimisation.

The Trust has a set of equality information initiatives that demonstrates our commitment to promoting equality of opportunity and tackling discrimination in access to health services, and in the way our staff are treated.

The Trust, as a public authority, is subject to the Public Sector equality duty (PSED) and publishes equality information on the Trust website: https://sthk.merseywestlancs.nhs.uk/equality-diversity-and-inclusion

2.3 Financial Performance 2022/23

The Trust posted a year end surplus of £7.1m, taking the Trust's assessed cumulative surplus to £12.2m (Annual Accounts Note 36). This overall position reflects continued sound financial management and efficiency in the Trust within a landscape of continuing change and challenge.

The Trust's budgets are expressed in a single document held and reviewed by NHS England.
This document is known as the Trust's *financial plan*.

The *adjusted financial performance surplus/deficit* in any given year is very closely related to the Trust's surplus/deficit, which can be seen in the Annual Accounts. It is the measure of financial performance (the 'bottom line') that is most closely monitored in the financial regime of NHS providers. The Trust's financial plan for 2022/23 included a £4.9m deficit as its adjusted financial performance. The Trust's performance against its 2022/23 financial plan, and the relationship between the two types of surplus / (deficit), are shown in the table below.

	2022/23	
	Actual £m	**Plan** £m
Surplus/(deficit) per Annual Accounts Statement of Comprehensive Income (SoCI)	22.8	(5.4)
Remove net impairments [Annual Accounts Note 6]	(16.1)	0.0
Remove SoCI impact of capital grants and donations	0.2	0.4
Remove net impact of DHSC centrally-procured assets	0.2	0.0
Adjusted financial performance surplus/(deficit)	**7.1**	**(4.9)**

Income

For the financial year 2022/23, the Trust received income totalling £585.9m, which is a 12% increase on the previous year.

The chart (right) depicts the Trust's total income for 2022/23, split by customer or commissioner type.

Most income comes from the Trust's local NHS partners.

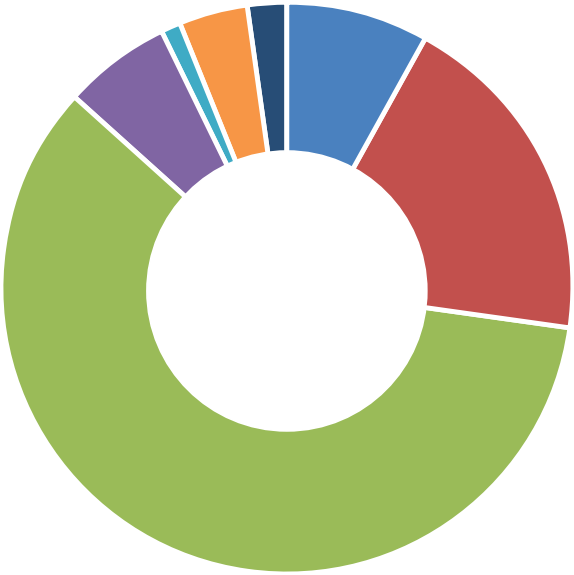
Of the income received by the Trust, £495.4m (85%) came from patient care activities. The largest source of patient-related income remains at a local level with Cheshire & Merseyside Integrated Care Board.

In 2022/23, the Health and Care Act 2022 made changes to the NHS in England, including abolishing Clinical Commissioning Groups and making Integrated Care Boards (ICBs) formal, statutory boards with effect from the 1st July 2022 with power over NHS commissioning, spending and workforce planning at a local place level. NHS St Helens Clinical Commissioning Group became NHS St Helens Place which forms part of NHS Cheshire and Merseyside Integrated Care Board.

The suspension of the sector's usual funding arrangements continued, due to COVID-19. The majority (£451m) of the Trust's patient care income from NHS commissioners has been in the form of both block contract arrangements, and *system envelope* block top up funding of which £413m was allocated at a Cheshire & Merseyside Integrated Care Board level.

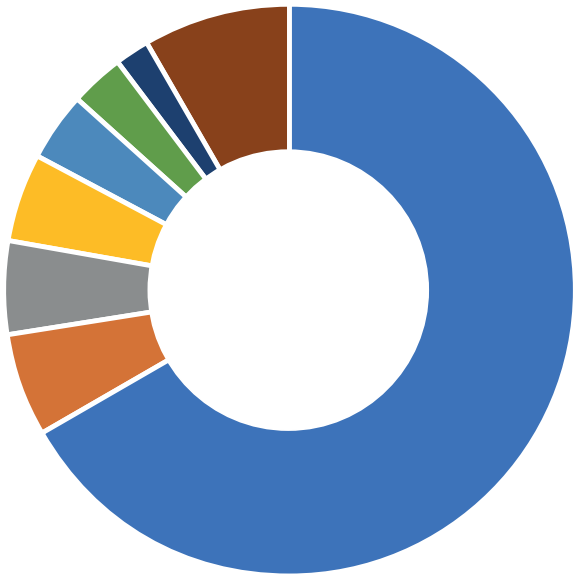
The remaining £90.5m (15%) of total operating income arose from a combination of sources. As in previous years, this included revenues from NHS North-West Deanery for the education and training of junior doctors, and services provided to other organisations, such as IT, HR, pharmacy and pathology services.

In 2022/23, this *other operating income* also included PFI income support £14.117m and £2.6m of reimbursement and top-up funding, to cover COVID-related expenditures such as testing, vaccination costs.



Total income £585.9m

- 8% NHS England and its sub-entities
- 19% Clinical Commissioning Groups (abolished 30th June 2022)
- 59% Integrated care Boards (established 1st July 2022)
- 6% NHS Providers (Trusts)
- 1% Other Government Bodies (Including DHSC bodies, special health authorities, local authorities)
- 4% Bodies External To Government
- 2% Health Education England
- 0% Other NHS Bodies



Total expenditure and losses £565.2m

- 66% Pay
- 6% Clinical supplies
- 5% PFI
- 5% Drugs
- 4% Depreciation
- 3% PFI finance costs
- 2% CNST
- 8% Other

Expenditure

The Trust incurred expenditure and losses totalling £565.2.m, which corresponds to a year-on-year increase of 8%. Staff pay - and the day-to-day purchasing of care-related goods and services - continue to comprise most of the Trust expenditure.

The chart (left) depicts the main categories within total reported expenditure for 2022/23.

'Other' includes premises, training, leasing, professional fees and IT-related costs.

The Trust also experiences significant annual finance costs related to its PFI arrangements (£18.4m) and an annual clinical negligence insurance (CNST) premium of £13.4m. A further £22.7m in 2022/23 related to depreciation and amortisation, which are non-cash expenditures. They are charged annually to reflect the usage and consumption of capital assets which were purchased in this and previous years.

Capital expenditure

Capital expenditure on tangible (for example, equipment), intangible (for example, software) and prepayment assets was higher than initial plan figures as the Trust secured £2.9m additional PDC funding for additional schemes.

At a headline level, the Trust's 2022/23 capital schemes, totalling £26.0m, can be broken down as follows.

- **£10.0m Community Diagnostic Centre** estate & medical equipment improvements to speed access to treatment.
- **£7.0m Improvements to the Trust's built estate** including ongoing work to develop the Whiston A&E, and a new endoscope decontamination facility.
- **£3.1m Private Finance Initiative** lifecycle replacement expenditure.
- **£2.2m Medical equipment** including replacement laboratory equipment and pharmacy robots.
- **£3.7m Information technology** schemes, including improvements funded by DHSC's Frontline Digitalisation programme.

Other financial results

The Trust's closing cash balance was £25.6m, which was a £28.5m decrease from the start of the year. This cash balance does not indicate significant delays to payments, as the Trust maintained BPPC performance at over 85%, as shown in Note 32 to the Annual Accounts.

The Trust's borrowings (£245.2m) wholly relate to its PFI and lease arrangements, except for an interest-free energy efficiency loan which totals £0.6m.

The Trust has a duty to pursue CIPs (cost improvement plans) which improve value for money - reducing costs and maximising incomes -whilst maintaining quality services. The Trust delivered its efficiency target of £28.1m in 2022/23 (£22.1m recurrently and £6.0m non-recurrently).

Financial forward look

The financial year 2023/24 will be the first full year since Integrated Care Systems became statutory bodies, with CCGs being dissolved, and the NHS will continue to emerge from emergency financial arrangements that have been in place throughout 2020/21, 2021/22 and 2022/23. The Trust's current financial plan for 2023/24, which is in place in the first quarter of 2023/24, has been agreed at system level. However, due to the system plan being a deficit, there may be further conditions and controls yet to be determined which may impact on the Trust plans.

On 1st July 2023 the Trust merged with Southport and Ormskirk Hospital NHS Trust to form Mersey & West Lancashire Teaching Hospitals NHS Trust.

This has been reflected in the 2023/24 plans which reflect the impact of the part year transaction.

The Trust's financial plan achieves a surplus of £132.7m and adjusted financial performance surplus of £7.6m after the removal of the absorption accounting. The surplus is driven by the changes in how funding is to be allocated at national and system level, which remains subject to review. The plan includes an efficiency challenge of £38.8m (5%), with schemes exceeding this identified for delivery in year.

The indicative capital expenditure plan for the combined organisation is £32.5m, including three PDC schemes: Support to refurbish Southport & Ormskirk Hospital £14m; Frontline Digitisation (£2.1m) and the continuation of St Helens Community Diagnostic Centre (CDC) (£3.2m).

The current plan is summarised below:

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2023/24 PLAN	£m
Surplus / (deficit)	**132.7**
Adjusted financial performance surplus/ (deficit)	**7.6**
Assumed CIP achievement within the above deficit	**38.8**
Capital expenditure (capex)	**32.5**
PDC funding for capex schemes	**19.4**
Closing cash balance	**26.9**

Performance Report signed by

Ann Marr

Ann Marr OBE
Chief Executive

30th October 2023

Section 2 - Accountability Report

3. Corporate Governance Report

This section provides the reader with information on the composition and organisation of the Trust's governance structures and how they support the achievement of objectives.

3.1 Directors Report

3.1.1 The Board of Directors

The Trust is managed by a Board of Directors that consists of both Executive and Non-Executive Directors (NED) with a Non-Executive Chairman. The composition of the Board during 2022/23 was as follows:

	Position	Name	Term of Office	Committee Membership
Non-Executive Directors	Chair	Richard Fraser	Appointed May 2014, 2016, 2020 & 2022	Remuneration
	Deputy Chair	Geoffrey Appleton	Appointed July 2022	Quality Remuneration
	Non-Executive Director	Jeff Kozer	Appointed January 2018 & 2022	Finance & Performance Audit Remuneration
	Non-Executive Director	Paul Growney	Appointed September 2018 and 2020 – stepped back from being a substantive Non-Executive Director June 2022	Charitable Funds Finance and Performance Remuneration
	Non-Executive Director	Lisa Knight	Appointed September 2022	Strategic People Remuneration
	Non-Executive Director	Ian Clayton***	Appointed September 2019 & 2021	Audit Finance and Performance Remuneration Strategic People
	Non-Executive Director	Gill Brown***	Appointed January 2020 & 2022	Quality Audit Remuneration Strategic People
Executive Directors	Chief Executive	Ann Marr*	Appointed January 2003	Executive*
	Deputy CEO/ Director of Human Resources	Anne-Marie Stretch**	Appointed July 2003	Executive** Strategic People
	Medical Director	Rowan Pritchard-Jones	Appointed September 2019 – Left June 2022	Executive Quality Finance and Performance
	Medical Director	Peter Williams	Appointed July 2022	Executive Quality Finance and Performance
	Director of Nursing Midwifery and Governance	Sue Redfern	Appointed May 2013	Executive Quality Strategic People
	Director of Finance	Gareth Lawrence	Appointed April 2022	Executive Finance & Performance Quality

Associate Directors	Director of Corporate Services	Nicola Bunce***	Appointed July 2017	Executive Quality Finance & Performance Strategic People
	Director of Informatics	Christine Walters***	Appointed September 2015	Executive
	Director of Operations and Performance/ Managing Director	Rob Cooper	Appointed January 2017	Executive Finance & Performance Quality Strategic People
	Associate Non-Executive Director	Lisa Knight	Appointed July 2019 – appointed as a substantive Non-Executive Director September 2022	Strategic People Charitable Funds Remuneration
	Associate Non-Executive Director	Rani Thind	Appointed September 2021	Quality Remuneration
	Associate Non-Executive Director	Paul Growney	Appointed September 2022	Charitable Funds Finance and Performance Remuneration
Other	Board Advisor	Allan Sharples****	November 2021 – Left June 2022	Audit
	Board Advisor	Geoffrey Appleton****	November 2021 – appointed as Non-Executive Director July 2022	Quality

*With effect from 20th September 2021 also became the accountable officer of Southport and Ormskirk Hospital NHS Trust and the Cheshire and Merseyside Acute and Specialist Trust Provider Collaborative Lead, and as a result withdrew from attending some of the STHK Committee meetings

**With effect from 20th September 2021 also became the Managing Director of Southport and Ormskirk Hospital NHS Trust, and as a result withdrew from attending some of the STHK Committee meetings

***Also hold formal positions as part of the Southport and Ormskirk Hospital NHS Trust board

****The Board appointed two temporary advisors to help support the additional workload associated with the Strategy and Operations Committee and other assurance committees at S&O which from September 2021 were managed by STHK under the terms of the ALTC – these positions have now terminated

The six Non-Executive Directors and five Executive Directors detailed in the table above are voting members of the Board ensuring that in the event of a vote the Non-Executive Directors always have the majority. Associate Directors and Board Advisors also attend Trust Board meetings.

Directors are appraised each year to review their contribution over the previous twelve months and to set objectives linked to those of the Trust for the following year. The Chairman is appraised by the Deputy Chair in conjunction with NHS England and from 2023 the Cheshire and Merseyside ICB.

Any skills gaps and training and development requirements are also reviewed annually against the NHS and Care Quality Commission (CQC) Well Led Frameworks to ensure continuous development and optimum functioning as a unitary board. In preparation for the transaction with Southport and Ormskirk Hospital NHS Trust the corporate governance framework of the organisation has been reviewed to ensure it will continue to be fit for purpose for the new larger organisation.

Most of the normal activities of the Board were reinstated during 2022/23 as COVID restrictions were relaxed. The Board meetings are now held in person, with the option for members to join virtually and most committee meetings remain virtual. This method of operating has partly been adopted to recognise the additional time required of STHK Board members to fulfil the ALTC management arrangements with Southport and Ormskirk Hospital NHS Trust alongside attendance at the STHK corporate governance meetings.

3.1.2 Fit and Proper Persons Requirement (FPPR)

The 2014 Health and Social Care Act imposed additional requirements on the posts of Directors to be '*Fit and Proper Persons*'. In assessing whether a person is of good character, the matters considered must include convictions, whether the person has been struck off a register of professionals, bankruptcy, sequestration and insolvency, appearing on barred lists and being prohibited from holding directorships under other laws. In addition, Directors should not have been involved or complicit in any serious misconduct, mismanagement or failure of care in carrying out an NHS regulated activity.

The Trust requires all Directors to make an annual declaration of compliance with the FPPR standards. In 2022/23 all Board members were required to complete a self-certificate to confirm compliance with these standards, and where appropriate external assessments, including Disclosure and Barring Service (DBS) checks were undertaken. The results were scrutinised by the Trust Chairman who concluded that the Board members were, and remain, fit to carry out the roles they are in. This is evidenced n the Trust Board papers in June 2022 and the process will be repeated for 2023/24.

3.1.3 Statement on disclosure to auditors

So far as the directors are aware, at the time of approving this Annual Report there is no information which would be relevant to the auditors for the purposes of their audit report, and of which the auditors are not aware. In addition, each director has taken all of the steps that they ought to have taken to make themselves aware of any such information, and to establish that the auditors are aware of it.

3.2 Statements of Responsibilities

3.2.1 Statement of the Chief Executive's responsibilities as the Accountable officer of the Trust

The Chief Executive of NHS England has designated that the Chief Executive should be the Accountable Officer of the Trust. The relevant responsibilities of accountable officers are set out in the NHS Trust Accountable Officer Memorandum.

These include ensuring that

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance.
- value for money is achieved from the resources available to the Trust.
- the expenditure and income of the Trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them.
- effective and sound financial management systems are in place; and
- annual statutory accounts are prepared in a format directed by the Secretary of State to give a true and fair view of the state of affairs as at the end of the financial year, and the income and expenditure, other items of comprehensive income and cash flows for the year.

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

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as the Accountable Officer.

Statement of the Chief Executive's responsibilities signed by

Ann Marr

Ann Marr OBE
Chief Executive

30th October 2023


eat time out drink
savour replenish enjoy
talk take time revive
mediresti

3.3. Annual Governance Statement

3.3.1 Scope of responsibility

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

3.3.2 The Purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of St Helens and Knowsley Teaching Hospitals NHS Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in St Helens and Knowsley Teaching Hospitals NHS Trust for the year ended 31 March 2023 and up to the date of approval of the annual report and accounts.

3.3.3 Capacity to handle risk

The Trust supports staff to identify and plan for potential risks to the delivery of the Trust's services and development objectives. All risks are owned by an appropriate manager and reviewed regularly to ensure the mitigation plans are effective in reducing the level of risk exposure. There is a Risk Management Council that is part of the Trust's governance arrangements.

The Trust risk profile is reviewed by the Risk Management Council each month, which includes representation from each care group and corporate services and a member of the Executive Team. A report is then drafted by the Council Chair for presentation to the Executive Committee, this includes any risks rated as high or extreme, which are escalated to the Corporate Risk Register and assigned to a member of the Executive Team for oversight. The Corporate Risk Register and Trust risk profile are also regularly reported to the Trust Board.

The involvement of the Executive Committee and the Board in regularly reviewing risks ensures that the level of exposure that the Trust is willing to tolerate (the risk appetite) is regularly tested. The risk appetite reflects the balance between the impact of the risk materialising and the opportunity cost of full mitigation.

Training in undertaking clinical risk assessments, and of identifying and reporting risks and incidents using the DATIX (electronic risk management system) is part of the induction process for all staff joining the Trust. Training is also available to managers who have responsibility for managing their service or departmental risk registers and risk management is included as part of management development programmes. Guidance on the risk management process and use of the DATIX system is accessible to staff via the Trust intranet.

The Trust's risk management process was audited in 2022/23 as part of the internal audit programme and the audit was rated as providing substantial assurance, and the recommended management actions have been completed.

3.3.4 The risk and control framework

The Trust promotes a culture of openness and encourages all staff and service users to actively report any issues, incidents or near misses, where they feel inappropriate action may have occurred, or systems and practices could be improved. In this way the Trust learns from mistakes and can identify areas where there is opportunity for improvement.

The Trust also learns from others and bases its service pathways on best practice models, such as the recommendations of NICE, GiRFT, Model Hospital and a range of other national guidance and benchmarking information.

Clinical risk assessments, incident reports, complaints, claims, staff feedback (via the national staff survey and local surveys), and social media channels are other sources of information which support the Trust in identifying and responding to any underlying themes.

The Trust has an electronic risk and incident reporting and management system (DATIX) and all staff within the organisation have access to the system. Potential risks are identified and assessed (using the recognised NPSA 5 x 5 matrix of likelihood and consequence) and added to the register. The risk owner details controls and assurances that are within their remit and then re-assesses the risk to see whether these measures have been beneficial in reducing the risk score. The risk owner also identifies the relevant line manager to have oversight of the risk and be able to review the actions in mitigation.

Incidents are also reported and investigated and categorised to identify any patterns or potential on going risks.

Risks with a score below 15 are managed at care group or corporate department level. Each risk is allocated an appropriate review date and each month local governance meetings, with clinical and operational managers, consider the risk profile, any missing risks, and to evaluate those requiring review. Frequent evaluation of risks takes place to ensure that the plans in mitigation are updated and accurately recorded on the Datix system.

If, following review and mitigating action within the care group or corporate department, the risk score is still 15 or above, it is automatically escalated to the Corporate Risk Register and "owned" by the most appropriate Director to see if more senior intervention can further reduce the potential risk to the organisation.

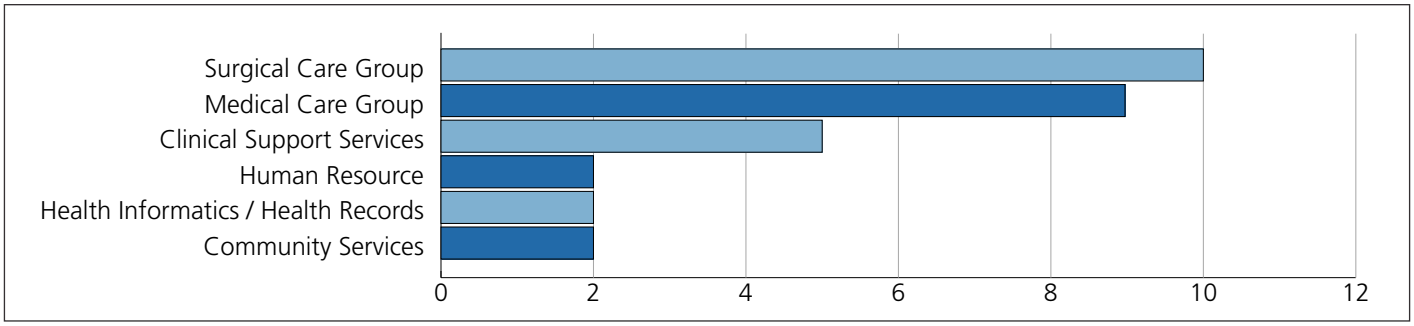
The Trust's Cost Improvement Scheme (CIP) plans are also risk rated using DATIX which then tracks that they have been through quality risk assessment process and are not closed until there is evidence that implementing the scheme has not impacted the quality of care that the Trust provides.

On 31st March 2023 there were a total of 811* scored risks recorded on Datix. The table below shows the profile of the risk scores (between 1 and 25):

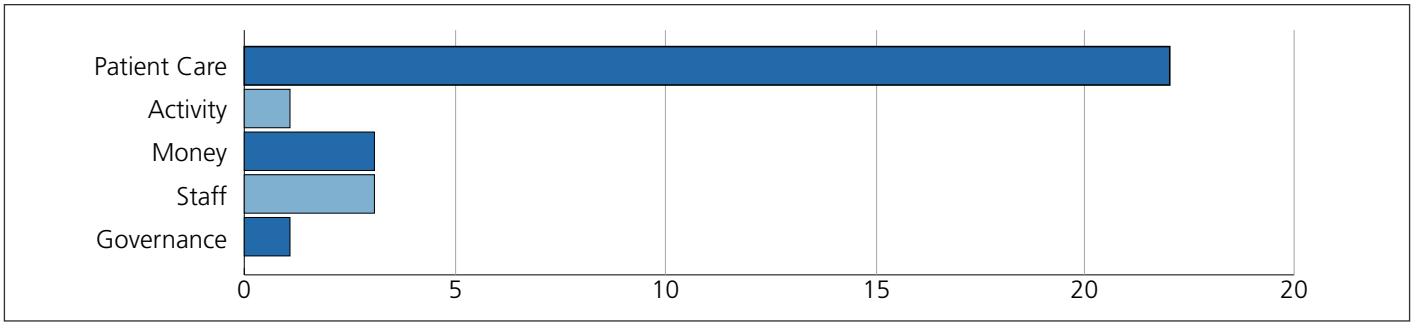
Very Low Risk			Low Risk			Moderate Risk				High/ Extreme Risk			
1	2	3	4	5	6	8	9	10	12	15	16	20	25
33	**32**	**17**	**88**	**9**	**180**	**70**	**157**	**29**	**158**	**18**	**9**	**11**	**0**
82 = 10.11%			**277 = 34.16%**			**414 – 51.05%**				**38 = 4.69%**			

*DATIX is a live system so there were also some risks reported by not scored, which have been excluded from the report

Of the 38 risks scored at 15 or above 30 had been reviewed and approved by the lead Director for inclusion on the Corporate Risk Register. The distribution of the risks across the organisation was:



Risks are categorised into broad themes, relating to patient care, staffing, activity, governance, and money (finance), as can be seen from the table most risks related to patient care:



The Corporate Risk Register is reported to the Trust Board four times a year.

In addition, the Board has identified the strategic risks that in theory could be catastrophic to the delivery of the organisation's long term purpose and goals, and these are captured in the Board Assurance Framework (BAF) which is also considered by the Board four times per year. Strategic concerns captured in the BAF on 31st March 2023 were:

- Systemic failures in the quality of care
- Failure to develop or deliver long term financial sustainability plans for the Trust and with system partners
- Sustained failure to maintain operational performance/deliver contracts,
- Failure to protect the reputation of the Trust
- Failure to work in partnership with stakeholder
- Failure to attract and retain staff with the skills required to deliver high quality services
- Major and sustained failure of essential assets, infrastructure
- Major and sustained failure of essential IT systems

In developing its plans for the post transaction organisation in 2023/24 the Board has assessed the future risks that will need to be managed, these continue to include recovering the elective activity backlog and reducing waiting lists in line with national targets, delivering both financial and activity plans in a challenged financial context for the NHS, integrating services, systems and policies for the new organisation, creating a single operating model, and a shared culture for all our staff.

Copies of the risk and Board Assurance reports to the Trust Board are available on the Trust website;

https://sthk.merseywestlancs.nhs.uk/corporate-information

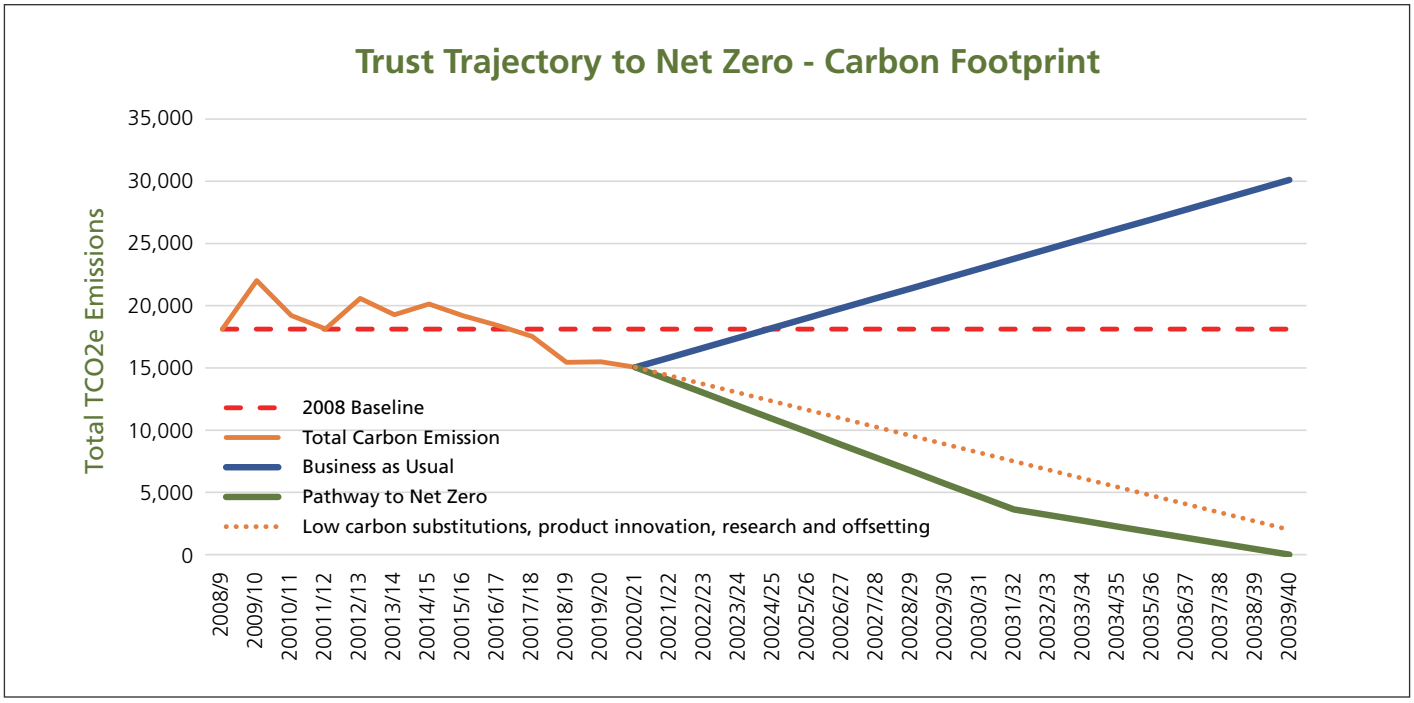
Sustainable Development – UKCP18 (Climate Projections risk assessments and management plan)

The Trust's Green Plan sets out a clear, ambitious, and achievable strategy to address climate risk, taking 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 so that the organisation continues to improve its carbon footprint and maintain a pathway to net zero by 2040.

In 2022/23 the Trust's Net Zero Action Group have:

- Appointed Hotspot Leaders responsible for driving down emissions in their respective area.
- Initiated co-ordinated meetings to strategize, and for Hotspot Leaders to report on progress and hurdles they're facing.
- Successfully acquired £39,675 of government funding to develop a detailed decarbonisation plan.
- Applied to phase 3b of the Public Sector Decarbonisation Scheme for £318,000 of funding to install air source heat pumps and roof mounted solar panels at St Helens Hospital.
- Carried out a trial of a technology that captures volatile anaesthetic gasses, stopping the release of harmful greenhouse gasses into the atmosphere during clinical procedures.
- Continued a drive to reduce the use of Desflurane in Anaesthetic procedures. Consultant Anaesthesiologist Elizabeth Kingston won 1st prize from Greener Anaesthesia & Sustainability Project (GASP) for her dashboard poster raising awareness to CO2e associated with Anaesthesiology and Greener Practice.
- Attended and presented at local 'meet the buyer' events held by the local chamber of commerce.
- Developed a carbon reduction initiative tracker which allows us to monitor progress on schemes.
- Progressed enquiries into various carbon reduction initiatives, including a behaviour change drive to use Sevoflurane instead of Desflurane; the installation of air source heat pumps and Solar panels at St Helens Hospital; and the use of a device that captures volatile anaesthetic gasses with high global warming potential during clinical procedures.

Also, in the period we collated key metric data on our known carbon hotspots from the previous year. Using our Carbon Management System, we measured our carbon reduction progress against our carbon baseline which was set in 2008. Our target was to reduce our carbon footprint to 22% below our 2008 baseline, and a 21.2% reduction was achieved.

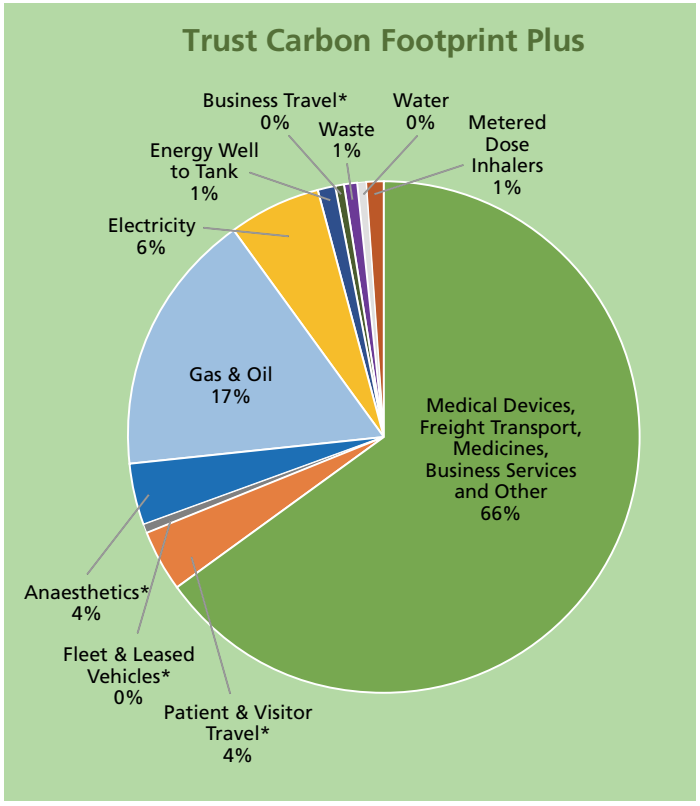


This period was not a typical year because of the aftereffects of the COVID-19 pandemic, which had an impact on our carbon emissions. There were some emission increases in our Carbon Hotspot areas as services and activity returned to normal; however, these were counteracted by considerable CO2e reductions in some of our bigger carbon hotspots.

		Category	Carbon Footprint (TCO2e) 2008 Baseline	Carbon Footprint (TCO2e) 2020/2021	% Change to Date	% of Trust Carbon Footprint Plus
Trust Carbon Footprint	Scope 1 - Direct	Fleet & Leased Vehicles *	6	15	137%	0%
		Anaesthetics*	1,749	1,504	-14%	3%
		Gas & Oil	6,846	9,583	40%	19%
	Scope 2- Indirect	Electricity	8,141	3,199	-61%	6%
	Scope 3 - Indirect	Energy Well to Tank	633	275	-57%	1%
		Business Travel *	103	171	66%	0%
		Waste	582	355	-39%	1%
		Water	170	139	-19%	0%
		Metered Dose Inhalers	245	211	-14%	0%
		Total Trust Carbon Footprint	18,476	15,452	-16%	30%
Trust Carbon Footprint Plus	Scope 3 - Indirect	Medical Devices, Freight Transport, Medicines, Business Services, Food & Catering, Construction, Commissioned Health Services, Manufacturing, ICT, Staff Commuting, Other Supply Chain #	40,910	34,215	-16%	67%
	Travel Outside GHGP Scopes	Patient & Visitor Travel *	3,410	1,296	-62%	3%
		Total Trust Carbon Footprint Plus	62,797	50,963	-19%	

* Later baseline extrapolated back to 2008

Informed approximation



To remain on track to net zero we will continue to seek wider engagement across the organisation, financial investment in green initiatives and continue to engage with national expertise and initiatives.

The Estates and Facilities Team and their partners will appraise the NHS Net Zero building standards and work to create a vision for whole life net zero carbon and map out the organisations approach to working with the standards in future projects.

Governance Framework of the organisation

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

The Board has a suite of documents (the Corporate Governance Manual) which contains the Trust's standing orders, standing financial instructions, and scheme of reservation and delegation of powers, which set out the regulatory framework for the business conduct of the organisation.

High standards of governance are maintained through the independence of the Non-Executive Directors (NEDs), achieved by the following:

- All NEDs are appointed for fixed terms ensuring a regular turnover and the introduction of new skills and experience,
- The non-executive membership of the Board outnumbers the executive element for all issues requiring a vote,
- The NEDs (including the Trust Chairman) meet separately from the Executive Directors on occasion, to discuss Trust business,
- The composition of the Board is managed to ensure that the NEDs have a range of skills and experience that enables them to provide constructive challenge, fully understand the business of the Trust and participate in the Trust's governance arrangements. They are therefore able to hold the Executive Directors to account for the performance and delivery of the strategic agenda set by the Board,
- NEDs chair the Board and Board Committees (with the exception of the Executive Committee), and through chair reporting, provide assurance to the Trust Board that the Trust is effectively governed.

Changes to the Board during 2022/23

There were several changes to the Board during 2022/23.

Geoffrey Appleton was appointed as a Non-Executive Director and Deputy Chair of the Trust in July 2022.

Lisa Knight was appointed as Non-Executive Director in September 2022, having formally served on the Board as an Associate Non-Executive Director. At the same time Paul Growney stepped back from being a Non-Executive Director but has remained with the Board as an Associate Non-Executive Director. These changes were to reflect the skill mix needed for the Board and recognised the time commitment needed to support the Agreement for Long Term Collaboration with Southport and Ormskirk Hospital NHS Trust, that conflicted with Paul Growney's personal and professional commitments.

Gareth Lawrence took up post as Director of Finance and Information on 1st April 2022, replacing Nik Khashu who left the organisation at the end of 2021/22.

Rowan Pritchard-Jones left the role of Medical Director in June 2022 to become the Medical Director of the Cheshire and Merseyside ICB. Rowan continues to be employed by the Trust as a consultant plastic surgeon. In July 2022 Peter Williams took up the post of Medical Director.

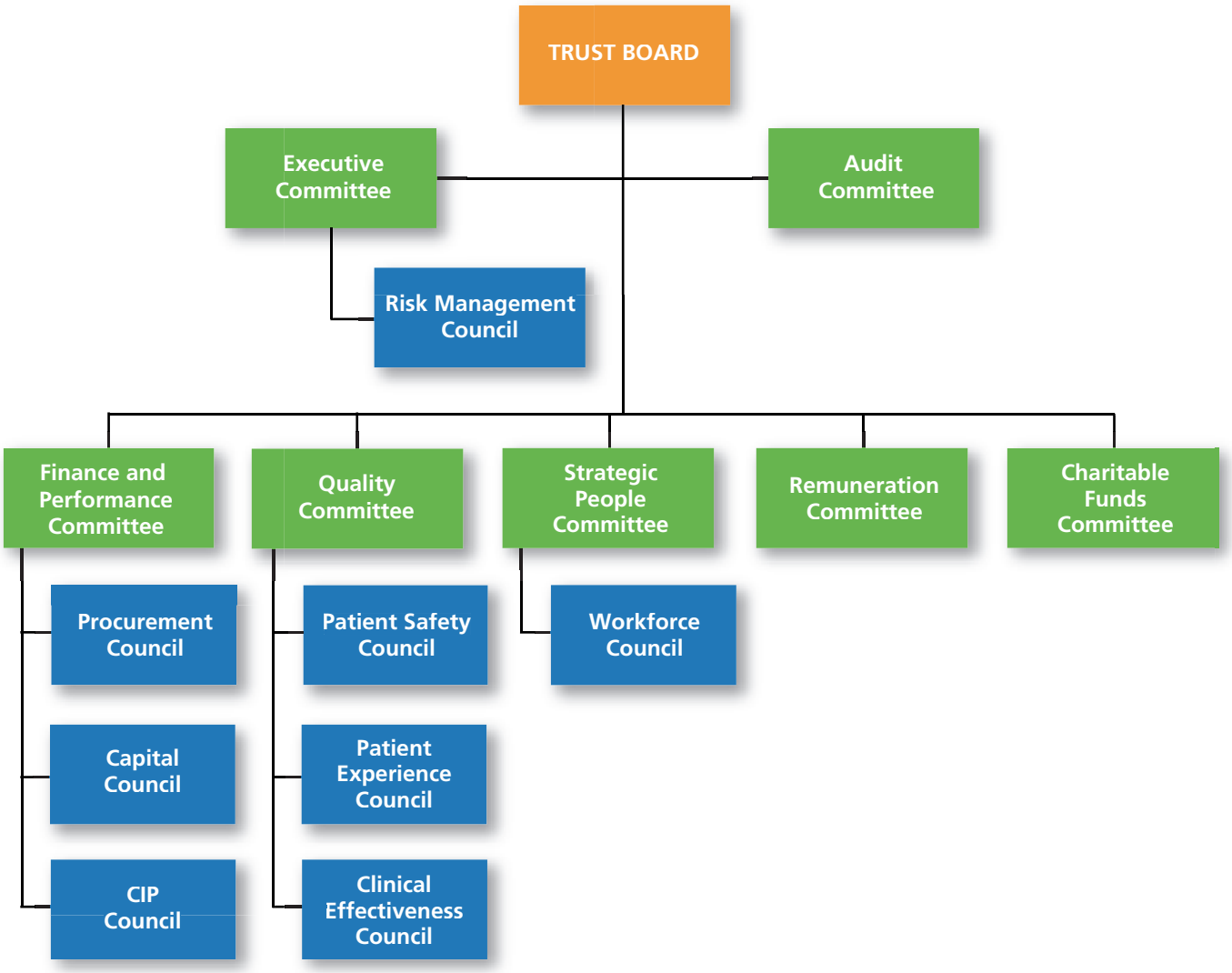
The temporary "Board Advisor" appointments made in 2021/22 ended in June 2022, at which point Geoffrey Appleton was appointed as a substantive Non-Executive Director, as described above and Alan Sharples left the organisation.

Governance structure

The Trust has a robust internal governance structure which maintains the systems of internal control. A Board and Committee effectiveness review is undertaken annually to confirm that the structure remains fit for purpose.

The Trust now has seven committee, some with supporting Councils, reporting to the Board in line with the following structure:

2023/24 Governance Structure



All committees except the Executive Committee are chaired by a Non-Executive Director or Associate Non-Executive Director. The Executive Committee is chaired by the Chief Executive. After each meeting the respective chair prepares a report to the Trust Board on matters considered on the agenda, the areas where assurance is being provided, and any issues requiring escalation for Board intervention or decision.

Remuneration Committee

The Remuneration Committee is comprised of the Chairman and all the NEDs.

Its duties include approving the remuneration and terms of service for the Chief Executive and Executive Directors, and to consider the appointment of Executive Directors and other very senior managers.

The Committee is required to meet at least once a year and during 2022/23 met on 4 occasions and conducted business via email (formal agreement of proposals previously discussed) on one other occasion. The meeting in May 2022 was not quorate, and the recommendations were then followed up via a virtual meeting in June 2022. The remaining meetings were quorate.

Audit Committee

The Audit Committee has a membership of three Non-Executive Directors, one of whom is a qualified accountant, and the others have commercial and business experience at a senior level.

In addition, the Trust's external and internal auditors along with the Director of Finance are regularly invited to attend. In 2022/23 the Committee met on six occasions, including an extraordinary audit committee meeting in December 2022 to consider the findings of the due diligence reports that supported the transaction business case for the legal acquisition of Southport and Ormskirk Hospital NHS Trust.

The Audit Committee provides the Trust Board with independent and objective scrutiny of the financial systems and processes, risk management, and compliance with relevant legislation. The Committee also monitors and reviews clinical audit effectiveness.

Through the agreement of an annual programme of independent audits, the Committee gains assurance that the data being provided to the Board, on which decisions are based, is accurate and complies with guidance.

This programme included key financial controls, Cost Improvement Plan processes, Board reporting, data quality, Emergency Preparedness, Resilience and Response (EPRR), quality spot checks, the trusts response to the Ockenden report recommendations, mandatory training, the data security and protection toolkit and other IT controls and then later in the year the HFMA financial controls checklist was added to the programme. These audits provide independent assurance to the Board that the quality and accuracy of information reported and systems in place are sufficiently robust to be relied on.

Quality Committee

The Quality Committee provides assurance to the board on quality governance. Quality performance within the Trust is measured against a range of parameters, including patient safety, patient experience, clinical effectiveness, and some key workforce metrics such as safer staffing, and mandatory training compliance. The performance metrics are reported each month in the Trust Integrated Performance Report (IPR).

The Quality Committee usually meets each month (excluding August and December) to review all aspects of quality. During 2022/23 the Quality Committee met on ten occasions, plus an extraordinary meeting held in December 2022 to consider the quality governance due diligence reports supporting the transaction business case for the legal acquisition of Southport and Ormskirk Hospital NHS Trust. All meetings were quorate

The CEO and Deputy CEO/Director of HR no longer regularly attend the Quality Committee meetings due to their responsibilities at Southport and Ormskirk Hospital NHS Trust and for the Cheshire and Merseyside ICS.

The Quality Committee is made up of both Non-Executive and Executive members and is supported by Councils that consider in greater detail issues relating to the monitoring of patient safety, patient experience, and clinical effectiveness. Chairs assurance reports from each of these Councils are reported to the Committee which include any matters for escalation.

Finance and Performance Committee

Like the Quality Committee, this is an assurance Committee that usually meets each month (excluding August and December) and reviews the financial and activity metrics reported in the IPR, reflecting the annual financial and operational plans and targets agreed by the Trust Board. During 2022/23 the Finance and Performance Committee met nine times as part of routine business, plus in December there was an extraordinary meeting to consider the financial due diligence report that supported the transaction business case for the legal acquisition of Southport and Ormskirk Hospital NHS Trust. The committee meeting in January did not take place due to industrial action being taken by some NHS staff which meant business continuity arrangements were enacted, however the papers were prepared and circulated to the committee members. Members of the committee include Non-Executive and Executive Board members and all the meetings held during 2022/23 were quorate.

The Committee is also supported in its work by the Capital Planning, Cost Improvement and Procurement Councils that undertake detailed reviews to ensure that the data received by the Committee is robust and provides the appropriate basis for forward planning and decision making.

Strategic People Committee

The Strategic People is an assurance committee which oversees the delivery of the Trusts people strategy and the action plans arising from the annual staff survey, gender pay gap and WRES and WDES reports. The committee membership includes Non-Executive and Executive members and was scheduled to meet 5 times during the year. In December 2022 an extraordinary meeting was held to consider the findings of the cultural diagnostic work that had been undertaken to support the transaction business case for the transaction with Southport and Ormskirk Hospital NHS Trust. All meetings were quorate.

Charitable Funds Committee

The Trust's Charitable Funds Committee normally meets at least three times a year and is responsible for managing the income and expenditure of any charitable and donated monies and assets held by the Trust. During 2022/23 the committee met on three occasions.

The Committee actively promotes fundraising and regular expenditure from funds and ensures that the Trust receives a reasonable rate of interest from investments made of the funds held in trust.

Executive Committee

The team of Executive and Associate Directors, led by the Chief Executive, is the senior management decision making group within the Trust and is responsible for planning, organising, directing, and controlling the organisation's systems and resources to achieve objectives and targets set by the Board.

The Executive Committee aims to meet each week, excluding at Christmas, and exercises the authority delegated to the Chief Executive and Directors to ensure that the organisation is effectively managed, decisions are made, and performance is monitored. In 2022/23 there were 43 formal Executive committee meetings. On occasions the executive team hold time out or training/development sessions instead of a formal business meeting.

The Committee is supported in its work by the Risk Management Council and received reports from the Digital Aspirant Programme Board at regular intervals. The Premium Payments Scrutiny Council did not meet during 2022/23, but a standing agenda item for the Executive Committee agenda was the approval of any premium rate payments for locums or agency staff.

Board Meetings

The Trust Board meets in public ten times a year. The meetings are monthly, except August and December.

Part 2 of the Board meetings are held in private to discuss confidential issues such as the details of serious untoward incidents relating to patients, confidential staff matters, commercial decisions such as bidding to provide new services or to allow time for the Board to undertake development activities and formulate strategy. In 2022/23 there have been 3 additional extraordinary Board meetings to approve key aspects of the proposed transaction to legally acquire Southport and Ormskirk Hospital NHS Trust.

All Trust Board meetings were quorate.

Attendance by the Directors at the governance meetings is summarised in the following table:

Board Members		Trust Board	Audit Committee	Quality Committee	Finance and Performance Committee	Strategic People Committee*	Remuneration Committee	Charitable Funds Committee	Executive Committee	Total	% Attendance
Name	Position	13	6	11	10	6	4	3	43	96	%
Richard Fraser	Chair	12					3			15/17	88%
Geoffrey Appleton	NED (Board advisor until July)	12		7			2 (of 3)			21/27	78%
Jeff Kozer	NED	13	5		9		3			30/33	91%
Paul Growney	NED (Associate NED from September)	11			9		4	3		27/30	90%
Ian Clayton	NED	12	5		8	4	3			32/39	82%
Gill Brown	NED	13	5	11		6	4			40/40	100%
Lisa Knight	NED (Associate NED until September)	10				6	2	2		20/26	77%
Rani Thind	Associate NED	12		11			2			25/28	89%
Alan Sharples	Board Advisor (until June)	2 (of 3)	0 (of 1)							2/3	67%
Ann Marr	Chief Executive	11							35	46/56	82%
Anne-Marie Stretch	Director of HR/Deputy CEO	13				2			36	51/62	82%
Gareth Lawrence	Director of Finance and Information	11		10	10			2	37	60/80	87%
Rowan Pritchard-Jones	Medical Director (until June)	3 (of 3)		1 (of 3)	3 (of 3)				8 (of 9)	15/18	83%

Peter Williams	Medical Director (From July)	9 (of 10)		7(of 8)	6 (of 7)				27 (of 34)	49/59	83%
Sue Redfern	Director of Nursing, Midwifery and Governance	10		10		2			36	58/73	79%
Rob Cooper	Director of Operations and Performance	11		11	9	5			40	76/83	92%
Christine Walters	Director of Informatics	11							36	47/56	84%
Nicola Bunce	Director of Corporate Services	13		10	8	1			39	71/83	85%
Total attendance										685/ 813	84%

*The Strategic People Committee clashed with key governance meetings at Southport and Ormskirk which were attended by some of the board members who also have held formal roles at as part of the ALTC arrangements

The following changes to committee membership occurred during 2022/23.

- Geoffrey Appleton became a member of the Quality Committee
- Lisa Knight became a substantive Non-Executive Director
- Paul Growney's appointment as substantive Non-Executive Director was not extended but Paul remains as an Associate Non-Executive Director

The Board completed a programme of time-out and development events during 2022/23, in addition to the extraordinary Board and Committee meetings that took place to support the approval of the transaction business case.

Purpose	Provider / Lead	Date
Ockenden Maternity Services Report Delivering the 2022/23 Financial and Operational Plan	Sue Redfern, Director of Nursing Midwifery and Governance Gareth Lawrence, Director of Finance and Information and Rob Cooper, Director of Operations	April 2022
Cyber Security Awareness Training for Boards	MIAA	May 2022
Strategic Planning – the future of the relationship with Southport and Ormskirk Hospital NHS Trust	Nicola Bunce, Director of Corporate Services	July 2022
Trust Digital Maternity Strategy	Christine Walters	October 2022
People Strategy 2023 – 2025 Proposed Clinical Strategy for the post transaction organisation 2023/24 Planning Guidance	Anne-Marie Stretch, Deputy CEO/Director of HR Peter Williams, Medical Director Gareth Lawrence, Director of Finance and Information and Rob Cooper, Managing Director	February 2023

To effectively carry out their duties Board members need to be able to probe the data conveyed in formal reports to the Board and its Committees and triangulate that with the softer intelligence gained through attendance at events, staff and carer listening sessions, and ward and department visits. Particularly during the latter half of 2022/23 when the COVID 19 Infection Prevention and Control restrictions were relaxed the normal engagement activities and programme of face to face social events were able to resume. These included the programme of Quality Ward Rounds and Team Talks.

The Board continued to receive patient stories, six times a year.

The Board and Quality Committee continue to receive regular thematic reports on complaints, Patient Advice and Liaison (PALs) activity, and incidents to identify trends or learning that would improve patient experience and the quality of care.

In 2022/23, the Trust received 211 new complaints that were opened for investigation. This represents a 21.6% decrease compared to 2021/22, when the Trust received 269 new complaints. This is also less that the 2020/21 figure, when the Trust received 251 new complaints.

The Trust continues to learn from complaints and make changes to policies or processes as a result. Full details are included in the 2022/23 Quality Account.

Care Quality Commission

The Care Quality Commission (CQC) is the independent regulator for health and social care in England and through monitoring and inspection makes sure that the public are provided with safe, effective, compassionate and high-quality care.

St Helens and Knowsley Teaching Hospitals NHS Trust is required to register with the CQC, and its current registration status is registered without conditions. The Trust is fully compliant with the registration requirements of the CQC.
The CQC has not taken enforcement action against St Helens and Knowsley Teaching Hospitals NHS Trust during 2022-23.

The latest report following the comprehensive inspection of the Trust, published in March 2019, provided significant assurance to the Board of the quality of services being delivered. The overall Trust rating was 'Outstanding'. In October 2022, the Trust's primary care service, Marshalls Cross Medical Centre, was re-inspected and was rated as good overall, achieving good for all five domains inspected (safe, effective, responsive, caring and well-led).

NHS England and the Provider Licence Conditions

The Trust has not been subject to any regulatory special interventions or support during 2022/23.

The Trust remained compliant with NHS Acts and the NHS Constitution. The requirement for the Trust to self-certify remained suspended during 2022/23 for NHS Trusts. This is expected to resume in the year ahead as the NHS Provider Licence is now applicable to the Trust because of the 2022 Health and Social Care Act.

NHS Pensions

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 Obligations

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

Appropriate policies are maintained to ensure that the required standards are met; examples being:

- The Recruitment and Selection Policy is designed to inform management and staff how to conduct employment in an objective, fair and effective manner.
- The Equality and Diversity Policy is designed to provide employment equality. This ensures that no applicant or employee will receive less favourable treatment on the grounds that they possess a "protected characteristic" as defined by the Equality Act, or any other individual characteristic, for example, social class or carer status.
- The Patient Access policy ensures that all patients have access to care and treatment based on fair and objective criteria.

Workforce Strategy and Workforce Safeguards

The Board has a local People Plan with agreed objectives for ensuring that the Trust can attract and retain the right number of staff with the necessary skills to deliver high quality patient care, and who are fully engaged and offered opportunities to develop their careers within the organisation. This strategy is aligned to the NHS People Plan.

To meet the Developing Workforce Safeguards recommendations, the Board approves the high level workforce plan each year as part of the annual operational planning cycle, which takes into account projected activity growth or change and agreed service developments.

The Trust also utilises a suite of scheduling systems to roster staff, plan activities and monitor staffing in line with patient acuity on a day-to-day basis. Nurse safer staffing information is reported to the Trust Board in the Integrated Performance Report, and detailed reports are also reviewed at the Executive and Quality committees, in addition to 6 monthly nurse staffing establishments reviews and compliance with the developing workforce safeguards guidance. The Trust continued to experience high levels of staff sickness and absence during 2022/23 which was similar to other acute Trusts in the North West.

The need for supplementary care (increased supervision including one-to-one observation of patients who are confused or at increased risk of falls) and corridor care when the Emergency Department had reached capacity, were significant challenges at certain points during the year. Staffing levels were reviewed several times a day by operational and nurse managers to ensure that all wards had adequate staffing with staff working additional hours and the use of bank and agency staff to maintain patient safety. There are also formal nurse staffing establishment reviews for the inpatient wards to ensure that there are sufficient funded posts to meet the volume and acuity of demand.

Detailed workforce key indicator reports are also made to Board, which include recruitment, vacancy and turnover information.

The Trust has a guardian of safe working who reports twice a year on the working hours and shift patterns of Doctors in training.

Taken together these activities mean that the Board is assured that staffing processes are safe, sustainable and effective.

Register of Interests/Managing Conflicts of Interest

The Trust publishes on its website an up-to-date register of interests, including gifts and hospitality, for decision making staff (as defined by the Trust with reference to guidance) as required by the "Managing Conflicts of Interest in the NHS" guidance, which is captured within the Trust's Standards of Business Conduct policy.

Board Assurance

Through the systems outlined in this report the Directors are able to provide the necessary assurances to the Board that its annual and longer-term objectives can be met and risks to their achievement are being appropriately managed.

To support this view the Trust also receives a significant amount of independent and external feedback from a range of sources that provides the Board with further assurance. Examples are summarised in the following paragraphs.

In accordance with Public Sector Internal Audit Standards, the Director of Internal Audit (DoIA) is required to provide an annual opinion on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management, and approved by the Audit Committee, which can provide assurance covering:

- Financial systems,
- IM&T, cyber security, and Information Governance,
- Performance and Board reporting systems,
- Processes to ensure service quality,

- Processes underpinning management of the workforce,
- Governance risk and legal compliance of statutory functions.

For 2022/23 the HoIA opinion was that substantial assurance that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally applied consistently.

The basis for that opinion was as follows.

- The organisation's Assurance Framework.
- Core and mandated reviews, including follow up.
- A range of individual risk based assurance reviews reported in the year.

The Trust's external Anti-Fraud Specialist (AFS) Annual Report for 2022/23 confirmed that the Trust continued to be rated "green" against the government functional standard 013 for counter fraud.

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

The Trust's resources are managed within a financial governance framework that incorporates systems of financial control, budgetary control and the financial responsibilities for individuals outlined within the Trust's Corporate Governance Manual. Financial and quality governance arrangements incorporate benchmarking activities and an internal audit function to ensure the economic, efficient and effective use of resources, including *value for money.*

The Trust continued throughout the pandemic to be committed to ensuring value for money to meet its financial objectives whilst ensuring quality of care and transforming services. Performance is monitored by the Trust's Board, with more detailed scrutiny taking place across committees and councils. The CIP Council met throughout 2022/23 and reported to the Finance and Performance Committee.

There are a range of measures and benchmarking tools used in the monitoring process which are specifically reviewed by the Finance and Performance Committee and support the development of improvement plans. Some benchmarking continued to be suspended nationally in 2022/23 due to the pandemic, for example, there has been a delay to the Model Hospital Weighted Activity Unit (WAU) being updated. Nevertheless, the Trust has continued to monitor its performance against prior year figures at all levels in the organisation. For example, the Trust's Procurement Steering Council reported 2022/23 performance data against past Model Hospital data to maintain control over unwarranted variation, and the Procurement team has continued to use the national Spend Comparison Service (SCS) as leverage to reduce costs and for assurance as to prices paid. The Trust is also part of the Cheshire & Merseyside procurement price benchmarking project to further aid reviews, drive improvements and gain assurance.

The Trust has continued to develop services and create value and was successful in a bid to provide Bariatric Surgery across several ICSs. The Trust continues to provide payroll services for Trusts across Cheshire and Merseyside and has further expanded its Lead Employer contracts with several NHS regions. The Trust hosts the Shared Care Record on behalf of the Cheshire and Merseyside ICS. The Trust has also acted as the Cheshire and Merseyside Lead Employer for the national vaccination programme recruiting, training and rostering staff to the different vaccination siters across our region.

The Trust's external auditor forms annual overall conclusions on whether the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor's findings for 2022/23 can be found in the independent auditor's report to the Directors of St Helens and Knowsley Teaching Hospitals within this Annual Report and Accounts or within the Auditor's Annual Report which is published on the Trust's website.

3.3.6 Information governance

Information Governance (IG) is the standards and processes for ensuring that organisations comply with the laws and regulations regarding handling and dealing with personal information. It provides a consistent way and a framework for employees to deal with the many different information handling requirements in line with Data Protection legislation. The Trust has clear policies and processes in place to ensure that information, including patient information, is handled legally, securely, efficiently, and effectively.

The Data Security and Protection Toolkit (DSPT) is an online tool (covering topics such as staff responsibilities, training, and continuity planning) that enables organisations to measure their performance against data security and information governance requirements which reflect updated legal obligations and Department of Health and Social Care policy. All organisations that have access to personal information must provide assurances that they are practising good Information Governance and IT Security and use the DSPT to evidence this by the publication of annual assessments. The Trust must address all mandatory requirements within the DPST. The Trust submitted the DSPT assessment at the end of June 2022 for 2021/22 and evidenced all the mandatory assertions required for the submission, to achieve a "standards met" rating. This submission was audited by Mersey Internal Audit Agency (MIAA) and the Trust has maintained its assurance level of "Substantial Assurance" for the 10th year running, which demonstrates the Trust's commitment to protecting the information it holds and uses. The DSPT assessment for 2022/23 will occur at the end of June 2023 in line with the nationally prescribed timetable.

The Trust has assigned specific roles to ensure the IG framework continues to be adhered to and remains fully embedded. The Director of Informatics is the Senior Information Risk Owner (SIRO) who is responsible for reviewing and reporting on the management of information risk to the Trust Board. The Trust has a Caldicott Guardian who is the designated individual who is responsible for ensuring confidentiality of personal information.

In addition, the SIRO and Caldicott Guardian oversee the Information Governance Framework and Information Governance Steering Group (IGSG), which is accountable to the Trust Risk Management Council and, ultimately, the Trust Board. Its main purpose is to support and drive the Information Governance agenda and provide the Trust Board with the assurance that effective Information Governance best practice mechanisms are in place within the Trust. Also required is a Data Protection Officer (DPO), who is responsible for monitoring internal compliance and informing and advising the Trust on data protection obligations, the Trust has an appointed DPO.

The Trust's Data Protection Officer, SIRO and Caldicott Guardian are appropriately qualified, trained, registered, and accredited.

The Trust has a duty to report any incident regarding breaches of the Data Protection Act to the Information Commissioner's Office (ICO) and for the financial year 2022-23 there were 0 reportable incidents to the ICO. Incidents that were reported throughout the year did not score highly and, therefore, no further escalation was required, and they were managed locally.

3.3.7 Data Quality

The Trust continues to be committed to ensuring accurate and up-to-date information is available to communicate effectively with others, such as General Practitioners, involved in delivering care to patients. High quality data is a vital pre-requisite in supporting the Trust to provide efficient, safe and effective care to patients, support better decision-making, service improvements and enable achievement of key performance indicators.

Data quality is fully embedded across the organisation, with robust governance arrangements in place to ensure the effective management of data processes. An example of this would be the weekly patient tracking list reviews by operational teams.

Data quality audits are also undertaken by MIAA across numerous operational teams across the Trust as part of their ongoing internal audit cycle. As part of the Elective Recovery Programme, the validation of the waiting lists now includes validations carried out by the operational and clinical teams.

There is a dedicated Data Quality team who have an agreed work plan to review key data streams, including the accuracy of patient waiting lists and the audit outcomes support the Trust in reporting an accurate position for the national standards.

There are some national data quality reports routinely reported and monitored across the Trust, as follows:

- Waiting Times (National RTT Waiting List Data Quality Dashboards) – this provides transparency about the quality of the Trust's waiting list submissions.
- National Data Quality Dashboards (feeds into the Data Quality Maturity Index [DQMI]) – this provides transparency about the data quality for the following datasets:
  - Admitted Patient Care (APC)
  - Community Services (CSDS)
  - Emergency Care (ECDS)
  - Maternity Services (MSDS)
  - Outpatient (OP)

In addition, specific data items are monitored across the Trust to ensure accuracy and completeness, as follows:

- Blank/invalid NHS number
- Unknown or dummy practice codes
- Blank or invalid registered GP practice
- Patient postcode
- Waiting times

3.3.8 Review of effectiveness

Annual meeting effectiveness review

Because the Trust is preparing for the transaction with Southport and Ormskirk Hospital NHST Trust (S&O) the whole corporate governance structure has been reviewed as part of the transaction process to ensure it is fit for purpose for the new larger organisation and the terms of reference, work plans and membership of all the Board committees will be updated once the transaction takes place.

The governance structure of the Trust was subject to independent review by NHS England as part of the transaction assessment process, which included observations and reviews of the papers for numerous meetings

Other sections of this statement demonstrate good attendance at the Board and committee meetings, the quoracy of the meetings and the scope of their work. At every meeting the agenda includes a standing item to review the effectiveness of the meeting, where members can reflect and make suggestions for improvement.

In addition, best practice has been shared between STHK and S&O as part of the ALTC, where STHK Non-Executive Directors are members of the S&O committees. This has resulted in planned changes to the IPR and BAF for the new organisation.

As a result of these activities preparing for the transaction the usual annual meeting effectiveness reviews have not taken place in 2022/23.

Effectiveness of the system of internal control

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS Trust that have responsibility for the development and maintenance of the internal control framework. I have drawn on the information provided in this annual report and other performance information available to me. My review is also informed by comments made by the external auditors in their Audit report and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the audit committee, finance and performance committee, strategic people committee and the quality committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

3.3.9 Conclusion

There are no significant internal control issues have been identified or reported in the annual governance statement for 2022/23.

Annual Governance Statement signed by

Ann Marr

Ann Marr OBE
Chief Executive

30th October 2023

4. Remuneration and Staff Report

This report sets out the organisation's remuneration policy for directors and senior managers, reports on how that policy has been implemented, and sets out the amounts awarded to directors and senior managers. In addition, the report provides those details on staff – and their remuneration – that are central to accountability.

4.1 The Trust's approach to its workforce and staffing

The Trusts People Plan Strategy supports the Trust's vision by developing a management culture and style that;

- empowers staff, builds teams and recognises and nurtures talent through learning and development
- is open and honest with staff, and provides support throughout organisational change and invests in staff health and wellbeing
- promotes standards of behaviour that encourage a culture of caring, kindness and mutual respect

More information on the workforce safeguards, is included in the Annual Governance Statement.

4.2 Staff composition and equality, diversity, and inclusion

At the end of 2022/23, the Trust directly employed over six thousand WTE (whole time equivalent) staff of which 41% are doctors and nurses, 31% are clinical support staff, and the remaining 28% are non-clinical support staff. 4460 were full time employees and 2503 were employed less than full time.

Turnover of staff is circa 14.31%, which has decreased since 2021/22

The senior manager calculation is based on those that report to a director or are a deputy director, based on the NHS Digital definition.

The number of senior managers employed by the Trust on 31 March 2023 was 38 (31.12 WTE) including all directors who attend the Trust Board and other senior managers at the Trust who have responsibility for controlling major activities and delivering statutory responsibilities. All the senior managers are employed on NHS Agenda for Change (AfC) or the national Very Senior Manager (VSM) pay and contractual conditions.

The following table includes all staff on the Trust's payroll except for temporary staff (such as agency and bank staff), junior doctors in training recharged from other payrolls, and staff recharged from other organisations. This information is a snapshot rather than the average across the year and does not align to section 6.3.

Staff numbers ***(31 March 2022)***	**Male**		**Female**		**All staff**	
	Headcount	***WTE***	***Headcount***	***WTE***	***Headcount***	***WTE***
Non-executive directors*	5	1.52	3	0.40	8	1.92
Directors	3	3	6	5.60	9	8.60
Other senior managers ***(AfC band 8d and above)***	9	9	13	12.60	22	21.60
All other staff	1,238	1,171.10	5,687	4,897.33	6,925	6,068.43
TOTAL	**1,255**	**1,184.62**	**5,709**	**4,915.93**	**6,964**	**6,100.55**

***** Includes Associate Directors

The Trust's 2022/23 sickness absence data are available from NHS Digital.

https://digital.nhs.uk/data-and-information/publications/statistical/nhs-sickness-absence-rates

83% of the total workforce is female.

The Trust meets its obligations under equality, diversity, and human rights legislation through control measures, with appropriate policies as described in the Annual Governance Statement.

The Trust has been accredited Disability Confident Employer status, as we are committed to increasing employment opportunities for disabled people and encouraging all people with a disability to apply for a job with us. For any staff member that acquires a disability during their employment with the Trust, reasonable adjustments will be provided to ensure they are fully supported, including non-physical wellbeing support.

The Trust supports LGBTQIA+ staff and holds the NAVAJO Charter Mark. This is an equality mark supported by LGBTI+ community networks across Merseyside. It is a signifier of good practice, commitment and knowledge of the specific needs, issues and barriers facing lesbian, gay, bisexual, and transgender, intersex, and other people in Merseyside.

Staff networks are established (Menopause, Carers, BAME and Disability) to enable employee consultation and offer an opportunity for staff to contribute towards the Trust's equality, diversity, and inclusion initiatives.

4.3 Staff costs and average employee numbers

Analysis of staff costs 2022/23

	Permanently employed	Other	Total
	£000	£000	£000
Salaries and wages	267,027	22,183	289,210
Social security costs	25,737	-	25,737
Apprenticeship levy	1,328	-	1,328
Employer's contributions to NHS Pensions	42,830	-	42,830
Pension cost - other	133	-	133
Temporary staff (including agency)	-	12,687	12,687
Total staff costs	**337,055**	**34,870**	**371,925**
of which			
Costs capitalised as part of assets	174	46	220

Average number of employees (WTE basis)

	Total 2022/23	Permanent 2022/23	Other 2022/23
	No.	No.	No.
Medical and dental	**782**	709	73
Ambulance Staff	**-**	-	-
Administration and estates	**1,416**	1 ,355	61
Healthcare assistants and other support staff	**1,216**	998	218
Nursing, midwifery and health visiting staff	**1,984**	1 ,868	116
Nursing, midwifery and health visiting learners	**-**	-	-
Scientific, therapeutic and technical staff	**676**	644	32
Healthcare science staff	**354**	350	4
Social care staff	**4**	4	-
Other	**-**	-	-
Total average numbers	**6,432**	**5,928**	**504**
Of which:			
Number of employees (WTE) engaged on capital projects	**4**	3	1

Both tables are subject to audit.

Staff on outward secondment are not included in the average number of employees. Non-executive directors are excluded from this table.

The *Other* category includes engagements without a permanent (UK) employment contract with the Trust, including agency / temporary staffing and inward secondments from other organisations.

4.4 Off-payroll engagements

Under HM Treasury guidance, the Trust is required to disclose information about off-payroll engagements at a cost of more than £245 per day and that last for more than six months, as follows.

Total number of existing engagements as of 31st March 2023	**6**
Of which…..	
Number that have existed for less than one year	0
Number that have existed for between 1 and 2 years	1
Number that have existed for between 2 and 3 years	2
Number that have existed for between 3 and 4 years	1
Number that have existed for 4 years or more	2
Total number of new engagements, or those that reached six months in duration, between 1 April 2022 and 31 March 2023	**0**
Of which...	
Number assessed as *within the scope of* IR35	0
Number assessed as not *within the scope of* IR35	0
Number engaged directly (via PSC contracted to the Trust) and are on the Trust's payroll	0
Number of engagements reassessed for consistency / assurance purposes during the year	1
Number of engagements that saw a change to IR35 status following the consistency review	1

Total number of individuals that have been deemed 'board members and/or senior officials with significant financial responsibility' during the financial year including on payroll and off-payroll engagements (section 4.5)	**0**
Of which...	
Number of off-payroll engagements of 'board members, and/or senior officers with significant financial responsibility', during the financial year	0

The Trust's expenditure on management consultants during 2022/23 appears in Note 5 of the Annual Accounts.

4.5 Senior managers' remuneration policy

The definition of 'senior managers' for the purpose of the following disclosures, according to the *Department of Health and Social Care Group Accounting Manual* (GAM) 2022/23, is those staff with '*authority or responsibility for directing or controlling major activities within the group body. This means those who influence the decisions of the entity as a whole, rather than the decisions of individual directorates or departments'*. The Chief Executive has confirmed that, in this context, the Trust's voting executive directors, together with the non-executive directors, are its 'senior managers'.

The level of remuneration paid to the chairs and non-executive directors of NHS trusts is set by the Secretary of State for Health. Executive directors of the Trust are employed on contracts of service and are substantive members of the Trust. The Chief Executive post is a standard NHS contract with no time element included and is reviewed by the Trust's Remuneration Committee on an annual basis. The Medical Director is appointed from within the Trust's consultant body on a fixed-term contract.

The Chief Executive and other executive directors' posts would be subject to national competition if they became vacant. The directors' VSM contracts can be terminated by either party with up to six months' notice. The Trust's disciplinary policies apply to executive directors, including the sanction of summary dismissal for gross misconduct.

No senior manager is entitled to severance payments or termination payments beyond those accruing for redundancy, in line with Trust policy, or for pay in lieu of notice. The Remuneration Committee has no plans to introduce incentive payments or rewards to executive directors. Pay awards are made in line with DHSC guidance, and the Committee reviews the remuneration of executive directors on a regular basis, using a variety of benchmarking tools and a robust performance appraisal process.

4.6 Further remuneration disclosures which are subject to audit

The remaining disclosures are subject to audit.

4.6.1 Salaries and benefits of the Trust's senior managers

	2022/23			
	Salary & fees (in bands of £5000) £000	**Taxable benefits** (to the nearest £100) £	**Pension-related benefits** (in bands of £2,500) £000	**Total** (in bands of £5000) £000
Richard Fraser Chair	50-55	0	n/a	50-55
Ann Marr OBE [1] Chief - total remuneration	185 - 190	0	n/a	185 - 190
Remuneration included in the above figures relating to this Trust	125 - 130	0	n/a	125 - 130
Anne-Marie Stretch [1] Deputy CEO / Director of Human Resources - total remuneration	150 - 155	0	77.5 - 80	230 - 235
Remuneration included in the above figures relating to this Trust	30 - 35	0	15 - 17.5	45 - 50
Nikhil Khashu Director of Finance & Information (to March 2022)				
Gareth Lawrence Director of Finance & Information (from April 2022)	140 - 145	0	115 - 117.5	255 - 260
Rowan Pritchard Jones [2] Medical Director (finished responsibilities June 2022)	50 - 55	0	20 - 22.5	75 - 80
Dr Peter Williams [3] Medical Director (commenced responsibilities July 2022)	130 - 145	0	125 - 127.5	260 - 265
Sue Redfern Director of Nursing, Midwifery and Governance	85 - 90	0	n/a	85 - 90
Val Davies Non-Executive Director (to March 2022) Deputy Chair / Senior Independent Director (SID)				
Geoffrey Appleton Non-Executive Director (from April 2022)	15 - 20	0	n/a	15 - 20
Gill Brown Non-Executive Director	10 - 15	0	n/a	10 - 15
Ian Clayton Non-Executive Director	15 - 20	0	n/a	15 - 20
Jeff Kozer Non-Executive Director	10 - 15	0	n/a	10 - 15
Lisa Knight Non-Executive Director	10 - 15	0	n/a	10 - 15
Paul Growney Non-Executive Director	10 - 15	0	n/a	10 - 15
Rani Thind Associate Non-Executive Director (from September 2021)	10 - 15	0	n/a	10 - 15

2021/22			
Salary & fees (in bands of £5000) £000	**Taxable benefits** (to the nearest £100) £	**Pension-related benefits** (in bands of £2,500) £000	**Total** (in bands of £5000) £000
35-40	0	n/a	35-40
185 - 190	0	n/a	165 - 170
155 - 160	0	n/a	155 - 160
145 - 150	0	130 - 132.5	275 - 280
80 - 85	0	25 - 27.5	105 - 110
140 - 145	0	32.5 - 35	175 - 180
230 - 235	100	22.5 - 25	255 - 260
120 - 125	0	7.5 - 10	130 - 135
10 - 15	0	n/a	10 - 15
10 - 15	200	n/a	10 - 15
10 - 15	600	n/a	10 - 15
10 - 15	100	n/a	10 - 15
10 - 15	0	n/a	10 - 15
10 - 15	0	n/a	10 - 15
5 - 10	0	n/a	5-10

1 In September 2021, Ann Marr and Anne-Marie Stretch were appointed by Southport & Ormskirk Hospital NHS Trust - the element of remuneration relating to ths Trust is disclosed below their total remuneration.

2 The salary and fees range above represents a part-year salary as Mr R Pritchard Jones finished his Medical Director responsibilities in June 2022. The element of that salary that relates to his role as Board Director falls in the range £5k - £10k.

3 The salary and fees range above represents a part-year salary as Dr P Williams only commenced his Medical Director responsibilities in July 2022. The element of that salary that relates to his role as Board Director falls in the range £20k - £25k.

Unless otherwise indicated, all of the senior managers in the table were in post for the twelve month period to 31 March. In this section, remuneration is included only for the period during which each individual was deemed to be a senior manager and includes remuneration for duties that are not specifically part of their 'senior manager' role.

Taxable benefits relate to expenses reimbursed to the senior managers that are potentially within scope for taxation and are assessed and processed by the Trust's payroll function. No annual performance-related bonuses or long term performance-related bonuses were paid during the period.

Pension-related benefits relate wholly to NHS Pensions schemes. They are calculated using a national standard formula and reflect the real increase in pension at retirement age (depending on the scheme) within the year multiplied by a valuation factor of 20. This may be added to the real increase in lump sum, depending on the scheme. The resultant figure represents an estimate of the lifetime benefit of the annual increase. These figures exclude the estimated impact of the employee's own contributions.

No exit packages have been agreed or paid relating to 'senior managers'. No payments were made to past senior managers, other than those related to ongoing employment in other roles, where applicable.

The table on the following page shows the pension benefits of those senior managers in receipt of such benefits. Non-executive directors do not receive pensionable remuneration. All pension benefits relate to NHS Pensions.

A *cash equivalent transfer value (CETV)* is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's (or other allowable beneficiary's) pension payable from the scheme. CETVs are calculated in accordance with SI 2008 No.1050 Occupational Pension Schemes (Transfer Values) Regulations 2008.

Real increase in CETV reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement).

Pension benefits of senior managers

	2022/23							2021/22						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Ann Marr OBE[1] Chief Executive														
Anne-Marie Stretch[2] Deputy CEO / Director of Human Resources	2.5-5	5-7.5	80-85	185-190	1,594	101	1,766	5-7.5	10-12.5	75-80	175-180	1,419	147	1,594
Nikhil Khashu Director of Finance & Information (left the Trust March 2022)								2.5-5	0	45-50	90-95	724	26	773
Gareth Lawrence Director of Finance & Information (from April 2022)	5-7.5	10-12.5	25-30	45-50	284	76	386							
Rowan Pritchard Jones Medical Director (finished Medical Director responsibilities June 2022)	0-2.5	0	40-45	80-85		6	717	0-2.5	0	40-45	80-85	627	17	666
Dr Peter Williams[3] Medical Director (commenced Medical Director responsibilities July 2022)	5-7.5	5-7.5	45-50	85-90	620	68	749							
Sue Redfern Director of Nursing, Midwifery and Governance								0-2 5	2.5-5	65-70	200-205			

(a) Real increase in pension at pension age (bands of £2,500)

(b) Real increase in pension lump sum at pension age (bands of £2,500)

(c) Total accrued pension at pension age at 31 March 2023 (bands of £5,000)

(d) Lump sum at pension age related to accrued pension at 31 March 2023 (bands of £5,000)

(e) Cash equivalent transfer value (CETV) at 1 April 2022 (to the nearest £1,000)

(f) Real increase in CETV (to the nearest £1,000)

(g) CETV at 31 March 2023 (to the nearest £1,000)

(a) Real increase in pension at pension age (bands of £2,500)

(b) Real increase in pension lump sum at pension age (bands of £2,500)

(c) Total accrued pension at pension age at 31 March 2022 (bands of £5,000)

(d) Lump sum at pension age related to accrued pension at 31 March 2022 (bands of £5,000)

(e) cash equivalent transfer value (CETV) at 1 April 2021 (to the nearest £1,000)

(f) Real increase in CETV (to the nearest £1,000)

(g) CETV at 31 March 2022 (to the nearest £1,000)

1 For Pension scheme members over the national retirement age, or no longer contributing, a CETV calculation is not applicable.

2 Pension scheme members benefits are not split by the NHS Pension agency in staff sharing arrangements. Therefore the disclosure for Anne-Marie Stretch represents the full accrued benefit.

3 The real increase in pensions (a), lump sum (b) and CETV here represent a proportion of the full year value given both were Board Directors for part of the year.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023, HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023 to 24 CETV figures.

4.6.2 Exit packages

NHS trusts are required to disclose summary information of the full costs of staff exit packages which have been agreed in the year. This is subject to audit.

Staff Exit packages

Exit package cost band	2022/23 Number of compulsory redundancies Number	2022/23 Cost of compulsory redundancies £	2022/23 Number of other departures Number	2022/23 Cost of departures £	2022/23 Total number of exit packages Number	2022/23 Total cost of exit packages £
< £10,000	-	-	35	158,945	**35**	**158,945**
£10,001 - £25,000	-	-	-	-	-	-
£25,001 - £50,000	-	-	-	-	-	-
Total	-	**-**	**35**	**158,945**	**35**	**158,945**

Exit package cost band	2021/22 Number of compulsory redundancies Number	2021/22 Cost of compulsory redundancies £	2021/22 Number of other departures Number	2021/22 Cost of departures £	2021/22 Total number of exit packages Number	2021/22 Total cost of exit packages £
< £10,000	-	-	27	97,472	**27**	**97,472**
£10,001 - £25,000	-	-	-	-	-	-
£25,001 - £50,000	1	26,667	-	-	**1**	**26,667**
Total	**1**	**26,667**	**27**	**97,472**	**28**	**124,138**

In 2022/23, 21 of the 'other departures' were because of dismissal, and 8 were resignations. Of the remaining six cases, 5 were exit payments relating to ill health retirements. For comparison in 2021/22 14 of the 'other departures' were because of dismissal, 4 were resignations and 8 related to ill health retirement.

Exit packages: non-compulsory 'other departure' payments

	2022/23 Agreements Number	2023/24 Total value of agreements £000	2021/22 Agreements Number	2021/22 Total value of agreements £000
Contractual payments in lieu of notice	35	159	27	97

No non-contractual exit packages, which require HM Treasury pre-approval, were made in either 2021/22 or 2022/23. None of the exit packages disclosed relate to 'senior managers' of the Trust.

4.6.3 Fair pay disclosures

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation, and the 25th percentile, median (50th percentile) and 75th percentile remuneration of the organisation's workforce. In this context, the median is defined as the total remuneration of the staff member who lies in the middle of the linear distribution of staff, excluding the highest paid director. The highest paid director is, at 31st March, a 'senior manager' as defined previously in *4.5 Senior managers' remuneration policy.*

The banded remuneration of the Trust's highest paid director, the Medical Director in the financial year 2022/23 (2021/22 Medical Director) was £155,000 to £160,000 (2021/22 £175k to £180k). Based on the midpoint of the band, this was 4.78 times (2022/23 5.54 times) the median remuneration of the workforce, which was £32,974 (2021/22 £32,046).

In 2022/23, 17 employees received remuneration more than the highest paid director (2021/22, 7 employees). Their remuneration in 2022/23 ranged from £156,733 to £232,009 (2021/22 £157,797 to £260,714). These employees are members of the medical workforce, and the pay figures do not reflect actual paid salary, but rather, the calculated annualised, full-time equivalent salary as described below.

Total remuneration includes salary, non-consolidated performance-related pay if applicable and benefits-in-kind. It does not include severance payments, employer pension contributions or the cash equivalent transfer value of pensions. The impact of including temporary and agency staff in the calculations has been reviewed and would not have a significant effect on the details provided above. Therefore, as in previous years, temporary and agency staff are excluded from the calculations. The calculation methodology is kept the same so that the 2022/23 results are comparable with those in previous years.

In this *Fair Pay* section, remuneration figures are based on the annualised, full time equivalent remuneration on 31st March, and they therefore may vary from *actual annual pay* per individual.

The increase in the median total is driven by the 3 year national Agenda for Change pay deal, overtime during annual leave corrective payments and covid recovery.

Summary results are included in the table overleaf.

Year	2022-2023	2021-202
Band of Highest Paid Directors' remuneration (£,000)	150-160	175-180
25th Quartile Total (£)	24,483	23,179
Ratio	6.43	7.66
Year	**2022-2023**	**2021-2022**
Band of Highest Paid Directors' remuneration (£,000)	155-160	175-180
Median Total (£)	32,974	32,046
Ratio	4.78	5.94
Year	**2022-2023**	**2021-2022**
Band of Highest Paid Directors' remuneration (£,000)	155-160	175-180
75th Quartile Total (£)	43,714	42,861
Ratio	3.60	4.14

Accountability Report signed by

Ann Marr

Ann Marr OBE
Chief Executive

30th October 2023

Section 3 - Annual Accounts 2022/23

5. Annual Accounts

Annual Accounts for the year ended 31 March 2023

5.1 Statement of the director's responsibilities in respect of the Accounts

The directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of HM Treasury, directs that these accounts must give a true and fair view of the state of affairs of the Trust and of the income and expenditure, other items of comprehensive income and cash flows for the year.

In preparing those accounts, the directors are required to

- apply on a consistent basis accounting policy laid down by the Secretary of State with the approval of the Treasury.
- make judgements and estimates which are reasonable and prudent.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the financial statements on a going concern basis and disclose any material uncertainties over going concern.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and to enable them to ensure that the accounts comply with requirements outlined in the above-mentioned direction of the Secretary of State. They are also responsible for safeguarding the assets of the Trust, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that, to the best of their knowledge and belief, they have complied with the above requirements in preparing the accounts.

The directors confirm that this 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 Trust's performance, business model and strategy.

By order of the Board, signed by

Ann Marr

Ann Marr OBE
Chief Executive 30th October 2023

Gareth Lawrence

Gareth Lawrence
Director of Finance & Information 30th October 2023

Independent auditor's report to the directors of Mersey and West Lancashire Teaching Hospitals NHS Trust in respect of St Helens and Knowsley Teaching Hospitals NHS Trust

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of St Helens and Knowsley Teaching Hospitals NHS Trust (the 'Trust') for the year ended 31 March 2023, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Accounts Directions issued under Schedule 15 of the National Health Service Act 2006, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2022-23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2023 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Demise of the organisation

In forming our opinion on the financial statements, which is not modified, we draw attention to Note 31 to the financial statements, which indicates that St Helens and Knowlsey Teaching Hospitals NHS Trust and Southport and Ormskirk Hospital NHS Trust have agreed plans to combine the two organisations. These plans have been supported by the Cheshire and Merseyside ICB and the Lancashire and South Cumbria ICB, and by NHS England North West Region. The transaction plans were supported by the NHSE Strategy, Performance and Investment Committee and final approval from the Secretary of State for Health and Social Care allowed the transaction to take place on 1st July 2023.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

In our evaluation of the directors' conclusions, and in accordance with the expectation set out within the Department of Health and Social Care Group Accounting Manual 2022-23 that the Trust's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Trust. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Trust and the Trust's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under 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) we are required to consider whether the Annual Governance Statement does not comply with the guidance issued by NHS England, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion:

- the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with the requirements of the Department of Health and Social Care Group Accounting Manual 2022-23; and
- based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we refer a matter to the Secretary of State under Section 30 of the Local Audit and Accountability Act 2014 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we make a written recommendation to the Trust under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities in respect of the accounts set out on page 26, the directors are responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Trust and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (international accounting standards and the National Health Service Act 2006, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2022-23).
- We enquired of management and the Audit committee, concerning the Trust's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the Audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Trust's financial statements to material misstatement, including how fraud might occur, evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and fraud in expendotiure and revenue recognition. We determined that the principal risks were in relation to:
  - Journals with identified risk characteristics that we determined as high or elevated risk; and

  - Significant accounting estimates and critical judgements made by management
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
  - journal entry testing, with a focus on unusual journals with specific risk characteristics and large value journals;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and building valuations, depreciation and the PFI liability; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and building valuations, depreciation and the PFI liability.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the health sector and economy in which the Trust operates
  - understanding of the legal and regulatory requirements specific to the Trust including:
    - the provisions of the applicable legislation
    - NHS England’s rules and related guidance
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - The Trust’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The Trust's control environment, including the policies and procedures implemented by the Trust to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Report on other legal and regulatory requirements – the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – 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 to you if, in our opinion, we have not been able to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter except on 18 December 2023 we identified a significant weakness in the Trust's arrangements for governance. During the course of the audit, the Trust made material amendments to the draft financial statements between Property, Plant & Equipment Assets under construction and prepayments. We undertook additional audit work to understand the status of the related capital projects. As part of this work, weaknesses came to our attention in relation to the Trust's arrangements for ensuring a robust VFM assessment and appraisal of the use of advanced payments to contractors for capital projects and arrangements for preparation of timely and accurate financial statements.

We recommended that the Trust puts arrangements in place to:

- ensure arrangements are in place to support informed and evidenced decision making when considering the financing of capital projects. This should include consideration of the principles of Managing Public Money guidance including an appropriate VFM assessment, consultation with HM Treasury where necessary and obtaining appropriate approvals if significant advance payments are to be made to contractors.
- ensure that oversight and monitoring of capital works to the PFI site includes arrangements for effective monitoring of the progress of capital works sufficient to enable timely and accurate financial reporting.

Responsibilities of the Accountable Officer

As explained in the Statement of the chief executive's responsibilities as the accountable officer of the Trust set out on page 26, the Chief Executive, as Accountable Officer, is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of the Trust's resources.

Auditor's responsibilities for the review of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 21(2A)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Trust plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Trust ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Trust uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Trust has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of St Helens and Knowsley Teaching Hospitals NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the directors of the Trust, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Trust's directors 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 Trust and the Trust's directors as a body, for our audit work, for this report, or for the opinions we have formed.

John Farrar

John Farrar, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

18 December 2023

5.3 Annual Accounts for the year ended 31 March 2023

Annual Accounts 2022-23

Statement of Comprehensive Income (SoCI)

	Note	2022/23 £000	2021/22 £000
Operating income from patient care activities	2	495,421	445,832
Other operating income	3	90,517	78,520
Operating expenses	5, 7	(546,479)	(503,126)
Operating surplus/(deficit) from continuing operations		**39,459**	**21,226**
Finance income	9	2,050	104
Finance expenses	10	(18,674)	(16,811)
Net finance costs		**(16,624)**	**(16,707)**
Other gains / (losses)	11	-	(951)
Surplus / (deficit) for the year from continuing operations		**22,835**	**3,568**
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	6	133	1,460
Revaluations	15	4,879	2,420
Total comprehensive income / (expense) for the period		**27,847**	**7,448**
Adjusted financial performance (control total basis):			
Surplus / (deficit) for the period		22,835	3,568
Remove net impairments not scoring to the Departmental expenditure limit		(16,121)	(4,789)
Remove I&E impact of capital grants and donations		237	285
Remove net impact of inventories received from DHSC group bodies for COVID response		180	681
Remove loss recognised on return of donated COVID assets to DHSC		-	952
Adjusted financial performance surplus / (deficit)		**7,131**	**697**

Statement of Financial Position (SoFP)

	Note	31 March 2023 £000	As re-stated 31 March 2022 £000	Adjustment 31 March 2022 £000	As previously stated 31 March 2022 £000
Non-current assets					
Intangible assets	12	5,540	8,977	-	8,977
Property, plant and equipment	13	304,680	283,549	(6,422)	289,971
Right of use assets	16	24,655	-	-	-
Receivables	18	12,614	9,676	-	9,676
Total non-current assets		**347,489**	**302,202**	**(6,422)**	**308,624**
Current assets					
Inventories	17	5,628	5,076	-	5,076
Receivables	18	78,940	41,211	6,422	34,789
Cash and cash equivalents	19	25,639	54,172	-	54,172
Total current assets		**110,207**	**100,459**	**6,422**	**94,037**
Current liabilities					
Trade and other payables	20	(77,330)	(75,507)	-	(75,507)
Borrowings	22	(10,287)	(7,187)	-	(7,187)
Provisions	23	(482)	(461)	-	(461)
Other liabilities	21	(11,471)	(19,798)	-	(19,798)
Total current liabilities		**(99,570)**	**(102,953)**	**-**	**(102,953)**
Total assets less current liabilities		**358,126**	**299,708**	**-**	**299,708**
Non-current liabilities					
Borrowings	22	(234,911)	(221,692)	-	(221,692)
Provisions	23	(3,153)	(3,806)	-	(3,806)
Other liabilities	21	(54)	(54)	-	(54)
Total non-current liabilities		**(238,118)**	**(225,552)**	**-**	**(225,552)**
Total assets employed		**120,008**	**74,156**	**-**	**74,156**
Financed by					
Public dividend capital		147,826	129,821	-	129,821
Revaluation reserve		19,353	14,788	-	14,788
Income and expenditure reserve		(47,171)	(70,453)	-	(70,453)
Total taxpayers' equity		**120,008**	**74,156**	**-**	**74,156**

The notes on pages 74 to 129 form part of these accounts.

The comparative 21/22 figures as above have been re-stated to reflect the status of a number of asset under construction projects totalling £6.4m. These have been reviewed and amended due to not having progressed as anticipated. See also notes 13.1 and 18.1.

Signed **30th October 2023**

Ann Marr

Ann Marr OBE, Chief Executive

Gareth Lawrence

Director of Finance & Information

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

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2022 - brought forward	**129,821**	**14,788**	**(70,453)**	**74,156**
Implementation of IFRS 16 on 1 April 2022	**-**	**-**	**-**	**-**
Surplus/(deficit) for the year	-	-	22,835	**22,835**
Other transfers between reserves	-	(264)	264	**-**
Impairments	-	133	-	**133**
Revaluations	-	4,879	-	**4,879**
Transfer to retained earnings on disposal of assets	-	(183)	183	**-**
Public dividend capital received	18,005	-	-	**18,005**
Taxpayers' and others' equity at 31 March 2023	**147,826**	**19,353**	**(47,171)**	**120,008**

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

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2021 - brought forward	**122,323**	**11,116**	**(74,229)**	**59,210**
Surplus / (deficit) for the year	-	-	3,568	**3,568**
Other transfers between reserves	-	(208)	208	**-**
Impairments	-	1,460	-	**1,460**
Revaluations	-	2,420	-	**2,420**
Public dividend capital received	7,498	-	-	**7,498**
Taxpayers' equity at 31 March 2022	**129,821**	**14,788**	**(70,453)**	**74,156**

Information on reserves

Public dividend capital
Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS organisation. Additional PDC may also be issued to trusts by the Department of Health and Social Care. A charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health as the public dividend capital dividend.

Revaluation reserve
Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse impairments previously recognised in operating expenses, in which case they are recognised in operating income. Subsequent downward movements in asset valuations are charged to the revaluation reserve to the extent that a previous gain was recognised unless the downward movement represents a clear consumption of economic benefit or a reduction in service potential.

Income and expenditure reserve
The balance of this reserve is the accumulated surpluses and deficits of the trust.

Statement of Cash Flows (SoCF)

	Note	2022/23 £000	2021/22 £000
Cash flows from operating activities			
Operating surplus / (deficit)		39,459	21,226
Non-cash income and expense:			
Depreciation and amortisation	5.1	22,693	20,460
Net impairments	6	(16,121)	(4,789)
Income recognised in respect of capital donations	3	(103)	(175)
(Increase) / decrease in receivables and other assets		(28,536)	181
(Increase) / decrease in inventories		(552)	624
Increase / (decrease) in payables and other liabilities		(5,399)	1,777
Increase / (decrease) in provisions		(629)	55
Net cash flows from / (used in) operating activities		**10,812**	**39,359**
Cash flows from investing activities			
Interest received		1,749	48
Purchase of intangible assets		(1,401)	(1,336)
Purchase of PPE and investment property		(25,449)	(16,806)
Receipt of cash donations to purchase assets		103	35
Prepayment of PFI capital contributions		(3,433)	(3,236)
Net cash flows from / (used in) investing activities		**(28,431)**	**(21,295)**
Cash flows from financing activities			
Public dividend capital received		18,005	7,498
Movement on other loans		(422)	(421)
Capital element of lease liability repayments		(4,557)	(534)
Capital element of PFI, LIFT and other service concession payments		(5,503)	(4,978)
Interest element of lease liability repayments		(67)	(81)
Interest paid on PFI, LIFT and other service concession obligations		(18,370)	(16,732)
Net cash flows from / (used in) financing activities		**(10,914)**	**(15,248)**
Increase / (decrease) in cash and cash equivalents		**(28,533)**	**2,816**
Cash and cash equivalents at 1 April - brought forward		**54,172**	**51,356**
Cash and cash equivalents at 31 March	19	**25,639**	**54,172**

The prior period adjustment movement between assets under construction and capital prepayments is accounted for within investing activities in the Statement of Cash Flows, in accordance with accounting standards.

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

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

Note 1.3 Interests in other entities

The Trust is the corporate trustee of Whiston and St Helens Hospitals' Charity ('the Charity'). It has assessed its relationship with the Charity and determined it to be a subsidiary, as it has the power to realise economic returns and other benefits from the Charity. The Trust has reviewed the value of the Charity's fund balances at 31 March 2023 and does not consider these to be material to the Trust. Consequently, consolidated financial statements, incorporating the accounts of both the Trust and the Charity ('group accounts') have not been prepared for the year ended 31 March 2023.

Note 1.4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Trust's accounting policies, management is required to make various judgements, estimates and assumptions which create a risk of material uncertainty.

These judgements, estimates and assumptions are based on historical experience and other factors considered of relevance. Actual results may differ from those estimates, and underlying assumptions are regularly reviewed. Revisions to estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

Listed below are areas where management has made judgements, apart from those involving estimations, in the process of applying the Trust's accounting policies, which are deemed most significant to the amounts recognised in the financial statements.

Segmental Reporting

IFRS 8 Operating Segments requires additional annual accounts disclosures for certain significant business streams ('reportable segments') which engage in distinct business activities and whose operating results are regularly and separately reviewed by the entity's 'chief operating decision maker' (CODM).

As the Trust's CODM, the Trust's Board of Directors does regularly review the performance of the Trust's operational Care Groups, whilst reviewing the financial position of the Trust as a whole, in its decision-making framework. However, these Care Groups are not judged to comprise distinct reportable segments, as they share similar economic characteristics, having similar locations, outputs and customers, and operating within the same funding and regulatory environment. At an operational level, the workforce is flexibly deployed and assets are shared across the divisions in providing services and delivering the Trust's objectives.

The accompanying financial statements have consequently been prepared under one single reporting segment, that is, 'the provision of acute healthcare'.

Asset Valuation

There are two further critical areas of judgement relating to the Trust's land and building ('estate') assets which may materially affect the financial statements.

The GAM requires that the valuation of the Trust's specialised buildings is based on a modern equivalent asset (MEA) with the same productive capacity as the property being valued. From 2016 onwards, the Trust has opted to interpret the MEA basis as pertaining to a single combined hospital facility ('single alternative site model'), and this fundamentally affects valuation processes, generally reducing floor space and asset carrying values. The location of the facility is not precisely identified, but would be on the outskirts of Prescot or St Helens.

The Trust's PFI assets are valued at depreciated replacement cost excluding VAT, consistent with previous years. This critical judgement to exclude VAT arises because any re-provision of service would involve a similar PFI arrangement, for which VAT would be recoverable. Recoverable VAT on the net book value of the PFI estate would be approximately £47m.

Key source of estimation uncertainty

The following is a key source of estimation uncertainty at the end of the reporting period that presents significant risk of causing a material adjustment to the carrying amount of assets or liabilities within the next financial year.

Asset Valuation

The total balance of intangible and tangible fixed assets and right of use assets as at 31 March 2023 is £350.3m, of which £267.7m relates to revalued estate assets.

Where non-estate assets are of low value and/or have short useful economic lives, such as operational equipment, they are carried at depreciated historical cost (cost less any accumulated depreciation) as this is not considered to be materially different from fair value. The lives of equipment assets are estimated using historical experience of similar equipment lives with reference to national guidance and consideration of the pace of technological change. Intangible software licences are depreciated over the shorter of the term of the licence and the useful economic life. These are types of estimation, but they are less likely than the valuation of estate assets to present a significant risk of causing material misstatement.

The value and remaining useful lives of estate assets are estimated by the Trust's valuer, Cushman & Wakefield. Valuations are carried out annually and are performed in accordance with the Royal Institute of Chartered Surveyors' RICS Valuation – Global Standards ('Red Book Global Standards') and other relevant RICS guidance notes, primarily on the basis of depreciated replacement cost for specialised operational property and existing use value for non-specialised operational property. In particular, land and building assets are valued as a single combined hospital facility ('single alternative site model'), as described in the previous section. The composition of this alternative replacement model requires the operation of significant levels of professional estimation by the valuer.

Cushman & Wakefield has highlighted to the Trust that the valuation is not subject to 'material valuation uncertainty' as a result of the pandemics impact on property markets transaction volume / conditions. The valuer has also highlighted an uncertainty into future periods relating to the changing regulatory environment regarding building safety following the Grenfell fire, but this is not specifically related to the NHS or the Trust.

The performance of the 31 March 2023 full valuation was based on a RICS Building Cost Information Service All-in Tender Price Index (BCIS TPI) published on 31 March 2023 and no significant correction to this is anticipated. If the RICS-provided BCIS TPI had been 2.6% higher, in line with forecasts beyond 31 March 2023, the valuer's estate valuation would have been over £6.8m higher. The Trust's valuation also depends on the BCIS Location Factor applied, and an estimation of external / economic obsolescence levels. These would also generate similar changes in valuation if varied by 2 - 3%.

Because the Trust undertakes annual revaluations of estate assets, estimation uncertainty relating to asset lives and depreciation does not present significant risk of causing material adjustments. As the Trust does not currently pay PDC dividend, there are no cash implications to valuation. However, as in previous years, the Trust's reliance on valuation methods does present a risk of causing a material adjustment to the carrying amount of non-current assets.

Note 1.5 Revenue from contracts with customers

Where income is derived from contracts with customers, it is accounted for under IFRS 15 Revenue from Contracts with Customers. That is, income is recognised to the extent that collection of consideration is probable. Income is recognised when (or as) contractual performance obligations are satisfied, by delivering promised goods and services to the customer, and is measured at the amount of the transaction price allocated to those performance obligations. 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). Where permitted to retain such taxes, fines and penalties, the income is also deemed to fall in scope of IFRS 15.

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 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.

NHS injury cost recovery scheme

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

Note 1.6 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 are 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.

Sale of assets

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and disposal gains are measured as the net sums due under the sale contract.

Lead Employer

The Trust administers a significant Lead Employer scheme, delivering payroll services for doctors in training at a number of NHS bodies in England and Wales. The Trust pays the trainee doctors and recharges their pay costs to the host body at which they were working in that period. In line with IFRS 15 – Revenue from Contracts with Customers, the pay costs and corresponding recovery of those costs are not shown as expenditure and income in the Statement of Comprehensive Income (SoCI).

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

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

National Employment Savings Trust (NEST)

NEST is a defined contribution pension scheme that was created as part of the government's workplace pensions reforms under the Pensions Act 2008. This alternative scheme is provided under the Trust's 'automatic enrolment' duties to the small number of employees who choose this scheme.

NEST levies a contribution charge and an annual management charge which is paid for from employee contributions. There are no separate employer fees levied by NEST. The Trust is legally required to make a minimum contribution for opted-in employees who earn more than the qualifying earnings threshold, and the cost to the Trust of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period. That is, employer's pension costs of contributions are charged to operating expenditure as and when they become due.

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 cost meets at least one of the following three criteria:
    - For single assets, the cost is at least £5,000, including irrecoverable VAT.
    - or grouped assets, where the assets are functionally interdependent (e.g. networked IT equipment), their collective cost is at least £5,000, they have broadly simultaneous purchase dates and anticipated disposal dates, are under single managerial control, and each individual cost exceeds £250, including irrecoverable VAT.
    - The cost forms part of the initial equipping and setting-up, or refurbishment, costs of a building, ward or unit, and each individual asset exceeds £250 including irrecoverable VAT, provided that the refurbishment work would qualify as subsequent expenditure in IAS 16 terms (described below).

IAS 23 Borrowing Costs requires borrowing costs incurred in connection with the acquisition or construction of an asset measured at current value in existing use to be capitalised and included within the cost of the asset.

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. The carrying amount in the period between initial recognition and any revaluation is this initial cost less any subsequent accumulated depreciation and impairment. Generally, assets that are held for their service potential and are in use are measured subsequently (revalued) at their current value in existing use.

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.

Valuation by asset category is further detailed below.

Surplus assets, which are non-operational assets with no clear plans to be brought back into use, are valued at fair value – highest and best use under IFRS 13 Fair Value Measurement, if they do not meet the requirements of IAS 40 Investment Property or IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, and there are no restrictions on the Trust or the assets which would prevent access to the market at the reporting date. If access to the market is prevented, such assets are valued at current value in existing use.

Assets re-classified as held-for-sale under IFRS 5 are measured at the lower of their carrying amount or fair value less costs to sell, and are not depreciated.

Property, plant and equipment assets which are not part of the Trust's estate (neither property nor land assets, e.g. medical equipment, IT equipment, vehicles, furniture and fittings) should be held at current value in existing use. However, these equipment assets are not revalued - they are held at depreciated historical cost (DHC), net of impairments. This is because DHC is not considered to be materially different from current value in existing use, for short-life low-value assets.

Assets under construction (AUC), for service or administrative purposes, are measured at the cost of construction less any impairment loss. The cost of construction includes relevant professional fees, and, where capitalised in accordance with IAS 23 Borrowing Costs, borrowing costs. Assets are reclassified to the appropriate category when they are brought into use, and depreciation commences. For an asset that is newly-constructed, a formal revaluation should only be necessary if there is an indication that the initial cost is significantly different from the potential revalued amount. Otherwise, the asset is only revalued on the next occasion when all assets of that class are revalued. Payments on account are recognised as non-current assets at cost when capitalisation is permitted under IAS 16 Property, Plant and Equipment, with the conditions for reclassification and depreciation being the same as for AUC.

Property, plant and equipment assets comprising the Trust's estate (property and land) are professionally revalued as follows.

Specialised buildings – current value in existing use, which is taken to be equivalent to depreciated replacement cost (DRC) on a modern equivalent asset (MEA) basis. This is net of VAT where it would be recoverable by the Trust.

Land and non-specialised buildings – current value in existing use, which is interpreted as market value for existing use, which is defined in RICS Valuation – Global Standards ('Red Book Global Standards') as existing use value (EUV).

Professional independent revaluations of property and land assets are performed with sufficient regularity to ensure that carrying amounts are not materially different from current value in existing use at the end of the reporting period. They are carried out as mandated by management by a qualified valuer, who is a member of RICS and in accordance with the Practice Statements contained within RICS Valuation – Global Standards ('Red Book Global Standards') and other relevant RICS guidance notes.

In particular, RICS guidance states that valuations are performed net of VAT where the VAT is recoverable by the entity. This approach has been applied to the Trust's PFI estate assets.

Cushman & Wakefield has performed a 'full' revaluation of the Trust's land and buildings as at 31 March 2023. These professional 'full' revaluations are currently carried out every 5 years or so, with interim 'desktop' valuations taking place annually outside of the 'full' revaluations. Between revaluation exercises, the carrying amount of an asset is the value at the date of previous revaluation less any subsequent accumulated depreciation, and less any subsequent accumulated impairment losses.

Prior to 31 March 2009, the depreciated replacement cost of specialised buildings was based on an exact replacement of the asset in its present location, whereas HM Treasury has since required that the MEA basis also includes an alternative site valuation basis, provided that the location requirements of the service are met. The MEA concept generally requires that replacement cost is based on the cost of a modern replacement asset that has the same productive capacity as the property being valued. From 2016, the Trust has opted to interpret the MEA basis as pertaining to a single combined hospital facility ('single alternative site model'). Further detail is included under Note 13.

The accounting entries for revaluation gains and losses are detailed below. Where an individual asset is revalued, then all the assets within its class must be revalued at the same time.

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 will flow to the Trust, and the cost of the item can be determined reliably. That is, only subsequent expenditure which enhances an asset beyond its original specification can be capitalised. 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 which has been replaced is de-recognised and charged to expenditure in the SoCI.

Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance intended to restore an asset to its original specification, is charged to the SoCI in the period in which it is incurred.

Depreciation

Depreciation is charged to write down the costs or valuation of certain items of property, plant and equipment, less any residual value, over their remaining useful economic lives on a straight-line basis. It is an operating expenditure within the SoCI.

The estimated useful life of an asset is the period over which the Trust expects to obtain economic benefits or service potential from the asset. This is an accounting estimate and may prove to be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Where a large asset, for example a building, includes a number of components with significantly different asset lives, the overall remaining life is calculated by the Trust's valuer so as to reflect the varying lives of the in-situ components.

Freehold land is considered to have an infinite life and is not depreciated. Property, plant and equipment which is reclassified as held-for-sale under IFRS 5 ceases to be depreciated at the point of reclassification. Assets under construction are not depreciated until the assets are brought into use.

Leased assets are depreciated over the shorter of the useful economic life or the lease term, unless the Trust expects to acquire the asset at the end of the lease term. If this is the case, the asset is depreciated in the same manner as owned assets. See also note 1.4 Leases for the impact of IFRS 16

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
Buildings excluding dwellings	1	80
Plant & machinery	1	30
Transport equipment	1	7
Information technology	1	15
Furniture & fittings	1	15

These useful economic lives reflect total asset life at the point of first recognition, and not the remaining life.

Revaluation gains and losses

Revaluation gains / increases are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease / impairment that has previously been recognised in operating expenditure, in which case they are credited to expenditure to the extent of the decrease previously charged there. Revaluation losses / decreases that do not result from a loss of economic value or service potential are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to expenditure.

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

Impairments

At each reporting period end, the Trust checks whether there is any indication that any of its property, plant and equipment or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually at the financial year end. In accordance with the GAM, impairments that arise from a clear consumption of economic benefits or of service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

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

De-recognition

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

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

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

Donated and grant funded assets

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

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

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

Private Finance Initiative (PFI) and Local Improvement Finance Trust (LIFT) transactions

The Trust's two linked PFI arrangements - its main hospitals scheme, and a managed equipment service (MES) - are accounted for as 'on Statement of Financial Position' or 'on SoFP' by the Trust, as they meet the definition of a service concession, as defined by IFRS Interpretations Committee (IFRIC) 12 Service Concession Arrangements, interpreted in HM Treasury's FReM. In accordance with IAS 17 Leases, the underlying assets were recognised as property, plant and equipment when they came into use, together with an equivalent liability. Subsequently, the assets have been accounted for as property, plant and equipment.

For such schemes, the annual contractual unitary payment (UP) is apportioned between

- the repayment of the liability;
- a finance cost (comprising interest payable and contingent rent);
- the charges for services (shown under operating expenditure); and
- the lifecycle replacement of components of the asset.

The element of the UP increase due to cumulative indexation on interest payable and repayment of the liability is treated as contingent rent, and is expensed alongside interest payable within finance costs in the SoCI as incurred. The service charge is recognised in operating expenditure in the SoCI.

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are recognised in property, plant and equipment (1.8 Property, plant and equipment) when they meet the Trust's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value. The element of the annual UP allocated to lifecycle replacement is pre-determined for each year of the contract by the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, an accrual or prepayment is recognised respectively.

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. IAS 23 Borrowing Costs requires borrowing costs incurred in connection with the acquisition or construction of an intangible asset which is measured at current value in existing use to be capitalised and included within the cost of the asset.

Internally generated intangible assets
Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.Expenditure on research is not capitalised. Expenditure on development is capitalised where it meets the requirements set out in IAS 38.

Software
Software which is integral to the operation of hardware, 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.

Expenditure on development is capitalised only when all of the following conditions are met.

- 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.
- There is a demonstrable way for the intangible asset to generate probable future economic or service delivery benefits e.g. there is a market for it or its output, or where it is to be used for internal use, the usefulness of the asset can be shown.
- The Trust has adequate financial, technical and other resources to complete the development and sell or use the asset.
- The Trust can measure reliably the expenditure attributable to the asset during its development.

Measurement

Intangible assets are recognised initially at cost, comprising borrowing costs where relevant, and all directly attributable costs needed to create, purchase, produce and prepare the asset to the point that it is capable of operating in the manner intended by management. The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria for recognition are initially met.

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

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

Amortisation

Intangible assets are amortised over their expected useful lives in a manner consistent with the consumption of economic or service delivery benefits.
The estimated useful life of an asset is the period over which the Trust expects to obtain economic benefits or service potential from the asset. This is an accounting estimate and may prove to be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis.

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 & Software licenses	1	5

Intangible assets under construction, surplus assets, assets held for sale, revaluation gains and losses, impairments and disposals are treated in the same manner as for property, plant and equipment.

Note 1.11 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the first in, first out (FIFO) method or the weighted average cost method.

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

Note 1.12 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.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Trust's cash management. Cash, bank and overdraft balances are recorded at current values.

Note 1.13 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

The classification of financial instruments is determined by their cash flow and business model characteristics, as set out in IFRS 9 Financial Instruments, and is determined at the time of initial recognition. The only categories of financial assets and financial liabilities held by the Trust are 'Financial assets / liabilities held at amortised cost'.

Financial assets held at amortised cost

These are financial assets which are held with the objective of collecting contractual cash flows, where the cash flows are solely payments of principal and interest. They are included in non-current assets and current assets. The Trust's financial assets held at amortised cost comprise cash and cash equivalents, and parts of the Trust's trade receivables, accrued income and other receivables balances.

After initial recognition, these financial assets are measured subsequently at amortised cost, using the effective interest method, less any impairment / loss allowance. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount (before adjusting for any loss allowance) of the financial asset. For current receivables, both fair value and amortised cost very often equate to invoice value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset and is recognised in the SoCI as finance income.

Financial liabilities held at amortised cost

The Trust's financial liabilities held at amortised cost comprise parts of the Trust's trade payables, accruals and other payables, provisions under contract, lease liabilities and DHSC loans balances for which the effective interest rate is the nominal rate of interest charged on the loan.

After initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the liability to the amortised cost of the financial liability. For current payables, both fair value and amortised cost usually equate to invoice value.

Interest expenditure is calculated by applying the effective interest rate to the amortised cost of a financial liability, and recognised in the SoCI as finance costs. 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.

Financial liabilities are included in current liabilities except for any amounts payable more than 12 months after the Statement of Financial Position date, which are classified as non-current liabilities.

Impairment of financial assets

The term 'impairment' refers both to the permanent 'write-off' of a debt, and the creation of a 'loss allowance' balance for a debt or group of debts. Other than ICR receivables (1.4.2 Injury Cost Recovery (ICR) income), the only financial assets impaired by the Trust, in this and the previous year, have been trade receivables.
The ICR allowance reflects the average value of claims withdrawn as advised to DHSC by the Compensation Recovery Unit (CRU) of the Department for Work and Pensions. The percentage is updated by the CRU, and reflects expected rates of collection across the NHS.

In accordance with IFRS 9, the Trust adopts the 'simplified approach' to non-ICR receivables impairment. When significant, the Trust recognises a loss allowance at an amount equal to lifetime expected credit losses. This is estimated across different populations of receivables in different customer segments, using both historical data and forward-looking information, to form a view about the impairment of Trust debts held on 31 March 2023. This activity is referred to as 'stage 2' impairment in the GAM, and such allowances cannot be applied to NHS bodies and certain other government entities.

For individual debts for which there exists objective evidence of credit impairment since initial recognition, such that the Trust anticipates it is unable to collect amounts due ('stage 3' impairment), credit losses at the reporting date are measured as the difference between the debt's gross carrying amount and the present value of the estimated future cash flows discounted at the financial debt's original effective interest rate. This normally equates to the difference between the invoice value and expected receipts for the Trust's trade receivables. Credit losses are then charged to operating expenditure within the Statement of Comprehensive Income, and reduce the net carrying value of the debt in the Statement of Financial Position. When there is no reasonable expectation of recovery, the credit loss is transacted as a permanent 'write-off'.

Derecognition

Financial assets are de-recognised when the contractual rights to receive cash flows from the assets have expired, the Trust has transferred substantially all of the risks and rewards of ownership, or the Trust has not retained control of the asset.

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.

Finance leases

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Trust's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Trust's net investment outstanding in respect of the leases.

Operating leases

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

Initial application of IFRS 16

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 2023:

		Nominal rate	Prior year rate
Short-termUp to 5 years	3.27%	0.47%	
Medium-term	After 5 years up to 10 years	3.20%	0.70%
Long-term	After 10 years up to 40 years	3.51%	0.95%
Very long-term	Exceeding 40 years	3.00%	0.66%

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 2023:

	Inflation rate	Prior year rate
Year 1	7.40%	4.00%
Year 2	0.60%	2.60%
Into perpetuity	2.00%	2.00%

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of 1.70% in real terms (prior year: minus 1.30%).

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 23.1 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 24 where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in note 24, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

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

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.

Providers perform this calculation monthly and are monitored centrally. Because the Trust has negative relevant net assets, it has not paid PDC dividend in either 2022/23 or 2021/22.

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

As an NHS trust, St Helens and Knowsley Teaching Hospitals NHS Trust is exempt from corporation tax.

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 pounds sterling, presented in thousands unless expressly stated otherwise. A transaction which is denominated in a foreign currency is translated into sterling at the spot exchange rate on the date of the financial transaction.

At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Exchange gains or losses (arising on settlement of the transaction or on retranslation on 31 March) are recognised in income or expenditure in the period in which they arise. Such transactions are not expected to be significant in any reporting year.

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.
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 Gifts

Gifts are items that are voluntarily donated, with no preconditions and without the expectation of any return. Gifts include all transactions economically equivalent to free and unremunerated transfers, such as the loan of an asset for its expected useful life, and the sale or lease of assets at below market value.

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

IFRS 16 Leases - application of liability measurement principles to PFI and other service concession arrangements

From 1 April 2023, the measurement principles of IFRS 16 will also be applied to the Trust's PFI liabilities where future payments are linked to the Retail Price Index (RPI). The PFI liability will be remeasured when a change in the index causes a change in future repayments and that change has taken effect in the cash flow. Such remeasurements will be recognised as a financing cost. Under existing accounting practices, amounts relating to changes in the price index are expensed as incurred.

Initial application of these principles will be on 1 April 2023 using a modified retrospective approach with the cumulative impact taken to reserves. This is expected to result in an increased PFI liability on the statement of financial position. The effect of this has not yet been quantified.

Note 2 Operating income from patient care activities

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

Note 2.1 Income from patient care activities (by nature)

	2022/23 £000	2021/22 £000
Acute services		
Income from commissioners under API contracts*	365,268	415,987
High cost drugs income from commissioners (excluding pass-through costs)	8,408	1,519
Other NHS clinical income	27,176	204
Community services		
Income from commissioners under API contracts*	24,443	-
Income from other sources (e.g. local authorities)	282	-
All services		
Private patient income	1,491	1,152
Elective recovery fund **	13,507	9,788
Agenda for change pay award central funding	12,330	-
Additional pension contribution central funding***	13,092	11,995
Other clinical income ****	29,424	5,187
Total income from activities	**495,421**	**445,832**

*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 documents.

https://www.england.nhs.uk/publication/past-national-tariffs-documents-and-policies/

** ERF income enables systems to earn income linked to the achievement of elective activity targets, with distribution to the Trust by local agreement.

*** 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.

**** Other clinical income contains income from Welsh health bodies, local authorities, other providers, and ICR income.
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 has been included 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)

Income from patient care activities received from:	2022/23 £000	2021/22 Re-stated £000
NHS England	51,508	29,211
Clinical commissioning groups	102,028	410,077
Integrated care boards	329,965	-
Other NHS providers	508	204
Local authorities	4,008	524
Non-NHS: private patients	1,491	1,152
Non-NHS: overseas patients (chargeable to patient)	30	1
Injury cost recovery scheme *	1,355	885
Non NHS: other **	4,528	3,778
Total income from activities	**495,421**	**445,832**
Of which:		
Related to continuing operations	495,421	445,832

* ICR income represents the recovery of costs from insurers, in cases where personal injury compensation is paid, such as after a road traffic accident (RTA). The scheme is administered by the Compensation Recovery Unit (CRU) of the Department for Work and Pensions. The Trust's ICR debt is subject to a loss allowance (Note 18.1).

** Other - mostly includes services provided to Welsh health bodies.

The 2021/22 figures have been re-stated to provide consistency between the current year figures, the total income for 21/22 has not been changed.

Note 2.3 Overseas visitors (relating to patients charged directly by the provider)

	2022/23 £000	2021/22 £000
Income recognised this year	30	1
Cash payments received in-year	22	9
Amounts added to provision for impairment of receivables	6	6

Note 3 Other operating income

	2022/23 Contract income £000	2022/23 Non-contract income £000	2022/23 Total £000	2021/22 Contract income £000	2021/22 Non-contract income £000	2021/22 Total £000
Research and development	744	-	**744**	765	-	**765**
Education and training	14,041	802	**14,843**	13,182	883	**14,065**
Non-patient care services to other bodies	37,714	-	**37,714**	36,987	-	**36,987**
Reimbursement and top up funding	2,600	-	**2,600**	6,984	-	**6,984**
Receipt of capital grants and donations and peppercorn leases	-	103	**103**	-	175	**175**
Charitable and other contributions to expenditure	-	996	**996**	1,619	**1,619**	
PFI support income	14,117	-	**14,117**	-	-	**-**
Other income	19,400	-	**19,400**	17,925	-	**17,925**
Total other operating income	**88,616**	**1,901**	**90,517**	**75,843**	**2,677**	**78,520**
Of which:						
Related to continuing operations			90,517			78,520

Non-contract income is recognised in accordance with standards other than IFRS 15.

Notional apprenticeship levy income is non-contract income under Education and training.

Non-patient care services income relates to services provided to other NHS bodies, including pathology, CIPHA scheme incomes, IT and HR / payroll services.

Reimbursement and top-up funding was available to providers to cover COVID-related expenditure (e.g. testing and vaccination).

Receipt of capital grants and donations includes £Nil (2021/22: £0.1m) non-cash income related to donated equipment from DHSC bodies, as part of the national COVID-19 response.

Charitable and other contributions to expenditure includes £0.9m (2021/22: £1.4m) non-cash income related to donated inventories used for COVID-19 response.

Other contract income of £19.4m (2021/22: £17.9m) includes pharmacy sales, car parking income, incomes from a regional bank staff service and Lead Employer fees.

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 within contract liabilities at the previous period end	21,956	13,206

The release in 2022/23 largely relates to funding received at the end of 2021/22, for additional resources to support the reduction of the patient waiting list.

Note 4.2 Transaction price allocated to remaining performance obligations

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 Fees and charges

HM Treasury requires disclosure of fees and charges income. The following disclosure is of income from charges to service users where income from that service exceeds £1 million and is presented as the aggregate of such income. The cost associated with the service that generated the income is also disclosed.

	2022/23	2021/22
	£000	£000
Income	1,877	693
Full cost	(2,708)	(2,622)
Surplus / (deficit)	**(831)**	**(1,929)**

HM Treasury requires disclosure of income from charges to service users, where total income from that service exceeds £1m. The full cost associated with the income is also disclosed. The only service in scope for this disclosure is on-site car parking. This currently includes both patient and staff services provided through the multi-storey car park at Whiston Hospital, as well as ground level parking at both the Whiston and St.Helens sites. Such income was impacted upon in 2021/22 due to COVID-19 factors – periods of reduced usage and some suspension of fees. For 2022/23 fees have been reintroduced.

Note 5.1 Operating expenses

	2022/23 £000	2021/22 £000
Purchase of healthcare from NHS and DHSC bodies	5,212	6,007
Purchase of healthcare from non-NHS and non-DHSC bodies	3,509	3,343
Staff and executive directors costs	368,779	323,205
Remuneration of non-executive directors	165	132
Supplies and services - clinical (excluding drugs costs)	33,488	31,473
Supplies and services - general	1,894	2,021
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	31,096	27,713
Inventories written down	124	246
Consultancy costs	2,216	167
Establishment	3,486	4,932
Premises	26,927	31,235
Transport (including patient travel)	2,168	1,956
Depreciation on property, plant and equipment and right of use assets	17,297	12,040
Amortisation on intangible assets	5,396	8,420
Net impairments	(16,121)	(4,789)
Movement in credit loss allowance: contract receivables / contract assets	246	(1)
Movement in credit loss allowance: all other receivables and investments	(107)	50
Change in provisions discount rate(s)	(494)	87
Fees payable to the external auditor:audit services - statutory audit	117	110
Internal audit costs	112	110
Clinical negligence	12,971	13,689
Legal fees	478	450
Insurance	276	337
Research and development	782	70
Education and training	3,328	2,290
Expenditure on short term leases (current year only)	1,130	
Operating lease expenditure (comparative only)	5,671	
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)	30,611	28,729
Hospitality	-	42
Other	11,393	3,391
Total	**546,479**	**503,126**
Of which:		
Related to continuing operations	546,479	503,126

Supplies and services - clinical - includes the cost of DHSC-donated consumables such as personal protective equipment totalling £0.9m (2021/22: £2.1m) which was used within the year.

Audit fees include irrecoverable VAT. The external auditor received no additional remuneration relating to either 2022/23 or 2021/22.

Clinical negligence costs relate to the Trust's annual contribution to NHS Resolution under its risk-pooling scheme.

Other expenditure includes professional fees, interpreting services, recruitment fees and costs relating to sterilisation and decontamination.

Note 5.2 Other auditor remuneration

Other auditor remuneration paid to the external auditor:

No other auditor remuneration was paid to the external auditor in 2022/23 (2021/22: £Nil)

Note 5.3 Limitation on auditor's liability

The limitation on auditor's liability for external audit work is £2 million (2021/22: £2 million).

Note 6 Impairment of assets

	2022/23 £000	2021/22 £000
Net impairments charged to operating surplus / deficit resulting from:		
Changes in market price	(16,121)	(8,279)
Other	-	3,490
Total net impairments charged to operating surplus / deficit	**(16,121)**	**(4,789)**
Impairments charged to the revaluation reserve	(133)	(1,460)
Total net impairments	**(16,254)**	**(6,249)**

In 2022/23, a net credit to the revaluation reserve (£0.1m) was generated by the full revaluation of the Trust's estate as at 31 March 2023. The revaluation also led to a £16.1m reversal of impairments which had been previously been charged to the SoCI. In the prior year, a net credit to the revaluation reserve (£1.5m) was generated by that year's desktop revaluation as at 31 March 2022. That revaluation led to an £8.3m impairment reversal to the SoCI.

Note 7 Employee benefits

	2022/23 Total £000	2021/22 Total £000
Salaries and wages	289,210	248,845
Social security costs	25,737	22,913
Apprenticeship levy	1,328	1,227
Employer's contributions to NHS pensions	42,830	39,392
Pension cost - other	133	105
Temporary staff (including agency)	12,687	11,268
Total gross staff costs	**371,925**	**323,750**
Recoveries in respect of seconded staff	-	-
Total staff costs	**371,925**	**323,750**
Of which		
Costs capitalised as part of assets	220	164

Details regarding the remuneration of senior managers can be found in the remuneration section of the Annual Report.

Note 7.1 Retirements due to ill-health

During 2022/23 there were 2 early retirements from the trust agreed on the grounds of ill-health (5 in the year ended 31 March 2022). The estimated additional pension liabilities of these ill-health retirements is £172k (£381k in 2021/22).

These estimated costs are calculated on an average basis and will be borne by the NHS Pension Scheme.

Note 8 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 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.

Note 9 Finance income

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

	2022/23 £000	2021/22 £000
Interest on bank accounts	2,050	104
Total finance income	**2,050**	**104**

Note 10.1 Finance expenditure

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

Interest expense:	2022/23 £000	2021/22 £000
Interest on lease obligations	306	81
Interest on late payment of commercial debt	-	-
Main finance costs on PFI and LIFT schemes obligations	7,984	8,164
Contingent finance costs on PFI and LIFT scheme obligations	10,386	8,568
Total interest expense	**18,676**	**16,813**
Unwinding of discount on provisions	(2)	(2)
Other finance costs	-	-
Total finance costs	**18,674**	**16,811**

Note 10.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015

	2022/23 £000	2021/22 £000
Amounts included within interest payable arising from claims made under this legislation	-	-

Note 11 Other gains / (losses)

	2022/23 £000	2021/22 £000
Gains on disposal of assets	-	1
Losses on disposal of assets	-	(952)
Total gains / (losses) on disposal of assets	**-**	**(951)**

The 2021/22 disposal loss arose from the return of equipment supplied to the Trust by DHSC as part of the pandemic response in 2020/21. It did not relate to a loss of cash to the Trust.

Note 12.1 Intangible assets - 2022/23

	Software licences £000	Internally generated information technology £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2022 - brought forward	**8,122**	**4,429**	**677**	**13,228**
IFRS 16 implementation - reclassification of existing finance leased assets to right of use assets	-	-	-	**-**
Additions	1,454	301	204	**1,959**
Reclassifications	677	-	(677)	**-**
Disposals / derecognition	(2,929)	-	-	**(2,929)**
Valuation / gross cost at 31 March 2023	**7,324**	**4,730**	**204**	**12,258**
Amortisation at 1 April 2022 - brought forward	**2,311**	**1,940**	**-**	**4,251**
IFRS 16 implementation - reclassification of existing finance leased assets to right of use assets	-	-	-	**-**
Provided during the year	4,745	651	-	**5,396**
Disposals / derecognition	(2,929)	-	-	**(2,929)**
Amortisation at 31 March 2023	**4,127**	**2,591**	**-**	**6,718**
Net book value at 31 March 2023	**3,197**	**2,139**	**204**	**5,540**
Net book value at 1 April 2022	**5,811**	**2,489**	**677**	**8,977**

In 2022/23, the Trust retired the Combined Intelligence for Population Health Action (CIPHA) PDC scheme, which created a platform to integrate testing and vaccination data, for epidemiological studies. The nil book value asset disposal (£2.8m) arose as NHS England has now developed a national data model to replace CIPHA.
All intangibles are software assets in both the current and prior years.

The actual useful economic lives of intangible assets as at 31 March 2022 ranged from 0 to 5 years.

Note 12.2 Intangible assets - 2021/22

	Software licences £000	Internally generated information technology £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2021				
- as previously stated	**17,630**	**3,687**	**716**	**22,033**
Transfers by absorption	-	-	-	**-**
Additions	477	1,482	-	**1,959**
Revaluations	(9,825)	-	-	**(9,825)**
Reclassifications	39	-	(39)	**-**
Disposals / derecognition	(199)	(740)	-	**(939)**
Valuation / gross cost at 31 March 2022	**8,122**	**4,429**	**677**	**13,228**
Amortisation at 1 April 2021				
- as previously stated	**848**	**2,257**	**-**	**3,105**
Provided during the year	7,997	423	-	**8,420**
Impairments	3,490	-	-	**3,490**
Revaluations	(9,825)	-	-	**(9,825)**
Disposals / derecognition	(199)	(740)	-	**(939)**
	2,311	**1,940**	**-**	**4,251**
Net book value at 31 March 2022	**5,811**	**2,489**	**677**	**8,977**
Net book value at 1 April 2021	**16,782**	**1,430**	**716**	**18,928**

In 2022/23, the Trust retired the Combined Intelligence for Population Health Action (CIPHA) PDC scheme, which created a platform to integrate testing and vaccination data, for epidemiological studies. The nil book value asset disposal (£2.8m) arose as NHS England has now developed a national data model to replace CIPHA.
All intangibles are software assets in both the current and prior years.

The actual useful economic lives of intangible assets as at 31 March 2022 ranged from 0 to 5 years.

Note 13.1 Property, plant and equipment - 2022/23

	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation/gross cost at 1 April 2022 - brought forward - As previously stated	**8,983**	**236,087**	**17,431**	**62,289**	**112**	**11,596**	**6,414**	**342,912**
Prior period adjustment (see note below)	**-**	**-**	**(6,422)**	**-**	**-**	**-**	**-**	**(6,422)**
Valuation/gross cost at 1 April 2022 - brought forward - As re-stated	**8,983**	**236,087**	**11,009**	**62,289**	**112**	**11,596**	**6,414**	**336,490**
IFRS 16 implementation - reclassification of existing finance leased assets to right of use assets	-	-	-	(1,579)	-	(1,490)	-	**(3,069)**
Additions	-	2,381	6,665	3,999	-	1,659	86	**14,790**
Impairments	-	(11)	-	-	-	-	-	**(11)**
Reversals of impairments	-	144	-	-	-	-	-	**144**
Revaluations	813	13,756	299	-	-	-	-	**14,868**
Reclassifications	-	6,813	(8,895)	2,082	-	-	-	**-**
Disposals / derecognition	-	(50)	-	(2,176)	(68)	-	(5,586)	**(7,880)**
Valuation/gross cost at 31 March 2023	**9,796**	**259,120**	**9,078**	**64,615**	**44**	**11,765**	**914**	**355,332**
Accumulated depreciation at 1 April 2022 - brought forward	**-**	**120**	**-**	**41,188**	**112**	**5,241**	**6,280**	**52,941**
IFRS 16 implementation - reclassification of existing finance leased assets to right of use assets	-	(547)	-	-	-	-	-	(616)
	-	**(1,163)**						
Transfers by absorption	-	-	-	-	-	-	-	**-**
Provided during the year	-	6,237	-	4,759	-	1,872	18	**12,886**
Impairments	-	2,572	91	-	-	-	-	**2,663**
Reversals of impairments	-	(18,784)	-	-	-	-	-	**(18,784)**
Revaluations	-	10,080	(91)	-	-	-	-	**9,989**
Disposals / derecognition	-	(50)	-	(2,176)	(68)	-	(5,586)	**(7,880)**
Accumulated depreciation at 31 March 2023	**-**	**175**	**-**	**43,155**	**44**	**6,566**	**712**	**50,652**
Net book value at 31 March 2023	**9,796**	**258,945**	**9,078**	**21,460**	**-**	**5,199**	**202**	**304,680**
Net book value at 1 April 2022	**8,983**	**235,967**	**11,009**	**21,101**	**-**	**6,355**	**134**	**283,549**

Nearly 91% of the Trust's building assets, and over 30% of Plant and machinery (equipment) assets relate to on-SoFP PFI contracts (Note 13.3 and Note 27.1). The Trust did not hold any surplus assets in either the current or prior year. The Trust undertakes periodic reviews of its asset register. Disposals / derecognition balances in both 2022/23 and 2021/22 relate to the identification of assets that were no longer owned or in use. These were assets which had reached the end of their economic life and were therefore fully depreciated with a net book value of £nil prior to derecognition.

The comparative 21/22 figures as above have been re-stated to reflect the status of a number of asset under construction projects totalling £6.4m. These have been reviewed and amended due to not having progressed as anticipated. See also note 18.1

Note 13.2 Property, plant and equipment - 2021/22

	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation / gross cost at 1 April 2021 - as previously stated	**7,313**	**229,198**	**13,952**	**54,777**	**112**	**9,846**	**6,365**	**321,563**
Additions	-	2,025	6,760	8,090	-	1,227	30	**18,132**
Impairments	-	(55)	(11)	-	-	-	-	**(66)**
Reversals of impairments	-	1,526	-	-	-	-	-	**1,526**
Revaluations	1,628	3,175	33	-	-	-	-	**4,836**
Reclassifications	42	362	(3,303)	1,939	-	941	19	**-**
Disposals / derecognition	-	(144)	-	(2,517)	-	(418)	-	**(3,079)**
Valuation/gross cost at 31 March 2022	**8,983**	**236,087**	**17,431**	**62,289**	**112**	**11,596**	**6,414**	**342,912**
Accumulated depreciation at 1 April 2021 - as previously stated	**-**	**130**	**-**	**38,657**	**107**	**3,751**	**6,246**	**48,891**
Provided during the year	-	5,997	-	4,096	5	1,908	34	**12,040**
Impairments	-	128	-	-	-	-	-	**128**
Reversals of impairments	-	(8,407)	-	-	-	-	-	**(8,407)**
Revaluations	-	2,416	-	-	-	-	-	**2,416**
Disposals / derecognition	-	(144)	-	(1,565)	-	(418)	-	**(2,127)**
	-	**120**	**-**	**41,188**	**112**	**5,241**	**6,280**	**52,941**
Net book value at 31 March 2022	**8,983**	**235,967**	**17,431**	**21,101**	**-**	**6,355**	**134**	**289,971**
Net book value at 1 April 2021	**7,313**	**229,068**	**13,952**	**16,120**	**5**	**6,095**	**119**	**272,672**

Note 13.3 Property, plant and equipment financing - 31 March 2023

	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Information technology £000	Furniture & fittings £000	Total £000
Owned - purchased	9,796	23,929	17,396	13,877	5,197	202	**70,397**
On-SoFP PFI contracts and other service concession arrangements	-	235,016	-	6,557	-	-	**241,573**
Off-SoFP PFI residual interests	-	-	-	-	-	-	**-**
Owned - donated/granted	-	-	-	1,026	2	-	**1,028**
Total net book value at 31 March 2023	**9,796**	**258,945**	**17,396**	**21,460**	**5,199**	**202**	**312,998**

Note 13.4 Property, plant and equipment financing - 31 March 2022

	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Information technology £000	Furniture & fittings £000	Total £000
Owned - purchased	8,983	16,737	17,431	12,088	5,407	134	**60,780**
Finance leased	-	-	-	962	943	-	**1,905**
On-SoFP PFI contracts and other service concession arrangements	-	219,230	-	6,824	-	-	**226,054**
Off-SoFP PFI residual interests	-	-	-	-	-	-	**-**
Owned - donated/granted	-	-	-	1,227	5	-	**1,232**
Total net book value at 31 March 2022	**8,983**	**235,967**	**17,431**	**21,101**	**6,355**	**134**	**289,971**

Note 13.5 Property plant and equipment assets subject to an operating lease (Trust as a lessor) - 31 March 2023

	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Information technology £000	Furniture & fittings £000	Total £000
Subject to an operating lease	-	-	-	-	-	-	**-**
Not subject to an operating lease	9,796	258,945	17,396	21,460	5,199	202	**312,998**
Total net book value at 31 March 2023	**9,796**	**258,945**	**17,396**	**21,460**	**5,199**	**202**	**312,998**

Note 14 Donations of property, plant and equipment

In 2022/23, the Trust recognised no donated asset additions (2021/22: £13k), which were grant-funded by Charity, and £103k of assets were purchased through grants (2021/22: £20k)). No centrally-procured equipment recognised as part of the national COVID-19 response in 2022/23 was directly donated to the Trust from DHSC (2021/22: £142k).

Note 15 Revaluations of property, plant and equipment

The value and remaining useful lives of land and building assets are estimated by the Trust's valuers Cushman & Wakefield. Their independent valuations are carried out in accordance with the Royal Institute of Chartered Surveyors' RICS Valuation – Global Standards ('Red Book Global Standards') , and other relevant RICS guidance notes, by RICS- qualified valuers. Valuations are carried out primarily on the basis of depreciated replacement cost (modern equivalent asset (MEA) basis) for specialised operational property. The Trust has opted to interpret the MEA valuation basis, which estimates the cost of a modern replacement asset with equivalent productive capacity to the asset being valued, as pertaining to a single combined hospital facility situated at an alternative site

Revalued assets are written down to their recoverable amount within the Statement of Financial Position, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for that asset. Thereafter, the loss is charged to operating expenditure - net impairments. Increases in value are credited to the revaluation reserve unless circumstances arise whereby a reversal of an impairment is necessary. In these circumstances this has been credited to operating expenditure - net impairments.

A full revaluation of the Trust's estate was undertaken as at the valuation date of 31 March 2023. This resulted in a net impairment reversal recorded in the revaluation reserve (within the Statement of Financial Position) of £0.1m, which is also disclosed as Other comprehensive income , and a net gain to income and expenditure from impairment (within the Statement of Comprehensive Income) of £16.1m (Note 5).

The useful economic lives of equipment assets are estimated on historical experience of similar equipment lives with reference to national guidance and consideration of the pace of technological change. The lives of assets determined at recognition are disclosed within the accounting policies (Note 1.8.2). Recorded actual useful economic lives of non-land assets as at 31 March 2023 range from nil to the following maximum lives.

Buildings excluding dwellings - 80 years
Plant and machinery - 30 years
Transport equipment - 0 years
Furniture and fittings - 15 years
Information technology equipment - 10 years

Note 16 Leases - St Helens And Knowsley Teaching Hospitals NHS Trust as a lessee

This note details information about leases for which the Trust is a lessee.

The Trust adopted IFRS 16 'Leases' from 1 April 2022. As required by the DHSC Group Accounting Manual, we have implemented it using the cumulative catch-up method, without restatement of prior year figures. The majority of leases, treated as operating leases until 31 March 2022 have now been recognised on-balance sheet as right-of use assets and lease liabilities. As a result, an additional £26.9m of lease liabilities has been recognised.

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 16.1 Right of use assets - 2022/23

	Property (land and buildings) £000	Plant & machinery £000	Information technology £000	Total £000	DHSC group bodies £000
IFRS 16 implementation - reclassification of existing finance leased assets from PPE or intangible assets	-	1,579	1,490	**3,069**	-
IFRS 16 implementation - adjustments for existing operating leases / subleases	26,502	133	243	**26,878**	17,484
Additions	246	36	-	**282**	-
Valuation/gross cost at 31 March 2023	**26,748**	**1,748**	**1,733**	**30,229**	**17,484**
IFRS 16 implementation - reclassification of existing finance leased assets from PPE or intangible assets	-	616	547	**1,163**	-
Provided during the year	3,719	342	350	**4,411**	1,974
Accumulated depreciation at 31 March 2023	**3,719**	**958**	**897**	**5,574**	**1,974**
Net book value at 31 March 2023	**23,029**	**790**	**836**	**24,655**	**15,510**

Net book value of right of use assets leased from other NHS providers	-
Net book value of right of use assets leased from other DHSC group bodies	15,510

Note 16.2 Revaluations of right of use assets

No revaluation of right of use assets has occurred within 2022/23

Note 16.3 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 22.1.

	2022/23 £000
Carrying value at 31 March 2022	**1,938**
IFRS 16 implementation - adjustments for existing operating leases	26,878
Lease additions	282
Lease liability remeasurements	-
Interest charge arising in year	306
Lease payments (cash outflows)	(4,624)
Carrying value at 31 March 2023	**24,780**

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 5.1. Cash outflows in respect of leases recognised on-SoFP are disclosed in the reconciliation above.

Note 16.4 Maturity analysis of future lease payments at 31 March 2023

	Total 31 March 2023 £000	Of which leased from DHSC group bodies: 31 March 2023 £000
Undiscounted future lease payments payable in:		
- not later than one year;	4,120	1,887
- later than one year and not later than five years;	13,422	8,830
- later than five years.	8,414	5,550
Total gross future lease payments	**25,956**	**16,267**
Finance charges allocated to future periods	(1,176)	(684)
Net lease liabilities at 31 March 2023	**24,780**	**15,583**
Of which:		
- Leased from other NHS providers	4,120	1,887
- Leased from other DHSC group bodies	20,660	13,696

Note 16.5 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.

	31 March 2022 £000
Undiscounted future lease payments payable in:	
- not later than one year;	629
- later than one year and not later than five years;	1,452
- later than five years.	-
Total gross future lease payments	**2,081**
Finance charges allocated to future periods	(143)
Net finance lease liabilities at 31 March 2022	**1,938**
of which payable:	
- not later than one year;	562
- later than one year and not later than five years;	1,376
- later than five years.	-
Total of future minimum sublease payments to be received at the reporting date	-

Note 16.6 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.

	2021/22 £000
Operating lease expense	
Minimum lease payments	5,671
Contingent rents	-
Less sublease payments received	-
Total	**5,671**

	31 March 2022 £000
Future minimum lease payments due:	
- not later than one year;	3,605
- later than one year and not later than five years;	9,778
- later than five years.	11,182
Total	**24,565**
Future minimum sublease payments to be received	-

Note 16.7 Initial application of IFRS 16 on 1 April 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 1.4

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

	1 April 2022 £000
Operating lease commitments under IAS 17 at 31 March 2022	**24,565**
Impact of discounting at the incremental borrowing rate	
IAS 17 operating lease commitment discounted at incremental borrowing rate	**23,237**
Less:	
Commitments for short term leases	(396)
Commitments for leases of low value assets	-
Commitments for leases that had not commenced as at 31 March 2022	-
Irrecoverable VAT previously included in IAS 17 commitment	-
Services included in IAS 17 commitment not included in the IFRS 16 liability	-
Other adjustments:	
Differences in the assessment of the lease term	82
Public sector leases without full documentation previously excluded from operating lease commitments	3,955
Variable lease payments based on an index or rate	-
Rent increases/(decreases) reflected in the lease liability, not previously reflected in the IAS 17 commitment	-
Amounts payable under residual value guarantees	-
Termination penalties not previously included in commitment	-
Finance lease liabilities under IAS 17 as at 31 March 2022	1,938
Other adjustments	-
Total lease liabilities under IFRS 16 as at 1 April 2022	**28,816**

Note 17 Inventories

	31 March 2023 £000	31 March 2022 £000
Drugs	2,187	1,972
Consumables	3,225	3,031
Energy	216	73
Total inventories	**5,628**	**5,076**

Inventories recognised in expenses for the year were £41,963k (2021/22: £37,271k). Write-down of inventories recognised as expenses for the year were £124k (2021/22: £246k).

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 £996k of items purchased by DHSC (2021/22: £1,398k).

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 18.1 Receivables

	31 March 2023 £000	As re-stated 31 March 2022 £000	Adjustment 31 March 2022 £000	As previously stated 31 March 2022 £000
Current				
Contract receivables	46,894	15,253	-	15,253
Allowance for impaired contract receivables / assets	(927)	(773)	-	(773)
Allowance for other impaired receivables	-	(107)	-	(107)
Capital prepayments	15,418	6,422	6,422	-
Prepayments (non-PFI)	1,737	3,750	-	3,750
Interest receivable	357	56	-	56
VAT receivable	4,351	1,695	-	1,695
Other receivables	11,110	14,915	-	14,915
Total current receivables	**78,940**	**41,211**	**6,422**	**34,789**
Non-current				
Contract receivables	1,054	738	-	738
Allowance for impaired contract receivables / assets	(262)	(175)	-	(175)
Prepayments (non-PFI)	251	251	-	251
PFI lifecycle prepayments	10,682	7,848	-	7,848
Other receivables	889	1,014	-	1,014
Total non-current receivables	**12,614**	**9,676**	**-**	**9,676**
Of which receivable from NHS and DHSC group bodies:				
Current	40,592	19,310	19,310	19,310
Non-current	889	1,014	1,014	1,014

The majority of the Trust's debt relates to the Trust's provision of healthcare, and recharge invoicing (Other receivables) related to the Trust's administration of a Lead Employer payroll service for doctors in training at a number of NHS bodies.

The carrying amounts of Receivables approximate to fair value.

The comparative 21/22 figures as above have been re-stated to reflect the status of a number of asset under construction projects totalling £6.4m. These have been reviewed and amended due to not having progressed as anticipated. See also note 13.1

The prior period adjustment movement between assets under construction and capital prepayments is accounted for within investing activities in the Statement of Cash Flows, in accordance with accounting standards.

Note 18.2 Allowances for credit losses

	2022/23		2021/22	
	Contract receivables and contract assets	All other receivables	Contract receivables and contract assets	All other receivables
	£000	£000	£000	£000
Allowances as at 1 April - brought forward	**948**	**107**	**982**	**77**
New allowances arising	139	-	74	68
Changes in existing allowances	107	(107)	(61)	(11)
Reversals of allowances	-	-	(14)	(7)
Utilisation of allowances (write offs)	(5)	-	(33)	(20)
Allowances as at 31 Mar 2023	**1,189**	**-**	**948**	**107**

The Allowance for credit losses chiefly relates to NHS Injury Compensation Recovery (ICR) scheme debts, in addition to trivial expected credit losses relating to the Trust's non-government trade debt.
The Trust's approach is detailed in Note 1.13

Contractual cash flows have been modified without derecognition of the receivable / financial asset (IFRS 7, para 35J)

Collateral of other credit enhancements have been pledged to the provider or the provider has taken possession of such collateral (IFRS 7, para 35K and 38)

Amounts written off in the year are still subject to enforcement activity (IFRS 7, para 35L)

Note 18.3 Exposure to credit risk

The Trust's exposure to, and management of, credit risk is discussed in Note 28.

Note 19 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.

	2022/23	2021/22
	£000	£000
At 1 April	**54,172**	**51,356**
Net change in year	(28,533)	2,816
At 31 March	**25,639**	**54,172**
Broken down into:		
Cash at commercial banks and in hand	40	44
Cash with the Government Banking Service	25,599	54,128
Total cash and cash equivalents as in SoCF	**25,639**	**54,172**

Note 19.1 Third party assets held by the trust

St Helens And Knowsley Teaching Hospitals NHS Trust held cash and cash equivalents which relate to monies held by the Trust on behalf of patients or other parties and in which the trust has no beneficial interest. This has been excluded from the cash and cash equivalents figure reported in the accounts.

	31 March 2023 £000	31 March 2022 £000
Bank balances	16	11
Total third party assets	**16**	**11**

The Trust also occasionally holds patients' property on-site, which has been handed over to staff for safekeeping. The value of such assets cannot be measured, and these assets are also not included in the Trust's reported balances.

Note 20.1 Trade and other payables

	31 March 2023 £000	31 March 2022 £000
Current		
Trade payables	4,923	2,692
Capital payables	5,693	6,798
Accruals	66,386	53,298
Social security costs	60	61
Other taxes payable	83	394
Other payables	185	12,264
Total current trade and other payables	**77,330**	**75,507**
Of which payables from NHS and DHSC group bodies:		
Current	15,962	20,052

Other payables includes NHS Pensions contributions to be paid over, and other arrangements whereby the Trust holds funds which are to be paid over to third parties, which do not relate to the procurement of goods and services.

The carrying amounts of Trade and other payables approximate to fair value.

Note 20.2 Early retirements in NHS payables above

There were no payables to buy out the liability for early retirements over 5 years in 22/23 or 21/22

Note 21 Other liabilities

	31 March 2023 £000	31 March 2022 £000
Current		
Deferred income: contract liabilities	11,471	18,793
Deferred grants	-	1,005
Total other current liabilities	**11,471**	**19,798**
Non-current		
Deferred income: contract liabilities	54	54
Total other non-current liabilities	**54**	**54**

Note 22.1 Borrowings

	31 March 2023 £000	31 March 2022 £000
Current		
Other loans	422	422
Lease liabilities*	4,120	562
Obligations under PFI, LIFT or other service concession contracts	5,745	6,203
Total current borrowings	**10,287**	**7,187**
Non-current		
Other loans	211	633
Lease liabilities*	20,660	1,376
Obligations under PFI, LIFT or other service concession contracts	214,040	219,683
Total non-current borrowings	**234,911**	**221,692**

* 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 16.

Note 22.2 Reconciliation of liabilities arising from financing activities - 2022/23

	Other loans	Lease Liability	PFI and LIFT schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2022	**1,055**	**1,938**	**225,886**	**228,878**
Cash movements:				
Financing cash flows - payments and receipts of principal	(422)	(4,557)	(5,503)	(10,482)
Financing cash flows - payments of interest	-	(67)	(7,984)	(8,051)
Non-cash movements:				
Impact of implementing IFRS 16 on 1 April 2022	-	26,878	-	26,878
Additions	-	282	-	282
Application of effective interest rate	-	306	7,984	8,290
Other changes	-	-	(598)	(598)
Carrying value at 31 March 2023	**633**	**24,780**	**219,785**	**245,197**

Note 22.3 Reconciliation of liabilities arising from financing activities - 2021/22

	Other loans	Lease Liability	PFI and LIFT schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2021	**1,476**	**2,096**	**230,863**	**234,434**
Cash movements:				
Financing cash flows - payments and receipts of principal	(421)	(534)	(4,978)	**(5,933)**
Financing cash flows - payments of interest	-	(81)	(8,163)	**(8,244)**
Non-cash movements:				
Additions	-	376	-	**376**
Application of effective interest rate	-	81	8,164	**8,245**
Carrying value at 31 March 2022	**1,055**	**1,938**	**225,886**	**228,878**

Note 23 Provisions for liabilities and charges analysis

	Pensions: early departure costs	injury benefits	Legal claims	Other	Total
	£000	£000	£000	£000	£000
At 1 April 2022	**1,043**	**1,960**	**233**	**1,031**	**4,267**
Change in the discount rate	(144)	(350)	-	(794)	**(1,288)**
Arising during the year	67	103	143	647	**960**
Utilised during the year	(82)	(124)	(67)	-	**(273)**
Reversed unused	-	-	(47)	-	**(47)**
Unwinding of discount	(1)	(1)	-	18	**16**
At 31 March 2023	**883**	**1,588**	**262**	**902**	**3,635**
Expected timing of cash flows:					
- not later than one year;	82	125	262	13	**482**
- later than one year and not later than five years;	417	635	-	49	**1,101**
- later than five years.	384	828	-	840	**2,052**
Total	**883**	**1,588**	**262**	**902**	**3,635**

Pensions - early departure costs relates wholly to the cost to the Trust of early retirements. For both this and Pensions - injury benefits , the most significant uncertainty is the life expectancy of the Trust's ex-employees.

Legal claims contains provisions for employment-related cases of £90k (2021/22: £94k). For certain employment-related claims, reimbursement may be due to the Trust from third parties. The remaining balance of £172k (2021/22: £139k) comprises employer's liability and public liability claims for which there is also a corresponding contingent liability of £18k (2021/22: £81k) disclosed in Note 23.2. The amount provided for employer's / public liability claims is based on assessments received from NHS Resolution (NHSR) as to their value and anticipated payment date.

The Other provision balance relates to the Trust's commitment to compensate clinicians on retirement for the effects on their pension income of managing certain tax charges through NHS Pensions' 'Scheme Pays' plan. The Trust has recognised an offsetting asset which reflects the commitment of NHS England and the government to fund such payments as they arise. This means there is nil effect on Trust expenditure for this provision. There was also a provision of £902k (2021/22: £1,030k) for obligations under pensions regulations.

The timings of cash flows are based on expected payment periods (Pensions) and the expected settlement date of claims (Legal claims and Other), which can be difficult to forecast. In particular, there are uncertainties in the timings of legal proceedings due to backlog effects of COVID-19.

Note 23.1 Clinical negligence liabilities

At 31 March 2023, £177,076k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of St Helens And Knowsley Teaching Hospitals NHS Trust (31 March 2022: £239,776k).

Note 24 Contingent assets and liabilities

	31 March 2023 £000	31 March 2022 £000
Value of contingent liabilities		
NHS Resolution legal claims	(18)	(81)
Gross value of contingent liabilities	**(18)**	**(81)**
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	**(18)**	**(81)**
Net value of contingent assets	**-**	**-**

A contingent liability of £18k exists at 31 March 2023 for potential third party claims in respect of employer's liability and public liability claim excesses (2021/22 £81k). Contingent liabilities are not included within the Trust's financial statements. A provision for the expected value of probable cases is shown in Note 23. The Trust has no contingent assets to disclose in this or the prior year.

The Trust is engaged in minor legal processes and proceedings for which there is significant uncertainty regarding outcomes, and payments are not deemed probable. For certain employment-related claims, reimbursement may be due to the Trust from third parties. As mentioned above, uncertainty regarding the progress of cases has increased due to COVID-19. For these cases, any potential liabilities to the Trust cannot be quantified, and they have therefore not been included within Provisions (Note 23).

Note 25 Contractual capital commitments

	31 March 2023 £000	31 March 2022 £000
Property, plant and equipment	1,489	245
Intangible assets	199	180
Total	**1,688**	**425**

Note 26 Other financial commitments

The trust is committed to making payments under non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangement), analysed by the period during which the payment is made. There were no other financial commitments in 2022/23 (2021/22: £nil)

Note 27 On-SoFP PFI, LIFT or other service concession arrangements

The Trust's main PFI arrangement is between the Trust and New Hospitals (St Helens & Knowsley) Limited, the latter being the special purpose vehicle currently acting for Medirest and Vinci. The main scheme commenced in 2006 and was to provide two new hospitals at the Trust's sites in St Helens and Whiston.

All construction was complete in November 2012 and the contract term runs to August 2047. For the duration of the arrangement, Vinci will provide hard facilities management (hard FM) services, while soft FM services are currently provided by Medirest and are subject to scheduled market testing, next occurring in June 2028. At the end of the arrangement the ownership of the buildings will pass to the Trust.

Under IFRIC12 as interpreted for the public sector, the assets are treated as assets of the Trust. The substance of the contract is that the Trust has a finance lease and payments comprise two elements - imputed finance lease charges and service charges. The price base is uplifted annually by the Retail Price Index, with the base RPI set in December 2002.

The PFI arrangement also incorporates a managed equipment service (MES) provided by GE which expires in 2026. The legal title of equipment remains with GE for the duration of the contract, passing to the Trust at the end of the contract term. At that point, the Trust will purchase all functioning MES equipment at a price equivalent to the current net book value.

Note 27.1 On-SoFP PFI, LIFT or other service concession arrangement obligations

The following obligations in respect of the PFI, LIFT or other service concession arrangements are recognised in the statement of financial position:

	31 March 2023 £000	As re-stated 31 March 2022 £000	Adjustment 31 March 2022 £000	As previously stated 31 March 2022 £000
Gross PFI, LIFT or other service concession liabilities	**330,243**	**344,244**	**(265,813)**	**610,057**
Of which liabilities are due				
- not later than one year;	13,520	14,192	(10,655)	24,847
- later than one year and not later than five years;	53,507	55,220	(42,053)	97,273
- later than five years.	263,216	274,832	(213,105)	487,937
Finance charges allocated to future periods	(110,458)	(118,358)	265,813	(384,171)
Net PFI, LIFT or other service concession arrangement obligation	**219,785**	**225,886**	**-**	**225,886**
- not later than one year;	5,745	6,203		6,203
- later than one year and not later than five years;	24,537	25,340		25,340
- later than five years.	189,503	194,343		194,343

The prior year figures for the due dates of liabilities and for finance charges for future periods have been re-stated to remove contingent rent from these lines. The total net PFI, LIFT or other service concession arrangement obligation of £225,886k for 21/22 remains unchanged.

Note 27.2 Total on-SoFP PFI, LIFT and other service concession arrangement commitments

Total future commitments under these on-SoFP schemes are as follows:

	31 March 2023 £000	31 March 2022 £000
Total future payments committed in respect of the PFI, LIFT or other service concession arrangements	**1,591,716**	**1,454,181**
Of which payments are due:		
- not later than one year;	68,326	59,659
- later than one year and not later than five years;	272,101	241,141
- later than five years.	1,251,289	1,153,381

Note 27.3 Analysis of amounts payable to service concession operator

This note provides an analysis of the unitary payments made to the service concession operator:

	2022/23 £000	2021/22 £000
Unitary payment payable to service concession operator	**61,046**	**57,093**
Consisting of:		
- Interest charge	7,984	8,164
- Repayment of balance sheet obligation	5,502	4,978
- Service element and other charges to operating expenditure	30,611	28,729
- Capital lifecycle maintenance	3,130	3,418
- Contingent rent	10,386	8,568
- Addition to lifecycle prepayment	3,433	3,236
Total amount paid to service concession operator	**61,046**	**57,093**

Note 28 Financial instruments

Note 28.1 Financial risk management

Liquidity risk

The Trust's net operating costs are normally incurred in delivering healthcare under annual contracts with Clinical Commissioning Groups (CCGs) and Integrated Care Boards (ICBs), which are ultimately funded from resources voted annually by Parliament. In 2020/21, as part of the COVID-19 sector-wide response, commissioners moved onto block contract payments to simplify transaction flows and to support liquidity into 2021/22. This reflected the reality that - as an NHS provider - the Trust's liquidity risk is mitigated at local and national levels by local and national policy.

If required, the Trust can access additional financial support through the issue of Public Dividend Capital or, potentially, short-term working capital loans by the Department of Health and Social Care (DHSC). The Trust actively mitigates liquidity risk by daily cash management procedures, keeping all cash balances in an appropriately liquid form. Liquidity is monitored by the Trust's Board and its sub-committees on a monthly basis. The Trust holds an interest free loan of £0.6m (21/22 £1.1m), which has funded a combined heat and power (CHP) facility.

Loan repayments are contained within the Maturity of financial liabilities table in Note 22.

Credit risk

The Trust minimises its exposure to credit risk arising from deposits with banks and financial institutions through implementing its Treasury Management procedures. Cash required for day to day operational purposes is held within the Trust's Government Banking Services (GBS) account.

The Trust has and expects a very low level of debt write-off as the majority of its invoices by value relate to public sector bodies. The Trust regularly reviews debtor balances, and has a comprehensive system in place for pursuing past-due debt. Aged debts are regularly assessed and proactive credit control is in place, including referral to debt recovery agents when internal efforts are exhausted and pursuit is deemed cost-effective. Every quarter, aged debts are presented to the Trust's Audit Committee for further scrutiny.

The main source of income for the Trust is from CCGs and ICBs in respect of healthcare services provided under contractual agreements. The credit risk associated with such customers is minimal. Non-NHS customers (for example, private patients and prescription charges) typically have a higher rate of write-off, but represent a small proportion of income. Therefore, the Trust is not exposed to significant credit risk from its customers.
The movement in the Allowance for credit losses during the year is disclosed in Note 18. The Trust's approach to the impairment of financial assets is detailed in Note 1.13

The carrying amount of financial assets represents the Trust's maximum level of credit exposure. Therefore, the maximum exposure to credit risk at the Statement of Financial Position date was £59.1m (2021/22: £30.9m), being the total of the carrying amount of financial assets excluding cash (Note 28). There are no amounts held as collateral against these balances.

Market risk

The Trust is principally a domestic organisation with the 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.

The Trust does not invest for capital appreciation. All of the Trust's financial assets and financial liabilities carry nil or fixed rates of interest other than the Trust's bank accounts which earn interest at a floating rate; the Trust is not exposed to significant interest rate risk.

Note 28.2 Carrying values of financial assets

Carrying values of financial assets as at 31 March 2023	2022/23 £000
Trade and other receivables excluding non financial assets	59,115
Cash and cash equivalents	25,639
Total at 31 March 2023	**84,754**

Carrying values of financial assets as at 31 March 2022	2021/22 £000
Trade and other receivables excluding non financial assets	30,898
Cash and cash equivalents	54,172
Total at 31 March 2022	**85,070**

All of the Trust's financial assets are classified as held at amortised cost , and are measured accordingly. The Trust's financial assets have carrying values which are not significantly different from their fair values.

Note 28.3 Carrying values of financial liabilities

Carrying values of financial liabilities as at 31 March 2023	2022/23 £000
Obligations under leases	24,780
Obligations under PFI, LIFT and other service concession contracts	219,785
Other borrowings	633
Trade and other payables excluding non financial liabilities	77,187
Total at 31 March 2023	**322,385**

Carrying values of financial liabilities as at 31 March 2022	2021/22 £000
Obligations under leases	1,938
Obligations under PFI, LIFT and other service concession contracts	225,886
Other borrowings	1,055
Trade and other payables excluding non financial liabilities	74,942
Total at 31 March 2022	**303,821**

All of the Trust's financial liabilities are classified as held at amortised cost , and are measured accordingly. The Trust's financial liabilities have carrying values which are not significantly different from their fair values.

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.

	31 March 2023 £000	As re-stated 31 March 2022 £000	Adjustment 31 March 2022 £000	As previously stated 31 March 2022 £000
In one year or less	95,249	90,185	10,655	100,840
In more than one year but not more than five years	67,140	57,305	42,053	99,358
In more than five years	271,630	274,832	213,105	487,937
Total	**434,019**	**422,322**	**265,813**	**688,135**

The Trust is required to include in this note future cash flows for finance charges. Because of these additional finance charges, this note's total balances exceed Total financial liabilities per Note 28.3.

As set out in note 27.1, the prior year figures for the due dates of liabilities and for finance charges for future periods have been re-stated to remove contingent rent from these lines. The total net PFI, LIFT or other service concession arrangement obligation for 21/22 remains unchanged.

Note 28.5 Fair values of financial assets and liabilities

The book value (carrying value) is considered to be a reasonable approximation of fair value.

Note 29 Losses and special payments

	2022/23 Total value of cases Number	2022/23 Total value of cases £000	2021/22 Total value of cases Number	2021/22 Total value of cases £000
Losses				
Cash losses	13	4	39	50
Bad debts and claims abandoned	17	1	65	3
Stores losses and damage to property	74	139	25	129
Total losses	**104**	**144**	**129**	**182**
Special payments				
Compensation under court order or legally binding arbitration award	-	-	3	46
Ex-gratia payments	37	78	26	61
Total special payments	**37**	**78**	**29**	**107**
Total losses and special payments	**141**	**222**	**158**	**289**

Note 30 Related parties

Whole of Government Accounts (WGA) and consolidation

NHS England and NHS Improvement prepares consolidated NHS provider accounts which do not contain its results or those of its constituent bodies, as it is not a parent body of NHS trusts or foundation trusts. The Department of Health and Social Care (DHSC) is the parent department of all NHS providers, including St Helens and Knowsley Teaching Hospitals NHS Trust. The Department of Health and Social Care uses the provider sub-consolidation as part of the DHSC group accounts, which are ultimately then further consolidated into the Whole of Government Accounts. Although there is a number of consolidation steps between the Trust's accounts and Whole of Government Accounts, the Trust's ultimate parent is HM Government.

WGA bodies

All bodies within the scope of Whole of Government Accounts are considered to be related parties as they fall under the common control of HM Government and Parliament. The Trust's related parties therefore include other NHS bodies, local authorities, and central government entities.

During the year, the Trust has had a number of transactions with WGA bodies. Listed below are those entities other than DHSC for which the total transactions or total balances with the Trust have been collectively significant or potentially material to the other body.

NHS England (including sub-entities), up to 30 June 2022 Clinical Commissioning Groups: NHS Liverpool CCG, NHS St Helens CCG, NHS Halton CCG, NHS Knowsley CCG, NHS Wigan Borough CCG, NHS Warrington CCG, after 1st July 2022 NHS Cheshire & Mersey ICB, Health Education England, Mersey Care NHS Foundation Trust, Warrington and Halton Teaching Hospitals NHS Foundation Trust, Southport And Ormskirk Hospital NHS Trust, HM Revenue & Customs, NHS Pension Scheme, Cwm Taf Morgannwg University Health Board, NHS Resolution

Transactions with DHSC

The Trust received additional PDC of £18m (2021/22: £7.5m) from DHSC, and incurred no PDC dividend expenditure in 2022/23 (2021/22: £nil). During the year, DHSC also provided the Trust with centrally procured consumables totalling £0.9m (2021/22: £1.4m) and other low-value equipment (Note 5).

Allowance for credit losses - related parties

No related party debts have been written off by the Trust in 2022/23 (21/22: £nil). The Trust's Allowance for credit losses includes no balance in relation to its related parties (21/22: £nil).

Charitable related parties

Whiston and St Helens Hospitals' Charity (registered charity number 1053125) is a subsidiary of the Trust and therefore a related party. The Trust is the Charity's corporate trustee, which means that the Trust's Board of Directors is charged with the governance of the Charity. The Charity's sole activity is the funding of capital and revenue items for the benefit of the Trust's patients. Further details can be found at http://www.wshospitalscharity.org/.

The Charity's total funds balance as at 31 March 2022 was £0.7m (2021/22: £0.7m). During the year, the Charity incurred expenditure of £0.1m (2021/22: £0.1m) in respect of goods and services for which the Trust was the beneficiary, and to reimburse the Trust for support costs relating to administration.

Other related parties

Aside from the Trust's Charity, the Trust has no subsidiaries or associates.

Note 31 Events after the reporting date

In September 2021 the Trust entered into an Agreement for Long Term Collaboration (ALTC) with Southport and Ormskirk Hospital NHS Trust. In September 2022 the Boards of both Trusts agreed that the partnership should be formalised and proposals for a transaction to bring the two organisations together should be progressed. These plans have been supported by the Cheshire and Merseyside ICB and the Lancashire and South Cumbria ICB, and by NHS England North West Region. The transaction plans have been supported by the NHSE Strategy, Performance and Investment Committee and final approval from the Secretary of State for Health and Social Care allowed the transaction to take place on 1st July 2023. Throughout 2022/23 the Trust has continued to provide operational and strategic leadership working with the Board of S&O and teams across both organisations continued to work closely to share good practice, improve the fragile services at S&O, increase resilience and prepare for the combined organisation.

There are no other events after the reporting date which require disclosure.

Note 32 Better Payment Practice code

Non-NHS Payables	2022/23 Number	2022/23 £000	2021/22 Number	2021/22 £000
Total non-NHS trade invoices paid in the year	74,736	242,099	67,175	225,618
Total non-NHS trade invoices paid within target	68,361	233,998	57,536	218,718
Percentage of non-NHS trade invoices paid within target	91.5%	96.7%	85.7%	96.9%
NHS Payables				
Total NHS trade invoices paid in the year	5,087	27,356	4,138	20,342
Total NHS trade invoices paid within target	4,672	22,947	3,885	18,385
Percentage of NHS trade invoices paid within target	91.8%	83.9%	93.9%	90.4%

The Better Payment Practice code requires the NHS body to aim to pay all valid invoices by the due date or within 30 days of receipt of valid invoice, whichever is later.

Note 33 External financing limit

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

	2022/23 £000	2021/22 £000
Cash flow financing	36,056	(1,251)
External financing requirement	**36,056**	**(1,251)**
External financing limit (EFL)	41,456	(1,251)
Under / (over) spend against EFL	**5,400**	**-**

The Trust EFL limit for 2022/23 is £5.4m underspent as NHS England did not transfer the limits for a scheme that was eventually undertaken by NHS England. Adjusted for this the Trust is in a breakeven EFL position.

Note 34 Capital Resource Limit

	2022/23 £000	2021/22 £000
Gross capital expenditure	17,031	20,091
Less: Disposals	-	(952)
Less: Donated and granted capital additions	(103)	(175)
Plus: Loss on disposal from capital grants in kind	-	952
Charge against Capital Resource Limit	**16,928**	**19,916**
Capital Resource Limit	31,324	19,916
Under / (over) spend against CRL	**14,396**	**-**

The Trust CRL limit for 2022/23 is £14.4m underspent which is due to: £5.4m underspent as NHS England did not transfer the limits for a scheme that was eventually undertaken by NHS England and £9.0m due to a transfer of assets under construction into prepayments.

Note 35 Breakeven duty financial performance

	2022/23 £000
Adjusted financial performance surplus / (deficit) (control total basis)	7,131
Remove impairments scoring to Departmental Expenditure Limit	-
Add back non-cash element of On-SoFP pension scheme charges	-
IFRIC 12 breakeven adjustment	-
Breakeven duty financial performance surplus / (deficit)	**7,131**

Certain impairments score as DEL (within DHSC budgets). In a broad sense, this is when they are deemed to be 'controllable'.

Note 36 Breakeven duty rolling assessment

	1997/98 to 2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Breakeven duty in-year financial performance		225	296	305	700	1,150	(2,551)	(9,551)
Breakeven duty cumulative position	2,807	3,032	3,328	3,633	4,333	5,483	2,932	(6,619)
Operating income		236,411	252,944	263,864	278,572	288,448	301,674	313,287
Cumulative breakeven position as a percentage of operating income		1.3%	1.3%	1.4%	1.6%	1.9%	1.0%	(2.1%)

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Breakeven duty in-year financial performance	4,861	5,001	(597)	4,351	(2,618)	697	7,131
Breakeven duty cumulative position	(1,758)	3,243	2,646	6,997	4,379	5,076	12,207
Operating income	349,934	383,587	402,158	446,792	511,310	524,352	585,938
Cumulative breakeven position as a percentage of operating income	(0.5%)	0.8%	0.7%	1.6%	0.9%	1.0%	2.1%

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