St Helens and Knowsley Teaching Hospitals NHS Trust

Annual Report and Accounts 2019-20

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SECTION 1 - PERFORMANCE REPORT

1. Overview of performance

This section provides the reader with information on the organisation, its purpose, how it has performed in 2019/20, and the key risks to the achievement of its objectives.

1.1 Statement from the Chief Executive

I am delighted to present the 2019/20 Annual Report and Accounts. We continued to build upon our impressive results from last year, despite operating in a challenged health and social care environment. The Trust's vision is to deliver **5 Star Patient Care** by providing high quality health services and an excellent patient experience. The following points highlight just some of the exceptional achievements of the Trust and its staff.

- Won the prestigious national **HSJ Acute Trust of the Year Award 2019**.
- The Trust was rated **Outstanding** by the CQC as published in 2019.
- Achieved the **best scores in the NHS**, in the *Patient-led Assessments of the Care Environment* (PLACE) 2017, 2018 and again in 2019. In 2019, the Trust scored an average of 99% across the board, which is the highest overall score in the NHS. The Trust has consistently been recognised for the standard of food, privacy, dignity and wellbeing, facilities for patients living with dementia and facilities for patients with disabilities. We also scored 100% for cleanliness as well as for the condition of our hospital buildings.
- The annual **NHS Staff Survey** results were once at the very top of national scores. Some of the highlights are listed below.
  - Most recommended acute trust for care and treatment for second year running.
  - Top acute trust for staff engagement for the fourth consecutive year.
  - Top acute trust for safety culture for the third consecutive year.
  - Best national scores for 5 of the 11 themes, and runner-up for another 5.
  - Highest marks in the following areas.
    - Quality of care (2015, 2016, 2017, 2018 & 2019)
    - Staff morale (2018 & 2019)
    - Tackling bullying and harassment (2018 & 2019)
    - Positive organisational culture of safety (2017, 2018 & 2019)
    - Staff engagement (2016, 2017, 2018 & 2019)
    - Fairness for career progression (2017, 2018 & 2019)

Within 2019/20, the Trust successfully assumed responsibility for St Helens Urgent Treatment Centre (UTC), to add to our portfolio of local community and primary care services.

During 2019/20, there was again continued growth in demand for our services, in particular urgent care. A&E attendances increased by 3%, and on some days there were over 400 attendances, a level which has never been seen before. The total number of people treated in A&E for 2019/20 was over 119k, which is more than other acute trusts in the Cheshire & Merseyside region.
Performance against key indicators was significantly impacted in March 2020, as the Trust mobilised to address COVID-19. Key results for 2019/20 are as follows.

- Flu vaccine take-up was once again impressive, with performance at 93.9% against a target of 80%.
- 98.7% of patients received harm-free care, per the NHS Safety Thermometer.
- Falls resulting in severe harm reduced by 33% (12 compared with 18 in 2018/19).
- There were 43 reported clostridium difficile infections, compared with the threshold of 48, set by the regulators.
- The Trust was able to sustain an overall registered nurse fill rate (a measure of safe staffing) of 96.3% for the year, despite national recruitment and retention challenges (April to February, as March reporting was suspended).

- 95.6% of inpatients recommend our services, as recorded by the Friends and Family Test (April to February, as March reporting was suspended).
- Performance in the Sentinel Stroke National Audit Programme was again excellent. 89.3% of stroke patients spent at least 90% of their hospital stay on a stroke unit, against a national target of 83%. This was an improvement from an already strong performance last year of 85.7%.
- The Trust continued to meet 62 day national cancer performance target, achieving 86.2% against a national target of 85%.
- The 6 week diagnostic target was achieved in March with 99.7% compliance (Target 99%).
- The number of patients waiting more than 52 weeks from referral to treatment (RTT) was zero. This is an excellent result, given the national instruction to minimise elective activity in March to only those with the most clinical need, such as cancer patients.
- Continued reduction in agency staff expenditure, by 5% to £7.9m or 3% of total pay spend in the year.

Disappointingly, due to activity pressures, we were not able to achieve all targets set. We will continue to look at world class practices, and implement improved ways of working wherever possible, in striving to achieve these targets safely.

Pressures in the social and community care setting meant that many patients were not able to be discharged in a timely manner from our hospital, despite being clinically ready to leave. The unintended impact was that the Trust's bed occupancy was close to 100% (general and acute beds). This situation meant delays in admissions from A&E, and ultimately showed in our A&E mapped performance being at 83.9%, against the standard of 95%.

Despite these pressures, the Trust was able to avoid any 12 hour trolley waits, cancelled less than 0.7% of planned operations (of which 98.3% were re-booked within 28 days), and accommodated only 1% of medical patients in another area of the hospital. Going forward, the Trust has invested in extra bed capacity to aid flow and ultimately improve urgent and planned care.

In February, the Trust was achieving its 18 week referral to treatment target with performance at 92.1%, and was on track to finish the year above the minimum 92% target. However, providers were subject to national directives to cancel non-urgent treatment to free beds for the surge in COVID-19 patients expected from March onwards. This decision inevitably impacted full-year performance, and we finished the year at 90.3%.

It has been another extremely challenging year for the Trust, but I truly believe that this has been outweighed by the outstanding achievements and contribution made by each and every member of staff. Their dedication and commitment to achieving **5 Star Patient Care** shows each and every day. I am extremely proud of how our staff work tirelessly, demonstrating compassion and respect to our patients and their colleagues. This includes the teams of volunteers and carer groups, whose involvement and time is generously provided and gratefully received. They are a very important part of the overall team at the Trust, and, along with our partners, make an invaluable contribution to the experience of patients.

Without all of those people who are unrelenting in giving our patients the best care possible (and with a smile), we most certainly would not have won the prestigious HSJ Acute Trust of the Year Award. However, what truly sets 2019/20 apart from previous years is how we ended the year – the very many instances of bravery and dedication shown by individuals and teams as we began to pull together in our unified response to the COVID-19 pandemic.

1.2 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 Intermediate Care services are delivered from Newton Community Hospital in Newton-le-Willows, and during 2019/20, the Trust became the provider of the Urgent Treatment Centre, operating from the Millennium Centre, which is in the centre of St Helens. Both of these are modern, purpose-built facilities.

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. In addition, all St Helens Community Services will be transferred to the Trust with effect from 1 April 2020.

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.

The Trust employed an average of 5,543 full time equivalent (FTE) staff during 2019/20, including 425 temporary staff. The Trust's turnover grew from £402m in 2018/19 to £447m in 2019/20.

Our catchment population

The communities served by the Trust are characterised by their industrial past, 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, are significantly higher than the national average. Many areas also have high levels of deprivation, which in turn is linked to health inequalities.

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

All these factors give rise to a population with greater health needs that require increased access to both health and social care.

Collaborative working

To help create both clinically and financially sustainable services, the Trust is working in several different collaborations with partners in the local health system.

The Trust is a member of the Cheshire & Merseyside Health and Care Partnership (C&M HCP), which is made up of all NHS commissioners and provider trusts, and the local authorities in Cheshire and Merseyside. It draws together the nine local authority areas (including St Helens, Knowsley, Halton and Warrington). During 2019/20, the C&M HCP continued to focus on the development of local place-based care, and a number of themes, for example, Urgent and Emergency Care and Collaboration at Scale.

The Trust is actively involved in several of the work streams e.g. Cancer, Women's and Children's, and collaboration in clinical support services and corporate services. The Trust's Chief Executive was the lead for the Cancer programme during 2019/20.

As a result of the global pandemic (COVID-19), whole-system Hospital cells and Community cells were created within the North West region to allow greater alignment and mutual aid across Cheshire & Merseyside, Greater Manchester, and Lancashire. The Trust's Chief is the Senior Responsible Officer for the Hospital cell within Cheshire & Merseyside.

The Trust is also working in partnership with the clinical commissioning groups (CCGs), local authorities and other provider trusts, to develop opportunities for integrated care systems in St Helens, Knowsley and Halton. Although each borough is developing different models for integration based on local circumstances, there is a strong commitment in each to achieve greater integration of health and care services.

The Trust continues to provide services to other NHS organisations. The Health Informatics Service (HIS) provides information systems and expertise to several CCGs and trusts in the Mid Mersey area. The Human Resources and Payroll teams have secured contracts to deliver payroll and transactional HR services to a large proportion of the trusts in Cheshire and Merseyside, with further contracts being agreed throughout 2019/20. They have also secured contracts to be the Lead Employer for junior doctors in training on behalf of several deaneries across the country, with continued expansion during 2019/20.

Work is progressing to create pathology and diagnostic imaging networks across the North Mersey area, and the Trust is an active member of both these groups. The Chief Executive is chair of the local A&E delivery board, which coordinates the urgent care response across St Helens, Knowsley, Halton and Warrington.

The Trust continues to work towards the NHS Long Term Plan that was released in January 2019, but acknowledges that the 2020 pandemic will have an impact on the delivery over the coming years. It has also confirmed the strategic direction of the NHS – working towards the increasingly integrated provision of health care, at the local level. This move towards health and care systems is formalised in an ambition to create Integrated Care Systems (ICSs), covering all areas of England by 2020/21.

1.3 The Trust's vision and objectives

The Trust's vision is to deliver **5 Star Patient Care** by providing an excellent patient experience through high quality health services. This is captured in the 'Star Chart' which is used in Trust publications and displayed on noticeboards throughout the Trust.

This vision underpins the Trust objectives, which set out plans for improving safety, care, systems, communication and pathways of treatment, supported by robust operational and financial performance and strategic developments.

The Trust objectives are refreshed each year, reflecting national and local goals, the views of our stakeholders, carers, patients and staff as well as the Trust's own development plans.

The use of a familiar format for displaying the objectives since 2005 has ensured that staff throughout the organisation are able to recognise the Trust's high-level aims and understand how they individually can contribute towards their achievement.

The objectives are launched each year at a 'Start of Year' Conference at which the Chief Executive summarises performance and achievements from the previous year and gives an overview of plans for the year to come. Each objective is owned at a senior level by a director and they are cascaded to teams and individuals to form the basis of personal objectives for all staff.

Twice a year the Trust Board formally reviews progress against these objectives and initiates mitigating actions, where necessary, to ensure success and compliance.

The Trust objectives for 2019/20 are publicised in poster form throughout the Trust buildings and are available on the Trust web site.
http://www.sthk.nhs.uk/about/trust-publications/trust-objectives
They are included on the following page.

2019-20 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 for our patients and their families

- Implement a new system for identifying deteriorating patients to improve timeliness of treatment
- Further improve discharge planning by replicating the success of the "Home for Lunch" initiative at weekends
- Continue to increase the range of services provided 7 days a week

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

- Continue to improve the ways that we deliver timely and effective assessment of patients in the Emergency Department
- Reduce the number of patient falls by 10% compared to 2018/19
- Implement a new electronic monitoring system in the Maternity Unit to ensure patients receive appropriate interventions at the right time
- Continue to learn lessons and improve practice as a result of reviewing and investigating hospital deaths

5 STAR PATIENT CARE - Pathways

We will reduce variations in care pathways to improve outcome, whilst recognising the specific individual needs of every patient

- Achieve the target of sending 85% of e-discharge summaries to GPs within 24 hours of discharge, to allow appropriate care to be continued outside of hospital
- Maximise the benefits of providing primary and community health services to support integrated care in our local health systems
- Increase capacity and improve clinical adjacencies at Whiston Hospital, to create more assessment space and support the expansion of Same Day Emergency Care (SDEC)

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

- Improve information for patients, so it is available at the right time and in the right format, to meet individual needs
- Increase the use of patient feedback, to identify themes which help shape service developments and future improvement plans
- Increase the range of communication methods with the Trust to improve access and responsiveness for patients, relatives and others

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

- Maximise the functionality of the new Medway system to support staff to deliver high quality care
- Improve the systems for booking outpatient appointments and reduce the number of appointments that have to be rearranged
- Increase the use of the e-Rostering system to improve deployment of staff resources
- Work with partners in St Helens to maximise the use of the Shared Care Record to share information relevant to decisions about patient care

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

- Continue to implement innovative approaches to recruitment and retention, to provide high quality care
- Continue to respond to feedback from staff to improve the working environment, so that the Trust continues to be recognised as an employer of choice
- Offer more training and development opportunities, to support staff in realising their potential
- Implement a capacity and demand modelling system to help plan the right number and skill mix of staff

OPERATIONAL PERFORMANCE

We will meet and sustain national and local performance standards

- Achieve national performance and access standards:

- Improvement trajectory for emergency access standards
- Cancer treatment waiting times
- 18 week access to treatment for planned care
- Waiting times for diagnostic tests
- Ambulance handover times

- Maximise the productivity and effectiveness of clinical services through the use of benchmarking and comparative data e.g. GIRFT and Model Hospital, 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

- Use the Model Hospital national benchmarking and reference costs information to optimise the efficiency of services and deliver cost improvement targets
- Work with healthcare organisations across Cheshire and Merseyside to explore further opportunities for collaborative corporate services
- Improve demand and capacity prediction and modelling to better align resource utilisation

STRATEGIC PLANS

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

- Work with health care system partners to develop plans to implement the ambitions of the NHS Long Term Plan, for our local population
- Collaborate with partners to develop plans for integrated care systems (ICS)
- Work with Cheshire and Merseyside Health Care Partnership to develop sustainable plans for service delivery across the wider health economy

1.4 Key issues and risks to delivering objectives

The Chief Executive's opening statement highlights the key pressures that the Trust has experienced during 2019/20 and these, along with COVID-19, are the bases of the Trust's identified key risks going forward. We expect to see rising demand for our services, but a reduction in our capacity to meet that demand, directly relating to COVID-19 measures such as additional infection control and social distancing, which are expected to reduce the Trust's productivity.

The Trust has undertaken risk assessments and worked with the Department of Health and Social Care to prepare for the implications of leaving the European Union on the supply of medical equipment, consumables, medicines, and staff.

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.

1.5 Going concern disclosure

The Trust is judged to be a going concern if it is to continue in operation for the foreseeable future. There is no presumption of going concern status for NHS trusts. Directors must decide each year whether or not the Trust is a going concern, and whether it is appropriate for the Trust to prepare its accounts on the going concern basis. They must also decide whether any material uncertainties have been identified for disclosure, as guided by the Department of Health and Social Care Group Accounting Manual (GAM) 2019-20.

In forming a view, the directors have considered key factors in the Trust's operating environment and / or captured in the Trust's financial plans. This assessment covers a period of at least 12 months from the date of approval of the financial statements.

In particular, the directors have noted the Trust's reasonable plans to maintain financial balance, with no plans to borrow for revenue purposes. In 2020/21, there are variations in the NHS provider funding regime arising from COVID-19. However, no major losses of income are anticipated, and the Trust reasonably expects to remain financially stable in the foreseeable future.

£18.8m of historic Trust borrowings will effectively be converted into public dividend capital (PDC) within 2020/21, in a national initiative to remove the risks associated with future material loan repayments. The directors note that the resulting shift of loans from non-current to current liabilities as at 31 March 2020 is an interim presentation matter prior to transfer which does not itself signal risk.

The directors have noted that the Trust intends to continue to operate for the foreseeable future, and that it has not been informed by any relevant national body of any intention related to the dissolution of the Trust. For this reason, they continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include the adjustments that would result if the Trust was unable to continue as a going concern.

SECTION 1 - PERFORMANCE REPORT

2. Performance Analysis

A full analysis is not required in 2019/20, due to national COVID-19 reporting concessions. High-level performance summaries are included as follows.

2.1 Key performance measures

Each month the Trust produces an Integrated Performance Report (IPR) which charts performance against over 350 measures. Some of these reflect national and constitutional targets, some are agreed with commissioners locally, and some are internally generated to help monitor achievement of the Trust objectives. Summaries of these reports can be accessed on the Trust's website within regular Board papers.
http://www.sthk.nhs.uk/about/trust-board/trust-board-papers-2020/2019

Whilst this section provides some indicators of the Trust's performance in 2019/20, more detailed data on quality achievements is presented in the Trust's Annual Quality Account available on our website.
http://www.sthk.nhs.uk/about/Pages/Quality-Accounts.aspx

The level and types of clinical activity for 2019/20 compared with 2018/19 are detailed in the following table.

Activity type	2018/19	2019/20	Difference %
Outpatient 1st attendances	144,224	149,515	3.7%
Outpatient follow-up attendances	306,815	318,086	3.7%
Ward attenders	20,136	21,885	8.7%
Outpatient procedures	32,224	32,227	0.0%
Elective inpatients	6,916	6,206	-10.3%
Day case	43,528	45,935	5.5%
Non-elective inpatients (less Obstetrics)	57,446	56,458	-1.7%
A&E attendances	115,734	119,158	3.0%
Births	4,051	3,983	-1.7%

During 2019/20, the Trust has experienced further increases in A&E attendances above commissioned levels. There have also been increases outpatient referrals, as the impact of the *referral management schemes* (RMSs) put in place in each of the three main commissioning CCGs has plateaued. The Trust increased the day case rate and reduced elective activity throughout 2019/20, to ensure patients could return safely to their own residence in the shortest possible timeframe.

While A&E attendances increased, non-elective activity reduced because of limited capacity with acute beds. This issue was addressed by the Board during 2019/20 with the approval of works, providing a further 60 acute beds on the Whiston Hospital site.

The COVID-19 pandemic had an impact on activity in quarter 4, with A&E attendances reducing throughout March (a reduction of 22% in March 2020, compared with March 2019), and all non-essential activity ceasing, to enable preparation for COVID-19 patients.

2.2 Performance summary - 2019/20

Key performance against national targets in 2019/20 is provided in the following table.

Summary of key national targets 2019/20	Target	Achieved
Emergency Department waiting times within 4 hours (all types mapped)	95.0%	83.9%
% of patients waiting less than 62 days for first treatment for cancer from urgent GP referral	85.0%	86.2%
% of patients receiving first treatment within 31 days from diagnosis of cancer	96.0%	97.1%
% of admitted patients treated within 18 weeks of referral	92.0%	90.3%
% of patients treated within 28 days following a cancelled operation	100.0%	98.3%
Number of hospital-acquired MRSA bacteraemia incidences	0	1 MRSA contaminant
Number of hospital-acquired c. difficile incidences	48	43
% of patients admitted with a stroke spending at least 90% of their stay on a stroke unit	83.0%	89.3%
Staff sickness	4.5%	5.3%

It is testament to the hard work of Trust staff that, despite escalating activity in our hospitals and operating at full capacity for much of the year, and the global pandemic, the Trust performed exceptionally well against the majority of national targets.

2.3 Financial Performance

The Trust continues to achieve outstanding financial performance and posted a year end surplus of £8.5m, including impairment reversals of £4.3m, against a plan surplus of £3.8m. This takes the Trust's overall cumulative surplus to £7.0m. This position reflects sound financial management and efficiency within the Trust.

The Trust's budgets are expressed in a single document held and reviewed by NHS Improvement (NHSI).

This document is known as the Trust's *financial plan*.

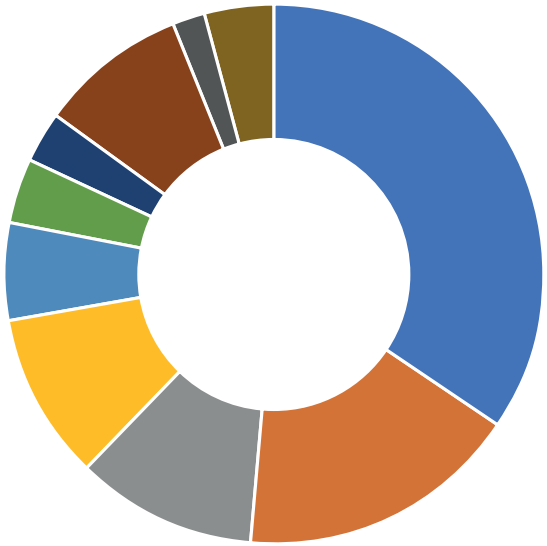
At the start of the year, the Trust's planned surplus of £3.8m was predicated on receiving the full allocation of £6.5m from the Provider Sustainability Fund (PSF). This non-recurring PSF income has been made available to support NHS providers in maintaining a sustainable financial footing, and is linked to the acceptance of a financial control total – with the final amount linked to how close a provider is to delivering that control total.

The Trust delivered a recurrent cost improvement (CIP) programme totalling £16.1m throughout 2019/20, which enabled the delivery of the agreed control total of £3.8m (Note 32 to the Accounts), enabling access to the full £6.5m balance of PSF funding available.

In responding to the unprecedented demand for services over the winter period and opening additional capacity (escalation beds), combined with increased staff shortages, the Trust has maintained patient safety but has increased expenditure, often at premium rates. Despite these challenges, the Trust still reduced agency expenditure by 5% (£0.4m) during 2019/20. Since the introduction of agency caps and monitoring in 2017/18, the Trust has reduced overall agency expenditure by 27% (£2.9m).

Income

For the financial year 2019/20, the Trust received £447.1m of income which is an 11% increase on the previous year.



Total income £447.1m

- 35% NHS St Helens CCG
- 17% NHS Knowsley
- 11% NHS Halton CCG
- 10% NHS England and its sub-entities
- 6% NHS Liverpool CCG
- 4% NHS FTs
- 3% Health Education England
- 9% Other NHS bodies
- 2% Other government bodies
- 4% Bodies external to government

The chart (above) depicts the Trust's total income and gains for 2019/20, split by customer or commissioner type.

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

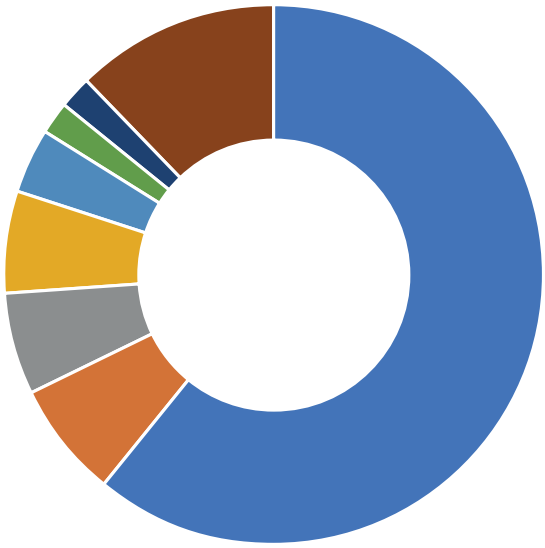
Of the income received by the Trust, £367.0m (82%) came from patient-related activities. This income has increased by 13% compared with the previous year. The largest source of patient-related income was St Helens Clinical Commissioning Group.

The remaining 18% of total operating income mainly arose from NHS North West Deanery for the education and training of junior doctors, services provided to other organisations, such as IT, HR and pathology services, and Private Finance Initiative (PFI) support funding.

Expenditure

The Trust strives to secure better value and become more efficient each year, thereby freeing up resources for direct patient care. In this regard the Trust delivered £16m of savings through its cost improvement programme in 2019/20.

Aside from staff pay and the day-to-day purchasing of goods and services, the Trust experiences high finance costs related to its PFI arrangements (£18.2m). £10.8m relates to the Trust's clinical negligence insurance (CNST) premium, and a further £10.6m for depreciation and amortisation is included in the overall expenditure figure. This is a non-cash item, which is charged annually to reflect the usage and consumption of capital assets which were purchased in this and previous years.



Total expenditure £438.5m

- 61% Pay
- 7% Clinical supplies
- 6% PFI
- 6% Drugs
- 4% PFI finance costs
- 2% CNST
- 2% Depreciation
- 12% Other

The chart (left) depicts the main categories within total reported expenditure for 2019/20.

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

Use of Resources rating (UoR rating)

	UoR financial metric	Actual	Plan
		Rating	*Rating*
Financial sustainability	Liquidity	2	4
	Capital service capacity	4	4
Financial efficiency	I&E margin	2	2
Financial controls	Distance from financial plan	1	1
	Agency spend	2	1
	Overall UoR financial rating	**3**	**3**

The table (left) shows the Trust's 2019/20 UoR rating.

NHSI assesses financial risk through the UoR rating. It is measured from 1 to 4 using a number of financial metrics, with 1 being the highest rating.

The Trust's overall UoR rating was 3 for 2019/20, which was broadly consistent with plan.

Performance Report

signed by

Ann Marr

Ann Marr OBE
Chief Executive

24 June 2020


Our Vision is

SECTION 2 - ACCOUNTABILITY REPORT

3. Corporate Governance Report

The purpose of this report is to explain the composition and organisation of the Trust's governance structures, and how they support the achievement of the Trust's 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 Chair. The composition of the Board during 2019/20 was as follows.

	Position	Name	Term of office	Committee membership
Non-executive directors	Chair	Richard Fraser	Appointed May 2014 & 2016	Remuneration
	Deputy Chair / Senior Independent Director (SID)	Denis Mahony	Appointed August 2012 & 2016 Appointment ended Dec 2019	Audit Finance & Performance Remuneration
	Non-Executive Director Deputy Chair / SID from Jan 2020	Val Davies	Appointed July 2017	Quality Remuneration
	Non-Executive Director	Su Rai	Appointed September 2012, 2014 & 2016 Appointment ended Sept 2019	Audit Finance & Performance Remuneration
	Non-Executive Director	Jeff Kozer	Appointed January 2018	Audit Finance & Performance Remuneration
	Non-Executive Director	Paul Growney	Appointed September 2018	Charitable Funds Finance & Performance Remuneration
	Non-Executive Director	Ian Clayton	Appointed September 2019	Audit Finance & Performance Remuneration
	Non-Executive Director	Gill Brown	Appointed January 2020 Associate NED (shadow appointment from Sept 2019)	Audit Quality Remuneration
Executive directors	Chief Executive	Ann Marr OBE	Appointed January 2003	Executive Quality Finance & Performance
	Deputy CEO / Director of Human Resources	Anne-Marie Stretch	Appointed July 2003	Executive Quality Finance & Performance
	Medical Director	Kevin Hardy	Appointed November 2012 Left September 2019	Executive Quality Finance & Performance
	Medical Director	Rowan Pritchard Jones	Appointed September 2019	Executive Quality Finance & Performance
	Director of Nursing, Midwifery and Governance	Sue Redfern	Appointed May 2013	Executive Quality
	Director of Finance & Information	Nikhil Khashu	Appointed October 2015	Executive Quality Finance & Performance
Associate directors	Director of Transformation	Tiffany Hemming	Appointed May 2017	Executive
	Director of Corporate Services	Nicola Bunce	Appointed July 2017	Executive Quality Finance & Performance
	Director of Informatics	Christine Walters	Appointed September 2015	Executive
	Director of Operations and Performance	Rob Cooper	Appointed January 2017	Executive Quality Finance & Performance
	Associate Non-Executive Director	Lisa Knight	Appointed July 2019	Quality Charitable Funds Remuneration

The NEDs and executive directors detailed in the table above are voting members. It can be seen in the table above that there were six NED posts and five executive directors at any point in the year. In the event of a vote, the non-executive directors always have the majority. Associate directors 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 Chair is appraised by the Deputy Chair in conjunction with NHS England and NHS Improvement.

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.

3.1.2 Fit and Proper Persons Requirement (FPPR)

The Health and Social Care Act 2008 (Regulated Activities) Regulations 2014 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, bankruptcy and sequestration, insolvency, being struck off a professional register, 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.

NHS England and NHS Improvement has a role in checking against 'fitness' criteria, and in supporting NHS trusts in completing their own checks. The Trust requires all directors to make an annual declaration of compliance with the FPPR standards. In 2019/20, 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 Chair, who concluded that the Board members were, and remain, fit to carry out the roles they are in.

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 Improvement, in exercise of powers conferred on the NHS Trust Development Authority, 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 24 June 2020

3.2.2 Statement of directors' 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 24 June 2020

Nikhil Khashu

Nikhil Khashu
Director of Finance & Information 24 June 2020

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 2020 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 objectives. All risks are owned by an appropriate manager and reviewed regularly to ensure 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, corporate services and a member of the Executive Team. A report is then drafted by the Council's chair for presentation to the Executive Committee. This includes any risks rated as high or extreme, which are escalated to the Corporate Risk Register (CRR) 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.

Training in undertaking clinical risk assessments, and in identifying and reporting risks and incidents using a web-based *risk and incident reporting and management system* (Datix) 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 easily accessible to staff via the Trust intranet.

3.3.4 The risk and control framework

A. Key elements

The Trust promotes a culture of openness and actively encourages all staff and service users to report any issues, incidents or near misses, where they feel inappropriate action may have occurred, or systems and practices could be improved.

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. These are reviewed by the Patient Safety Council.

All staff within the organisation have access to Datix (section 3.3.3 *Capacity to handle risk*). Potential risks are identified and assessed (using a 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, investigated and categorised to identify any patterns or potential ongoing 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 on a monthly basis, local governance meetings are held with appropriate representation and senior management to 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 CRR and 'owned' by the most appropriate director, to see whether more senior intervention can further reduce the risk to the organisation. As at 31 March 2020, there were a total of 784* 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
64	**48**	**21**	**116**	**9**	**155**	**60**	**128**	**31**	**126**	**6**	**12**	**3**	**0**
133 = 17.07%			**280 = 35.94%**			**345 = 44.29%**				**21 = 2.70%**			

*DATIX is a live system, and there were 5 risks that had been registered but not scored

As can be seen, 21 of these risks were scored at 15 or above. These were escalated to the CRR, and related to the following.

- Cyber security
- Providing safe staffing levels to respond to levels of demand
- Use of bank and agency staff
- COVID-19 pandemic emergency response
- Increased activity at St Helens Hospital and medical cover requirements
- Achievement of national access standards
- Bed occupancy levels
- Levels of attendance and admissions from the Accident and Emergency Department
- The challenges of meeting the Trust's finance and efficiency plans
- The impact of NHS Pensions' tax rules on operational capacity
- The implications of EU Exit
- Requirements for increased specialist capacity and equipment in response to the COVID-19 emergency preparedness planning assumptions
- Patient information system interfaces

The CRR risks are 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 on the BAF as at 31 March 2020 were as follows.

- Systemic failures in the quality of care
- Failure to develop or deliver long term financial sustainability plans for the Trust and collaboration 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 stakeholders
- Failure to attract and retain staff with the skills required to deliver high quality services
- Major and sustained failure of essential assets and infrastructure
- Major and sustained failure of essential IT systems

In developing its plans for 2020/21, the Board has assessed the future risks that will need to be managed. These remain similar to the key risks in 2019/20, and include recruitment difficulties and staff shortages, increasing demand for services, and the moves to more integrated and collaborative systems of delivering health and social care. These also include the impact of the COVID-19 pandemic, including changes to the financial architecture of the NHS as part of the national response, and the Trust's eventual return to a *business as usual* position.

Copies of BAF and risk reports to the Trust Board are available on the Trust website. http://www.sthk.nhs.uk/about/trust-board/trust-board-papers-2020/2019

B. Governance framework of the organisation – the Board of Directors

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 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 Chair) 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 appropriate committees, and through Chair's Reports, provide assurance to the Trust Board that the Trust is effectively governed.

C. Changes to the Board in 2019/20

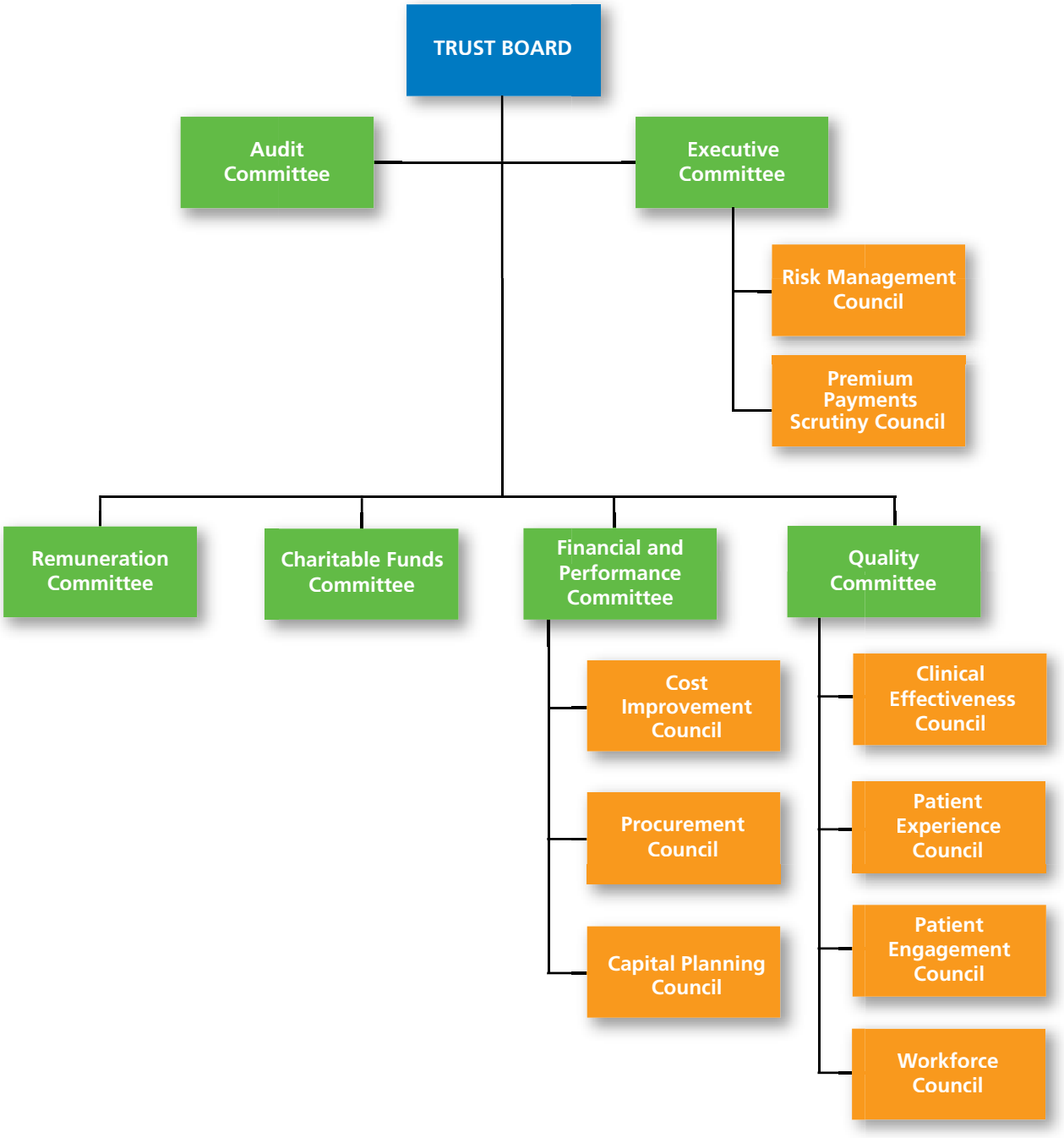
Changes to the membership of the Board of Directors are listed below.

- Denis Mahony's term of office (NED) ended in December 2019.
- Su Rai's term of office (NED) ended in September 2019.
- Ian Clayton was appointed as a NED in September 2019, replacing Su Rai.
- Gill Brown was appointed as an associate NED for a period of three months from September 2019 and then as a substantive NED from January 2020, replacing Denis Mahony.
- Lisa Knight was appointed as an associate NED with effect from July 2019.
- Kevin Hardy resigned as Medical Director with effect from September 2019, and was replaced by Rowan Pritchard Jones in the same month.

All new directors are provided with tailored induction programmes on their commencement and this was the case in 2019/20.

D. 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 at regular intervals to maintain the effectiveness of the system.
The Trust has six committees, some with supporting councils, reporting to the Board in line with the following structure.



With the exception of the Executive Committee, chaired by the Chief Executive, each committee is chaired by a non-executive director (NED). 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. All *non-business critical* meetings were cancelled in March 2020, in line with the national escalation of the COVID-19 pandemic to a level 4 critical incident.

- **Remuneration Committee**

The Remuneration Committee comprises the Chair and all the NEDs.

Its duties include approving the remuneration and terms of service for the Chief Executive and executive directors, and considering the appointment of executive directors and other very senior managers.

The Committee is required to meet at least once a year. During 2019/20, it met on 4 occasions. There was a minimum of 4 NEDs present at each meeting.

- **Audit Committee**

The Audit Committee has a membership of three NEDs, 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 senior Finance representatives, are regularly invited to attend. In 2019/20, the Committee met on five occasions.

The Audit Committee provides the Trust Board with oversight of financial systems and processes, risk management, and compliance with relevant legislation, as well as audit and accounts processes. The Committee also monitors and reviews clinical audit effectiveness.

Through the agreement of an annual programme of independent audits (currently undertaken by Mersey Internal Audit Agency (MIAA)), the Committee gains assurance that the data being provided to the Board, on which decisions are based, is accurate and complies with guidance, that systems and controls are designed and operating effectively, and that arrangements are compliant.

This programme included quality spot checks on specific wards and services, and other 2019/20 audits: *Financial Systems Key Controls, Tenders and Waivers, DNA (Did Not Attends) Data Quality, Raising Concerns, Losses and Compensation Claims, and Quality Impact Assessment (QIA) with Cost Improvement Programme (CIP) Review*, with an assurance briefing note issued (*Marshalls Cross CQC Action Plan*), and a *Data Security and Protection Toolkit Assurance* assessment.

- **Quality Committee**

The Quality Committee oversees quality governance. Quality performance within the Trust is measured against a range of parameters, including patient safety, patient experience, clinical effectiveness and workforce metrics. These are reported each month in the Trust's *Integrated Performance Report* (IPR), which incorporates commentary from senior management to aid understanding of the performance data. This commentary also seeks to identify links between factors such as staffing numbers, quality of care, patient experience, costs, activity levels and performance against national targets, to turn raw data into information that can be used to provide assurance and to support decision making.

The Quality Committee meets each month (excluding August and December) to review all aspects of quality. The meeting scheduled for March 2020 was cancelled due to COVID-19 but the papers were circulated to members, and questions and challenges from the NEDs were recorded.

The Quality Committee is made up of both non-executive and executive members and is supported by a number of councils which consider in greater detail issues relating to the monitoring of patient safety, patient experience, clinical effectiveness and workforce. Chair reports from each of these councils are reported to the Committee, and they include any matters for escalation.

- **Finance and Performance Committee**

Like the Quality Committee, the Finance and Performance (F&P) Committee meets each month (excluding August and December) and reviews the financial and activity metrics reported in the IPR, reflecting the annual plans and targets agreed by the Trust Board. The F&P Committee meeting in March 2020 was also cancelled due to COVID-19, but core papers were distributed for feedback and comment.

The Committee is also supported in its work by the Cost Improvement Council, Procurement Council and Capital Planning Council. The councils 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.

- **Charitable Funds Committee**

The Trust's Charitable Funds Committee meets at least three times a year and is responsible for oversight of the fundholding and eventual effective expenditure of monies received for charitable purposes, as well as fundraising undertaken on behalf of the Trust's Charity.

- **Executive Committee**

This team of executive and associate directors, led by the Chief Executive, 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, and exercises the authority delegated to the Chief Executive and directors to ensure that the organisation is effectively managed, performance is scrutinised, and individual managers are held to account.

The Committee is supported in its work by the Risk Management Council and Premium Payments Scrutiny Council.

E. Board Meetings

The Trust Board held nine meetings in public during 2019/20 (the March meeting being cancelled due to COVID-19). Part 2 of Board meetings are held in private to discuss restricted issues such as the details of serious untoward incidents relating to patients, confidential staff matters, and commercial decisions such as bidding to provide new services, or to allow time for the Board to undertake development activities and formulate strategy.

All Trust Board and committee meetings during the year were quorate.

Attendance by the directors is summarised in the following table.

Attendance by the directors is summarised in the following table.

Board Members		Trust Board	Audit Committee	Quality Committee	Finance and Performance Committee	Charitable Funds Committee	Executive Committee	Total	% Attendance
Name	**Position**	**9**	**5**	**9**	**9**	**3**	**46**	**80**	**%**
Richard Fraser	Chair	9						9/9	100%
Denis Mahony (to December)	NED	7 of 7	3 of 4		5 of 7			15/18	83%
Su Rai (to September)	NED	5 of 5	3 of 3		5 of 5			13/13	100%
Ian Clayton (from September)	NED	4 of 4	2 of 2		3 of 4			9/10	90%
Val Davies	NED	9		8				17/18	94%
Gill Brown (associate from July and substantive from January)	NED	5 of 5	1 of 1	2 of 2				8/8	100%
Jeff Kozer	NED	7	3		7			18/23	78%
Paul Growney	NED	8		6 of 6	1 of 2	3		18/20	90%
Lisa Knight (from July)	Associate NED	5 of 6		4 of 6		0 of 1		9/13	69%
Ann Marr OBE	Chief Executive	8		6	6		37	57/73	78%
Anne-Marie Stretch	Director of HR/ Deputy CEO	9		7	7		36	59/73	80%
Nikhil Khashu	Director of Finance & Information	8	5	7	7	2	39	68/81	84%
Kevin Hardy (to September)	Medical Director	2 of 5		3 of 6	4 of 5		18 of 24	27/40	68%
Rowan Pritchard Jones (from September)	Medical Director	4 of 4		3 of 4	4 of 4		17 of 22	28/34	82%
Sue Redfern	Director of Nursing, Midwifery and Governance	7		8			36	51/64	80%
Rob Cooper	Director of Operations and Performance	7		6	7		38	58/73	79%
Tiffany Hemming	Director of Transformation	7					35	42/55	76%
Christine Walters	Director of Informatics	9					34	43/55	78%
Nicola Bunce	Director of Corporate Services	8		7	6		40	61/73	84%
Meetings quorate		Yes	Yes	Yes	Yes	Yes	Yes	81%	

- Gill Brown became chair of the Quality Committee and a member of the Audit Committee in January 2020.
- Ian Clayton became Chair of the Audit Committee and a member of the Finance and Performance Committee in October 2019.
- Jeff Kozer became chair of the Finance and Performance Committee in January 2020.
- Paul Growney became a member of the Finance and Performance Committee in January 2020.
- Lisa Knight became a member of the Charitable Funds Committee in January 2020.

In order to discuss in detail key issues affecting the organisation, longer term strategic plans to ensure sustainability and wider partnership working across the local health economy, four Strategy Board meetings were held in 2019/20, and the topics covered are summarised in the following table.

Purpose	Provider / Lead	Date
Clinical strategy review	Kevin Hardy, Medical Director	April 2019 Strategy Board
Commercial strategy – Lead Employer development plans	Anne-Marie Stretch, Deputy CEO / Director of HR	
Horizon scanning and future strategic challenges	Ann Marr, Chief Executive	June 2019 Strategy Board
Understanding mortality surveillance trends	Kevin Hardy, Medical Director	
Strategic developments – *Cheshire and Merseyside Pathology Network* proposals	Rob Cooper, Director of Operations and Performance	October 2019 Strategy Board
Future estates strategy – *Modular Ward* business case	Nicola Bunce, Director of Corporate Services	
NHS Long Term Plan – *Cheshire and Merseyside Place-based Five Year Plan*	Nik Khashu, Director of Finance & Information	
Dementia awareness training	Dementia Specialist Nurse	
2020-21 *NHS Planning Guidance and Trust Operational Plan*	Gareth Lawrence, Deputy Director of Finance & Information Nicola Bunce, Director of Corporate Services	February 2019 Strategy Board

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 these data with softer intelligence gained through attendance at events, staff and carer listening sessions, and ward and department visits. NEDs are encouraged to test out material provided when speaking to staff to gain that further assurance of accurate reporting of information throughout the Trust.

All directors participate in a schedule of Quality Ward Rounds (QWRs) during the year, which supports them in gaining a greater understanding of the work in each speciality, and the achievements and issues that each ward is managing.

Hearing first-hand experiences from patients, learning from the results of patient and staff surveys, and being conscious of emerging themes in incidents and complaints is important to the overall effectiveness of the Board, and these topics remain regular agenda items.

In 2019/20, the Trust received 325 new complaints that were opened for investigation, including community and primary care services. This represents an increase of 19% in comparison with 2018/19, when the Trust received 273 new complaints. There was a smaller proportion of complainants who were dissatisfied with the initial response in 2019/20 (11%) compared with the previous year (13%). The total number of PALS contacts rose slightly by 3.8% to 3,296 in 2019/20 compared with 3,176 in 2018/19.

Work has continued in 2019/20 to sustain the timeliness of complaints responses and the percentage of complaints with a response within the agreed timescale is 93%. In 2019/20 the main reason for complaints was clinical treatment which is consistent with previous years. There was a slight decrease in the number of complaints relating to patient and nursing care, down from 34 in 2018/19 to 25 in 2019/20. The Emergency Department received the highest number of complaints; however it is the busiest department in the Trust.

F. Care Quality Commission

The Care Quality Commission (CQC) is the independent regulator for health and social care in England, and through inspection, it makes sure that the public are provided with safe, effective, compassionate and high-quality care, and encourages the improvement of services. Their latest report on the Trust, published in March 2019, provided significant assurance to the Board of the quality of services being delivered. The overall Trust 'Outstanding' rating achieved during the most recent inspection is an improvement on the overall rating at the last inspection in 2015, which was 'Good'. No further CQC inspections have been undertaken during 2019/20.

The Trust is required each year to register with the CQC, and has a legal duty to be compliant with the fundamental standards set out in the Health and Social Care Act.

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

G. NHS Improvement (NHSI) and the NHS provider licence

NHSI has oversight over NHS providers. The Trust works closely with NHSI in pursuing the national priorities detailed in the NHS Long Term Plan. There have been changes to the oversight arrangements for NHS Trusts during 2019/20 which reflect the move to 'system working' and the development of Integrated Care Systems (ICSs). The updated Single Oversight Framework (SOF) has been deployed since quarter 2 of 2019/20, with the Trust being reviewed as part of the *St Helens Place-based System*. NHSI oversight has consisted of routine monitoring and there has been no additional support and no special interventions in the year.

While NHS trusts are exempt from the requirement to apply for and hold the NHS provider licence, NHS trusts are required to comply with conditions equivalent to the licence. During 2019/20 the Trust self-certified that it complied with NHS provider licence conditions, including the NHS Acts and NHS Constitution (Condition G6(3)), and the required governance arrangements (Condition FT4(8)).

H. NHS Pensions

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure that 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.

I. 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, with examples given below.

- 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.

J. Sustainable development

The Trust has undertaken risk assessments and has a sustainable development management plan in place which takes account of UK Climate Projections 2018 (UKCP18). The Trust ensures that its obligations under the Climate Change Act and the Adaption Reporting requirements are complied with.

The Trust is actively working to deliver its *Sustainable Development Management Plan*. This plan provides a proactive and systematic framework to encourage an organisational culture that supports and inspires innovative decisions, policies and actions that enable individuals, departments and partner organisations to promote and progress the Trust's sustainability agenda.

The Trust works closely with a wide range of stakeholders to ensure the aims and objectives of the Plan are reflected in those of partner organisations. The Trust also recognises the important relationship between public health and the environment. Using the available financial, social and environmental resources, the Trust is striving to continually improve health and wellbeing in the community, deliver high quality care and minimise the impact its services have on the environment.

In 2018/19, the Trust installed a Combined Heat and Power (CHP) plant at Whiston Hospital and 2019/20 was the first year of full operation. Between 1 April 2019 and 31 March 2020, Whiston Hospital's CHP ran for 8,408 hours, generating 9.5 million kWh of electricity and 8 million kWh of heat that was used in Trust buildings. During 2019/20, the CHP has delivered savings on energy bills totalling £700k, and has stopped 3,000 tonnes of CO_2 from being emitted into the atmosphere.

The Trust has continued using the *Warp It* reuse network throughout the year. *Warp It* is an online system that allows staff to dispose of and acquire items quickly and ethically by matching wish list requests with unwanted assets. Throwing away unwanted items not only has environmental impacts, it also equates to a financial loss for the Trust. During 2019/20, the Trust has avoided 1,758kg of waste, saving £11k and preventing 4,168kg of CO_2 from being emitted.

K. Workforce strategy and workforce safeguards

The Board has a workforce strategy 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 interim *NHS People Plan* and will be updated once the final *NHS People Plan* is published. During 2019/20, the Board has also used the *Developing Workforce Safeguards* tools to evaluate a level of assurance for each part of the workforce, and has developed improvement plans where necessary to provide enhanced assurance in respect of Medical and Dental staff and Therapy staff.

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 including agreed service developments.

The Trust utilises a suite of rostering tools 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 every month (although national data reporting was suspended from March 2020 as a result of the exceptional situation arising from the COVID-19 emergency), and there are detailed workforce key indicator reports twice a year which include recruitment, vacancy and turnover information.

Routine Nursing and Midwifery *establishment reviews* are undertaken to ensure that staffing numbers and skill mix are appropriate, and these are reported to the Quality Committee. 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.

L. Register of interests

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

M. 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 Head of Internal Audit (HoIA) 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 undertaken by the MIAA internal audit team, which is agreed with management and approved by the Audit Committee, and which can provide assurance covering the following.

- Financial systems
- IM&T and information governance
- Performance, economy, efficiency and effectiveness, and Board reporting systems
- Processes to ensure service quality
- Processes underpinning management of the workforce
- Governance, risk, legal compliance and statutory functions

The Trust's HoIA's overall opinion for the period 1 April 2019 to 31 March 2020 provides *substantial assurance* that that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently.

The Trust's Local Counter-Fraud Specialist (LCFS) is also employed by MIAA. The LCFS reports to the Audit Committee and the Director of Finance & Information directly. MIAA's annual work plan identifies and responds to the risk of fraud, bribery and corruption and is prepared following the completion of a fraud risk assessment. The work plan is reviewed regularly throughout the year to take account of any emerging risks, and activities include staff training, bulletins and prevention notices, committee reporting, policy work, advice and investigations.

No individually or collectively material fraud or irregularity (by value) has been identified in 2019/20, and nothing repercussive has been discovered or reported. Investigations can result in a number of outcomes, including formal police caution and disciplinary action including dismissal.

The production of an anti-fraud annual report is a Trust requirement within the NHS Counter Fraud Authority (NHSCFA) *Standards for Providers*. The *MIAA Anti-Fraud Services Annual Report* for 2019/20 includes the Trust's self-review tool (SRT) submission, which is an assessment of compliance against the NHSCFA *Standards for Providers* 2020, completed by the LCFS, reviewed by the Director of Finance & Information, and overseen by the Audit Committee. The Trust achieved a 'green' rating overall, which is the best available score.

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

Performance is monitored by the Trust Board, with more detailed work undertaken by committees. The Trust's resources are managed within a financial governance framework that incorporates systems of financial control, budgetary control and the 'value for money' financial responsibilities of all staff, outlined within the Trust's Standing Financial Instructions.

The contribution of internal audit has been outlined in previous sections. The Trust's external auditor is required to report (section 5.1 *Independent auditor's report*) on whether they have not been able to satisfy themselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020. That is, they report by exception when they are not satisfied. The external auditor has confirmed that there is nothing to report.

NHSI's Single Oversight Framework (SOF) Use of Resources (UoR) rating ranges from 1 to 4, where 4 represents the highest level of financial risk. The Trust has remained at an overall score of 3 throughout the 2019/20 financial year, reflecting the assets and liabilities arising from the Trust's two PFI-funded hospital sites. Further detail is included in section 2.3 *Financial performance – 2019/20*.

The Trust is committed to ensuring value for money and delivering cost improvements, whilst ensuring continued improvements in quality of care and service transformation. The Trust utilises a range of benchmarking exercises to ensure it is operating effectively, including *Model Hospital, Getting it Right First Time (GiRFT)* and *Reference Costs*, which are reviewed by the Finance and Performance Committee and support the development of improvement plans.

In 2019/20 the Trust's reference costs were below the national average (100) at 94. The Model Hospital Weighted Activity Unit (WAU) was also in the best quartile nationally. On the Procurement league ranking, the Trust was 17th nationally, 3rd in the North West region and 1st in Cheshire and Merseyside.

3.3.6 Information governance

Information governance (IG) comprises the standards and processes for ensuring that organisations comply with the laws and regulations regarding handling and dealing with information. The Trust has clear policies and processes in place to ensure that information, including patient information, is handled in a confidential and secure manner.

The Data Security and Protection Toolkit (DSPT) is an online tool that enables organisations to measure their performance against legislation and central guidance, and helps identify areas of partial or non-compliance. There is a contractual obligation for NHS providers to complete the DSPT, and for an assessment (audit) report to both be included in the submission and be published via the Trust's website.

The Trust submitted its 2019/20 DSPT at the end of March 2020, and achieved a 'standards met' rating, and MIAA's assessment was *substantial assurance*. This means that the Trust has maintained a *significant/substantial assurance level* for the eighth year running, which demonstrates the Trust's commitment to protecting the information it holds and uses.

The Trust's Caldicott Guardian is the designated individual who is responsible for ensuring confidentiality of personal information. The Director of Informatics is the Trust's Senior Information Risk Owner (SIRO), and is therefore responsible for reviewing and reporting on the management of information risk to the Trust Board. The Trust's IG Steering Group (IGSG) is accountable to the Trust's Risk Management Council and, ultimately, the Trust Board. It is chaired by the Caldicott Guardian, the SIRO is the Deputy Chair, and the Trust's Head of Information Governance & Data Protection Officer attends.

The IGSG's main purpose is to support and drive the IG agenda, and provide the Trust Board with assurance that effective IG best practice mechanisms are in place. The Trust's SIRO, Caldicott Guardian and Head of Information Governance & Data Protection Officer are appropriately qualified, trained, registered and accredited.

The Trust has a duty to report any incident regarding breaches of the General Data Protection Regulation (GDPR) or the Data Protection Act 2018 to the Information Commissioner's Office (ICO), and for the financial year 2019/20, there were two such incidents. One of these incidents has been closed by the ICO with no actions taken against the Trust. The second incident is awaiting the completion and submission to the ICO of the Trust's internal investigation report.

3.3.7 Data quality and governance

The Trust continues to be committed to ensuring accurate and up-to-date information is available to communicate effectively with General Practices and others involved in delivering care to patients. Good quality information underpins effective delivery of patient care and supports better decision-making, which is essential for delivering improvements.

Data quality (DQ) measures are fully embedded across the organisation, with robust governance arrangements in place to ensure the effective management of this process, including weekly patient tracking list reviews. Audit outcomes are monitored to ensure that the Trust continues to maintain performance in line with national standards. There is a dedicated Data Quality team which has an agreed annual work plan to review key data streams, including the accuracy of patient waiting lists.

The standard national DQ items that are routinely monitored and addressed are as follows.

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

DQ audits are also undertaken by MIAA as part of their ongoing internal audit cycle. The introduction of the new Patient Administration System (PAS) in 2018/19 created temporary disruption, and for a period, waiting list reporting was suspended, although DQ processes continued throughout. These issues have now all been resolved and every patient on the waiting list was reviewed. This process was also repeated when elective activity was suspended in March 2020, as part of the national response to the COVID-19 pandemic.

3.3.8 Review of effectiveness

Board and committee effectiveness

Each year, the Board and each of its committees undertakes an effectiveness review comprising

- a review by the Chair and lead executive director;
- a review of the meeting structure, membership and reporting arrangements;
- a review of attendance;
- feedback from members; and
- an annual review of the Terms of Reference and work plan.

The conclusion of these reviews, reported to the Audit Committee, ensures that the purpose, remit and organisation of the Trust Board and its committees remain appropriate and provide the necessary assurance that the Trust is effectively and appropriately managed.

The reviews are also used to inform a skills audit, succession planning and future Board development priorities. Although this work commenced in February 2020 in relation to the 2019/20 financial year, it has not yet been finalised and reported, due to the impact of COVID-19 and the cancellation of Board and committee meetings. Findings will be reported as soon as possible; however from initial feedback and meetings with committee Chairs, there were no major concerns raised. Following a supplementary review of the Quality Committee earlier in the year work is on-going to streamline the papers and ensure they are presented in accordance with the agreed work plan for the year.

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 management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee, Finance and Performance 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

No significant internal control issues have been identified or reported in the Annual Governance Statement for 2019/20.

Annual Governance Statement

signed by

Ann Marr

Ann Marr OBE
Chief Executive 24 June 2020

SECTION 2 - ACCOUNTABILITY REPORT

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 HR & Workforce 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; and
- promotes standards of behaviour that encourage a culture of caring, kindness and mutual respect.

More information on the Workforce Strategy and safeguards, is included in section K. of the Annual Governance Statement.

4.2 Staff composition and equality, diversity and inclusion

At the end of 2019/20, the Trust directly employed over five thousand WTE (whole time equivalent) staff of which 40% are doctors and nurses, 32% are clinical support staff, and the remaining 28% are non-clinical support staff.

Turnover of staff is circa 11.7%, which has increased since 2018/19 despite significant work that has been undertaken to improve recruitment and retention, given national staff shortages for specialist healthcare staff. There are variations in turnover rates between disciplines, and significant recruitment challenges exist for some medical specialties, and nursing and scientific staff.

The Trust's 2019/20 sickness absence data are available from NHS Digital.

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

The number of senior managers employed by the Trust as at 31 March 2020 was 34 (27 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, such as the Chief Pharmacist. 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 therefore does not match section 4.3.

Staff numbers 31 March 2020	**Male**		**Female**		**All staff**	
	Headcount	**WTE**	**Headcount**	**WTE**	**Headcount**	**WTE**
Non-executive directors	4	1.0	3	0.6	**7**	**1.6**
Directors	3	3.0	6	5.8	**9**	**8.8**
Other senior managers (AfC band 8d and above)	10	8.8	8	7.9	**18**	**16.6**
All other staff	1,125	1,066.4	5,103	4,309.6	**6,228**	**5,376.0**
Total	**1,142**	**1,079.2**	**5,120**	**4,323.9**	**6,262**	**5,403.0**

81.8% 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 section *I. Equality and diversity obligations*.

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.

New staff networks have been 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 2019/20

	Permanently employed	Other	2019/20 Total	2018/19 Total
	£000	£000	£000	£000
Salaries and wages	193,249	14,712	207,961	193,575
Social security costs	17,146	1,306	18,452	17,445
Apprenticeship levy	1,043	-	1,043	959
Employer's contributions to NHS Pensions	31,352	1,607	32,959	21,237
Employer's contributions to National Employment Savings Scheme (NEST)	84	-	84	45
Agency / contract staff	-	7,784	7,784	8,171
Total staff costs	**242,874**	**25,409**	**268,283**	**241,432**
of which				
Capitalised (non-revenue) costs within total staff costs	40	149	189	37

Analysis of average staff numbers 2019/20

Employee category	Permanently employed	Other	2019/20 Total	2018/19 Total
Medical and dental	596	77	673	648
Administration and estates	1,184	63	1,247	1,225
Healthcare assistants and other support staff	829	177	1,006	954
Nursing, midwifery and health visiting staff	1,595	78	1,673	1,598
Scientific, therapeutic and technical staff	592	29	621	574
Healthcare science staff	320	1	321	313
Social care staff	2	0	2	3
Total average staff numbers	**5,118**	**425**	**5,543**	**5,315**
of which				
Number of employees engaged on capital projects	1	3	4	1

Both of these 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 31 March 2020	**9**
Of which…..	
Number that have existed for less than one year	5
Number that have existed for between 1 and 2 years	0
Number that have existed for between 2 and 3 years	2
Number that have existed for between 3 and 4 years	2
Number that have existed for 4 years or more	0
Total number of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	**6**
Of which...	
Number assessed as within the scope of IR35	2
Number assessed as not within the scope of IR35	2
Number engaged directly (via PSC contracted to the Trust) and are on the Trust's payroll	2
Number of engagements reassessed for consistency / assurance purposes during the year	0
Number of engagements that saw a change to IR35 status following the consistency review	0

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)	**15**
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 consultancy is included under Note 6.1 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) 2019-20, 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 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

	2019/20	
	Salary & fees (in bands of £5,000) £000	**Taxable benefits** (to the nearest £100) £
Richard Fraser Chair	20 - 25	1,200
Ann Marr OBE Chief Executive	115 - 120	0
Anne-Marie Stretch Deputy CEO / Director of Human Resources	130 - 135	1,000
Nikhil Khashu Director of Finance & Information	130 - 135	200
Rowan Pritchard Jones [1] Medical Director (from September 2019)	115 - 120	300
Kevin Hardy [2] Medical Director (to September 2019)	50 - 55	0
Sue Redfern Director of Nursing, Midwifery and Governance	110 - 115	0
Val Davies Non-Executive Director Deputy Chair / Senior Independent Director (SID) (from January 2020)	5 - 10	1,000
Denis Mahony Non-Executive Director Deputy Chair / Senior Independent Director (SID) (to December 2019)	5 - 10	200
Jeff Kozer Non-Executive Director	5 - 10	800
Paul Growney Non-Executive Director (from September 2018)	5 - 10	0
Ian Clayton Non-Executive Director (from September 2019)	5 - 10	0
Gill Brown Non-Executive Director (from January 2020) Associate Non-Executive Director (from September 2019 to January 2020)	5 - 10	300
Lisa Knight Non-Executive Director (from July 2019)	5 - 10	400
Su Rai Non-Executive Director (to September 2019)	0 - 5	0
David Graham Non-Executive Director (to August 2018)		
Jean Quinn Associate Non-Executive Director (to January 2019)		

1 The element of the Medical Director's salary that relates to their non-managerial role was £100k - £105k
2 The element of the Medical Director's salary that relates to their non-managerial role was £35k - £40k

		2018/19			
Pension-related benefits (in bands of £2,500) £000	**Total** (in bands of £5,000) £000	**Salary & fees** (in bands of £5,000) £000	**Taxable benefits** (to the nearest £100) £	**Pension-related benefits** (in bands of £2,500) £000	**Total** (in bands of £5,000) £000
n/a	25 - 30	20 - 25	0	n/a	20 - 25
n/a	115 - 120	110 - 115	0	0	110 - 115
37.5 - 40	170 - 175	130 - 135	900	0	130 - 135
35 - 37.5	165 - 170	130 - 135	100	0	130 - 135
67.5 - 70	185 - 190				
n/a	50 - 55	135 - 140	0	0	135 - 140
27.5 - 30	140 - 145	110 - 115	0	0	110 - 115
n/a	5 - 10	5 - 10	1,000	n/a	5 - 10
n/a	5 - 10	5 - 10	1,200	n/a	5 - 10
n/a	5 - 10	5 - 10	1,600	n/a	5 - 10
n/a	5 - 10	0 - 5	0	n/a	0 - 5
n/a	5 - 10				
n/a	5 - 10				
n/a	5 - 10				
n/a	0 - 5	5 - 10	800	n/a	5 - 10
		0 - 5	300	n/a	0 - 5
		0 - 5	0	n/a	0 - 5

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 are calculated using a national standard formula, and reflect the real increase in pension at age 60 within the year multiplied by a valuation factor of 20, added to the real increase in lump sum at age 60 in the year. 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

	2019/20							2018/19						
	(a) £000	(b) £000	(c) £000	(d) £000	(e) £000	(f) £000	(g) £000	(a) £000	(b) £000	(c) £000	(d) £000	(e) £000	(f) £000	(g) £000
Ann Marr OBE [1] Chief Executive												2,011		
Anne-Marie Stretch Deputy CEO / Director of Human Resources	2.5-5	0-2.5	60-65	150-155	1,169	51	1,266	0	0	55-60	145-150	1,039	80	1,169
Nikhil Khashu Director of Finance & Information	2.5-5	0-2.5	35-40	80-85	570	27	629	0-2.5	0	35-40	80-85	482	55	570
Rowan Pritchard Jones Medical Director (from September 2019)	0-2.5	0-2.5	30-35	70-75	458	29	528							
Kevin Hardy [1] Medical Director (to September 2019)												1,407		
Sue Redfern [1] Director of Nursing, Midwifery & Governance	0-2.5	5-7.5	55-60	170-175	1,336			0	0	50-55	160-165	1,198	88	1,336

(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 2020 (bands of £5,000)
(d) Lump sum at pension age related to accrued pension at 31 March 2020 (bands of £5,000)
(e) Cash equivalent transfer value (CETV) at 1 April 2019 (to the nearest £1,000)
(f) Real increase in CETV (to the nearest £1,000)
(g) CETV at 31 March 2020 (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 2019 (bands of £5,000)
(d) Lump sum at pension age related to accrued pension at 31 March 2019 (bands of £5,000)
(e) Cash equivalent transfer value (CETV) at 1 April 2018 (to the nearest £1,000)
(f) Real increase in CETV (to the nearest £1,000)
(g) CETV at 31 March 2019 (to the nearest £1,000)

1 For Pension scheme members over the national retirement age, a CETV calculation is not applicable.

4.6.2 Exit packages

NHS trusts are required to disclose summary information of staff exit packages which have been agreed in the year.

Staff exit packages

Exit package cost band (including any special payment element)	2019/20 Number of compulsory redundancies Number	2019/20 Number of other departures agreed Number	2019/20 Total number of exit packages by cost band Number	2018/19 Number of compulsory redundancies Number	2018/19 Number of other departures agreed Number	2018/19 Total number of exit packages by cost band Number
< £10,000	-	19	19	4	-	4
£10,001 - £25,000	-	2	2	2	-	2
£25,001 - £50,000	-	2	2	4	-	4
£50,001 - £100,000	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	1	-	1
Total number of exit packages by type	**-**	**23**	**23**	**11**	**-**	**11**
Total resource cost (£000)	**-**	**153**	**153**	**315**	**-**	**315**

There were no compulsory redundancies in 2019/20, and 11 compulsory redundancies in 2018/19. The 2018/19 figures relate to administrative staff that transferred to the Trust as part of a major contract to be the Lead Employer for junior doctors in training, funded by Health Education England (HEE).

In 2019/20, four of the 'other departures' were as a result of dismissal, and 14 were resignations. A further five cases were exit payments relating to ill-health retirement. Ongoing costs related to ill-health retirements are met by NHS Pensions and they are therefore not included in this disclosure.

The following table details the number and value of non-compulsory exit payments agreed.

Exit packages: non-compulsory 'other departure' payments

	2019/20 Agreements Number	2019/20 Total value of agreements £000	2018/19 Agreements Number	2018/19 Total value of agreements £000
Contractual payments in lieu of notice	23	153	0	0

No non-contractual exit packages, which require HM Treasury pre-approval, were made in either 2018/19 or 2019/20. 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 median 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 31 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 2019/20 was £150k to £155k (2018/19 £165k to £170k). Based on the midpoint of the band, this was 5.3 times (2018/19 5.9 times) the median remuneration of the workforce, which was £28,628 (2018/19 £28,548).

In 2019/20, 5 employees received remuneration in excess of the highest paid director (2018/19, no employees). Their remuneration in 2019/20 ranged from £150k to £185k. These employees were 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. As in previous years, temporary agency staff are excluded from the calculations. The calculation methodology is kept the same so that the 2019/20 results are comparable with those in previous years.

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

The increase in the median is driven by the Agenda for Change 2018 pay deal, and the decrease in the ratio is due to the appointment of the new Medical Director.

Summary results are included in the table below.

Year	2019/20	2018/19
Band of highest paid director's remuneration (£000)	150 - 155	165 - 170
Median total (£)	28,628	28,548
Ratio	5.3	5.9

Accountability Report

signed by

Ann Marr

Ann Marr OBE
Chief Executive

24 June 2020


FY1
FY1
FY1

SECTION 3 - ANNUAL ACCOUNTS 2019/20

5. Annual Accounts

Annual Accounts for the year ended
31 March 2020

5.1 Independent auditor's report to the Directors of St Helens and Knowsley Teaching Hospitals NHS Trust

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of St Helens and Knowsley Teaching Hospitals NHS Trust (the 'Trust') for the year ended 31 March 2020, 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 Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2019 to 2020.
In our opinion, the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2019 to 2020; 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. 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Trust's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Trust's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an entity associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 2019 to 2020 that the Trust's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Trust's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Trust's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Trust will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 1.3.2 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of land and buildings as at 31 March 2020. As, disclosed in Note 1.3.2 to the financial statements, the outbreak of Covid-19 has caused uncertainties in markets. As a result, the Trust's valuer has declared a 'material valuation uncertainty' in their valuation report with a valuation date of 31 March 2020. The values in the valuation report have been used to inform the measurement of property assets at valuation in the financial statements. Our opinion is not modified in respect of this matter.

Other information

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

In connection with our audit of the financial statements, 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 2015 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 Improvement 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 IFRSs as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2019 to 2020 and the requirements of the National Health Service Act 2006; and
- based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Trust gained through our work in relation to the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources, 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 the Directors and Those Charged with Governance for the financial statements

The Directors are responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions, 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.

The Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Trust's financial reporting process.

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.

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 – Conclusion on 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 - 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 2020.

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

Responsibilities of the Accountable Officer

The 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(1)(c) and Schedule 13 paragraph 10(a) 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 and to report where we have not been able to satisfy ourselves that it has done so. 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 on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects, the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local

people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020, and to report by exception where we are not satisfied.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of the financial statements 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
24 June 2020


Therapy Services

5.2 Annual Accounts for the year ended 31 March 2020

Annual Accounts 2019-20

Statement of Comprehensive Income (SoCI)

	Note	2019/20 £000	2018/19 £000
Operating income from patient care activities	2	366,976	324,576
Other operating income	3	79,816	77,582
Operating expenditure	6, 8	(419,983)	(390,275)
Operating surplus / (deficit)		**26,809**	**11,883**
Finance income	10	278	227
Finance expenditure	11	(18,545)	(16,974)
Net finance costs		**(18,267)**	**(16,747)**
Surplus / (deficit) for the year		**8,542**	**(4,864)**
Other comprehensive income			
Items which will not be reclassified to income and expenditure			
Impairments	7	1,892	25
Total comprehensive income / (expenditure) for the period		**10,434**	**(4,839)**

The notes on pages 69 to 124 form part of these accounts.

All income and expenditure is derived from continuing operations.

Statement of Financial Position (SoFP)

	Note	31 March 2020 £000	31 March 2019 £000
Non-current assets			
Intangible assets	12	2,871	925
Property, plant and equipment	13	262,710	258,868
Receivables	17	2,496	1,983
Total non-current assets		**268,077**	**261,776**
Current assets			
Inventories	16	4,085	3,650
Receivables	17	41,529	37,049
Cash and cash equivalents	18	7,261	5,109
Total current assets		**52,875**	**45,808**
Current liabilities			
Trade and other payables	19	(46,175)	(42,483)
Borrowings	20	(23,416)	(11,136)
Provisions	23	(760)	(350)
Other liabilities	22	(4,166)	(734)
Total current liabilities		**(74,517)**	**(54,703)**
Total assets less current liabilities		**246,435**	**252,881**
Non-current liabilities			
Borrowings	20	(233,273)	(254,437)
Provisions	23	(3,276)	(2,368)
Other liabilities	22	(96)	-
Total non-current liabilities		**(236,645)**	**(256,805)**
Total assets employed		**9,790**	**(3,924)**
Financed by			
Public dividend capital		69,910	66,630
Revaluation reserve		11,963	10,071
Income and expenditure reserve		(72,083)	(80,625)
Total taxpayers' equity		**9,790**	**(3,924)**

The notes on pages 6 to 49 form part of these accounts.

The primary financial statements on pages 65 to 68 and the notes on pages 69 to 124 were approved and signed on behalf of the Trust's Board of Directors on 24 June 2020 by Ann Marr, Chief Executive.

Signed Ann Marr 24 June 2020

Ann Marr OBE
Chief Executive

Statement of Changes in Equity for the year ended 31 March 2020

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2019 - brought forward	**66,630**	**10,071**	**(80,625)**	**(3,924)**
Surplus / (deficit) for the year	-	-	8,542	**8,542**
Impairments	-	1,892	-	**1,892**
Public dividend capital received	3,280	-	-	**3,280**
Taxpayers' equity at 31 March 2020	**69,910**	**11,963**	**(72,083)**	**9,790**

Statement of Changes in Equity for the year ended 31 March 2019

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2018 - brought forward	**65,806**	**10,046**	**(75,761)**	**91**
Surplus / (deficit) for the year	-	-	(4,864)	**(4,864)**
Impairments	-	25	-	**25**
Public dividend capital received	824	-	-	**824**
Taxpayers' equity at 31 March 2019	**66,630**	**10,071**	**(80,625)**	**(3,924)**

Information on reserves

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 expenditure, in which case they are recognised in operating expenditure - net impairments. 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 this NHS trust.

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

In 2019/20, the Trust received additional PDC totalling £3,280k across a number of schemes. The largest of these were capital works schemes totalling £1,180k developing *A&E / Ambulatory Care* and a *Step-down Facility*, as well as the *Digital Aspirant Programme (DAP)* (£1,000k), which will accelerate digital transformation at the Trust.

Statement of Cash Flows (SoCF)

	Note	2019/20 £000	2018/19 £000
Cash flows from operating activities			
Operating surplus / (deficit)		26,809	11,883
Non-cash income and expenditure			
Depreciation and amortisation	6.1	10,649	8,366
Net impairments	7	(4,252)	4,179
Income recognised in respect of capital donations	3	(31)	(69)
Amortisation of PFI deferred income		-	(32)
(Increase) / decrease in receivables		(5,632)	(12,544)
(Increase) / decrease in inventories		(435)	10
Increase / (decrease) in payables and other liabilities		4,415	1,254
Increase / (decrease) in provisions		1,311	(134)
Net cash flows from / (used in) operating activities		**32,834**	**12,913**
Cash flows from investing activities			
Interest received		293	215
Purchase of intangible assets		(470)	(309)
Purchase of property, plant and equipment		(5,591)	(8,276)
Receipt of cash donations to purchase capital assets		31	-
Prepayment of PFI capital contributions		(715)	(1,096)
Net cash flows from / (used in) investing activities		**(6,452)**	**(9,466)**
Cash flows from financing activities			
PDC received		3,280	824
Movement on loans from the Department of Health and Social Care		(422)	11,499
Movement on other loans		(210)	496
Capital element of finance lease rental payments		(208)	(152)
Capital element of PFI payments		(8,141)	(5,698)
Interest paid (loans)		(264)	(116)
Interest paid (other)		-	(7)
Interest paid (finance lease liabilities)		(86)	(84)
Interest paid (PFI obligations)		(18,179)	(16,761)
Net cash flows from / (used in) financing activities		**(24,230)**	**(9,999)**
Increase / (decrease) in cash and cash equivalents		**2,152**	**(6,552)**
Cash and cash equivalents at 1 April		**5,109**	**11,661**
Cash and cash equivalents at 31 March	18.1	**7,261**	**5,109**

Notes to the Accounts

Note 1 Accounting policies

1.1 Basis of preparation

The Department of Health and Social Care (DHSC) 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 and which therefore meets the requirements of HM Treasury's *Financial Reporting Manual (FReM)*.

Consequently, the following financial statements and associated notes have been prepared in accordance with the GAM 2019-20 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards (IFRS) to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board.

Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust, for the purpose of giving a true and fair view, has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

1.1.1 Accounting conventions

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets, and certain financial assets and financial liabilities, to *fair value* as determined by the relevant accounting standards, and subject to the interpretations and adaptations of those standards made in the *FReM.*

These accounts have been prepared on a going concern basis, as explained under *Critical accounting judgements*, below. They are presented in pounds sterling, stated in thousands unless expressly stated otherwise.

Assets and liabilities are classified as current if they are expected to be realised within, or where they have a maturity of less than, twelve months from the Statement of Financial Position (SoFP) date. All other assets and liabilities are classified as non-current.

1.2 Subsidiary

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 affect economic returns and other benefits from the Charity. The Trust has reviewed the value of the Charity's fund balances at 31 March 2020 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 2020.

1.3 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.

1.3.1 Critical accounting judgements

Listed below are areas where management has made judgements, apart from those involving estimations (see 1.3.2), in the process of applying the Trust's accounting policies, which are deemed most significant to the amounts recognised in the financial statements.

Going concern

The Trust is judged to be a going concern if it is to continue in operation for the foreseeable future. There is no presumption of going concern status for NHS trusts. Directors must decide each year whether or not the Trust is a going concern, and whether it is appropriate for the Trust to prepare its accounts on the going concern basis. They must also decide whether any material uncertainties have been identified for disclosure, as guided by the *Department of Health and Social Care Group Accounting Manual* (GAM) 2019-20.

In forming a view, the directors have considered key factors in the Trust's operating environment and / or captured in the Trust's financial plans. This assessment covers a period of at least 12 months from the date of approval of the financial statements.

In particular, the directors have noted the Trust's reasonable plans to maintain financial balance, with no plans to borrow for revenue purposes. In 2020/21, there are variations in the NHS provider funding regime arising from COVID-19. However, no major losses of income are anticipated, and the Trust reasonably expects to remain financially stable in the foreseeable future.

£18.8m of historic Trust borrowings will effectively be converted into public dividend capital (PDC) within 2020/21, in a national initiative to remove the risks associated with future material loan repayments. The directors note that the resulting shift of loans from non-current to current liabilities as at 31 March 2020 is an interim presentation matter prior to transfer which does not itself signal risk.

The directors have noted that the Trust intends to continue to operate for the foreseeable future, and that it has not been informed by any relevant national body of any intention related to the dissolution of the Trust. For this reason, they continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include the adjustments that would result if the Trust was unable to continue as a going concern.

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'.*

Consolidation

Reporting bodies are required to assess whether they have interests in subsidiaries, associates, joint ventures or joint operations, prior to accounting for and disclosing these arrangements according to the relevant accounting standards. This assessment involves making judgements and assumptions about the nature of collaborative working arrangements, including whether or not the Trust has control over those arrangements per IFRS 10 *Consolidated Financial Statements.*

The Trust has assessed its existing contracts and collaborative arrangements for 2019/20, and has determined that it continues to have no collectively material arrangements which would fall within the scope of IFRS 10, IFRS 11 *Joint Arrangements* or IFRS 12 *Disclosure of Interests in Other Entities*. Therefore, no *group or collaboration accounting* has been undertaken. The Trust does, however, disclose its relationship with its subsidiary charity in these accounts (*1.2 Subsidiary*).

PFI schemes

In 2010, the Trust recognised two arrangements - its main hospitals scheme, and a managed equipment service (MES) - as 'on Statement of Financial Position' or 'on SoFP', as they were independently assessed to have met the definition of service concessions, as defined by IFRS Interpretations Committee (IFRIC) 12 *Service Concession Arrangements.* This was because the arrangements involved the use of *infrastructure assets* in the delivery of public services, with the Trust controlling the services to be provided, and the residual interest in the assets. This critical judgement continues to materially impact the financial statements (*1.10 Private Finance Initiative (PFI) transactions and service concessions* and Note 25).

Asset valuation

There are three further critical areas of judgement relating to the Trust's land and building ('estate') assets.

- 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 asset carrying values.

- The Trust's PFI assets are valued at depreciated replacement cost excluding VAT, consistent with previous years. This critical judgement arises because any re-provision of service would involve a similar PFI arrangement, for which VAT would be recoverable.

- The valuation of buildings requires judgement as to whether assets or groups of assets are specialised or non-specialised, which can lead to significantly different valuations, as described under *1.8 Property, plant and equipment.*

1.3.2 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, lives and depreciation

The total balance of intangible and tangible fixed assets as at 31 March 2020 is £265.6m, of which £241.7m 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* (the 'Red Book') 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. This alternative replacement model requires the operation of significant levels of professional estimation by the valuer.

Cushman & Wakefield has highlighted a valuation uncertainty relating to its valuation of assets as at 31 March 2020. This has arisen due to the impact of COVID-19 on markets. In relation to this estimation uncertainty, the valuer has stated

'Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence and published build cost information for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

"Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation[s] than would normally be the case….

"For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. It is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.'

The valuer has continued to exercise professional judgement in providing the valuation. In forming a Trust-level view of the implication of the declaration above to the Trust's financial statements, the following factors have been taken into account by management.

- The declaration is neither specifically tailored to the NHS sector nor to the Trust. It is a general, professionally required declaration.
- The valuer has stated that uncertainty associated with the Trust's assets is lower than for other property types. The Trust's assets are not held at market value, and the significant downturn in property usage, demand and value seen in other sectors (such as leisure and retail) has no direct relevance to assets in the healthcare sector.
- The impact of COVID-19 on markets only affects the valuation of the Trust's buildings through the use of provisional *build cost information* published by the RICS *Building Cost Information Service (BCIS)*. This is used by the valuer in estimating the cost of re-providing (constructing) a modern equivalent asset. The valuer has expressed confidence that the uncertainty related to this provisional information (updated to 11 March 2020 but not 31 March 2020) is not significant.
- On-site property inspections at the end of 2019/20 were completed 'as normal' and were not compromised by COVID-19 'lockdown'.

In conclusion, the valuation remains the best information about asset values as at 31 March 2020 available to the Trust, with no apparent defects. 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. The valuer has issued a declaration addressing this risk for the 2020 valuation, in the context of COVID-19, whilst explaining that the Trust's uncertainty levels are lower than for other asset classes.

1.3.3 Other sources of estimation uncertainty

The following are other sources of estimation uncertainty that are not currently judged to cause a significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year. This is primarily because the related carrying values are not judged to be individually material.

- Provisions such as those for employer and public liability legal claims.

- Provisions for early retirements that took place before the NHS pension scheme was modified in 1995, incorporating inflation and the relevant discount rate. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of -0.50% (0.29% 2018/19) in real terms.

- Allowance for credit losses, including 21.79% (21.89% 2018/19) of accrued Injury Cost Recovery (ICR) income to reflect the average value of claims withdrawn as advised to DHSC by the Compensation Recovery Unit (CRU) of the Department for Work and Pensions.

- Income accruals for clinical spells not yet fully completed as at the end of the reporting period ('partially completed spells'), as the calculation involves an average *specialty-specific* and *length of stay (LoS)-specific* tariff per spell.

- Inventory balances which are measured by counting stock, and attributing values to that inventory. There is an estimation uncertainty related to the timing of the Trust's stock counts, because they cannot operationally be undertaken simultaneously at close of play on 31 March.

1.4 Income

1.4.1 Contract income – service delivery

Recognition and measurement

All contract income in respect of services provided is recognised in accordance with 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 enable an entity to receive cash or another financial asset, not classified as tax by the Office of National Statistics. Where permitted to retain such taxes, fines and penalties, the income is also deemed to fall in scope of IFRS 15.

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. When income is received for a specific performance obligation that is to be satisfied in the following year, that income is deferred and held on-SoFP as a contract liability. If, and to the extent that, a contract specifies entitlement to consideration in advance, but performance obligations are not yet satisfied, a contract receivable is recognised and the corresponding income is deferred through the recognition of a contract liability.

Income from NHS contracts

The main source of income for the Trust is contracts with commissioners in respect of healthcare services. A performance obligation relating to delivery of a spell of healthcare is generally satisfied over time, as healthcare is received and consumed simultaneously by the customer as the Trust performs it. Clinical activity is captured in the Trust's patient administration system, and clinical coders assign *procedure* and *diagnosis* codes to it, from which appropriate tariffs are determined. In most cases, payment is receivable / received within a month of service delivery through a combination of up-front ('block') and under- or over-performance invoicing.

Where the Trust is aware of a penalty based on contractual performance, the Trust reflects this in the transaction price for income recognition; income is reduced by the value of the penalty. This includes readmissions, whereby the Trust foregoes income in cases where a patient is readmitted within 30 days of discharge from a previous planned stay, and also for performance against standards – such as mixed sex breaches and MRSA occurrences. The Trust receives income from commissioners under Commissioning for Quality and Innovation (CQUIN) schemes. The Trust agrees schemes with its commissioner but they affect how care is provided to patients. That is, the CQUIN payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the contract.

Where a patient care spell is incomplete at the year end, income relating to the partially complete spell is accrued in the same manner as other income. The income for patients admitted before 31 March but not discharged before midnight 31 March is calculated using the average tariff for patients with a similar length of stay in the relevant treatment specialty, based on the patient's length of stay at midnight 31 March.

Consistent with the GAM, practical expedients offered by IFRS 15 have been employed. Per IFRS 15 paragraph 121, the Trust does not disclose the additional information regarding performance obligations required by IFRS 15 paragraph 120 in the following cases.

- When the performance obligation is part of a contract that has an original expected duration of one year or less.
- Where the right to consideration corresponds directly with value of the performance completed to date, in line with IFRS 15 paragraph B16.

1.4.2 Injury Cost Recovery (ICR) income

The Trust receives income under the NHS ICR Scheme, which is designed to recover the costs to NHS providers of treating injured individuals to whom personal injury compensation has subsequently been paid, for instance by an insurer in relation to a road traffic accident (RTA).

The GAM interprets ICR income as being within the scope of IFRS 15. The Trust recognises ICR income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit (CRU) that the individual has lodged a compensation claim, and then confirms via an NHS2 form that there are no discrepancies with that particular case. Each confirmation equates to meeting the IFRS 15 performance obligation for that income.

The income is measured at the agreed tariff for the treatments provided to the injured individual, less a *loss allowance* for unsuccessful compensation claims and doubtful debts. This allowance is as advised by CRU to DHSC, and is in line with the requirement of IFRS 9 *Financial Instruments* to measure and recognise expected credit losses over the lifetime of the asset.

1.4.3 Provider Sustainability Fund (PSF)

The PSF enables providers to earn income linked to the achievement of financial controls and performance targets. Income earned from the fund is accounted for as variable consideration.

1.4.4 Other forms of income

Government and other grants

Where a grant is conditional and to be used to fund revenue expenditure, it is taken to the SoCI to match that expenditure, consistent with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance.* Recognition of grant income relating to an asset is addressed in *1.9 Donated and grant-funded assets*. Donations are treated in the same way as government grants.

Apprenticeship income

The value of the benefit received when accessing training funds related to the government's apprenticeship service is recognised as income in accordance with IAS 20, that is, at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider, non-cash income and corresponding non-cash training expenditure are both recognised, both equal to the cost of the training funded.

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.

1.5 Expenditure on 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 the SoCI except where it results in the creation of assets such as inventory or property, plant and equipment.

1.6 Expenditure on employee benefits

1.6.1 Short-term employee benefits

Salaries, wages and employment-related expenditures, including social security (national insurance) costs and costs related to the apprentice 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 by Trust policy to carry untaken leave forward into the following period.

1.6.2 NHS Pensions

The schemes

Past and present employees are covered by the provisions of two NHS schemes administered by NHS 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. The schemes are not administered 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 though it was a defined contribution scheme.

Details of the benefits payable and rules of the schemes can be found on the NHS Pensions website at https://www.nhsbsa.nhs.uk/nhs-pensions.

Pension costs

The cost to the Trust of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period. That is, employer's pension costs of contributions are charged to operating expenditure as and when they become due.

For early retirements other than those due to ill-health, the additional pension liabilities are not funded by the NHS pension schemes. The full liability for the additional costs is charged to Trust expenditure at the time the Trust commits itself to the retirement, regardless of the method of payment.

Accounting valuation

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, HM Treasury's *FReM* requires that 'the period between formal valuations shall be four years, with approximate assessments in intervening years'. An outline of these assessments follows.

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 schemes' liabilities as at 31 March 2020 is based on the valuation data as at 31 March 2019, updated to 31 March 2020 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 schemes is contained in the scheme actuary report, 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.

Full actuarial (funding) valuation

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

The latest actuarial valuation undertaken for the schemes was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6%, and the scheme regulations were amended accordingly.

The 2016 funding valuation was also expected to test the cost of the schemes relative to an 'employer cost cap' set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018, the government announced a pause to that part of the valuation, pending the conclusion of a continuing legal process.

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 or do not contribute to the NHS pension schemes.

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.

1.7 Intangible assets

1.7.1 Recognition

Intangible assets are non-current, 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. An intangible asset is recognised only where it is probable that future economic benefits will flow to, or service potential will be provided to, the Trust, the asset is expected to be used for at least one financial year, and where the cost of the asset can be measured reliably and is at least £5,000 including irrecoverable VAT.

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.

Software which is integral to the operation of hardware, e.g. an operating system, is capitalised as part of the related item of property, plant and equipment. Software which is not integral to the operation of hardware, e.g. application software, may be capitalised as a distinct intangible asset.

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets. Expenditure on research is not capitalised, and is recognised in operating expenditure in the period it was incurred.

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.

1.7.2 Measurement

Valuation – carrying amount

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. Subsequently, intangible assets are measured at *current value in existing use*, by reference to an active market (market value in existing use). Where no active market exists, intangible assets are valued at the lower of amortised replacement cost (modern equivalent asset basis) and the *value in use* where the asset is income-generating.

Amortisation

Intangible assets are amortised over their expected useful economic lives on a straight-line basis 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.

Expected useful economic lives at point of first recognition are usually as follows.

IT and software licences	1 to 5 years.

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.*

1.8 Property, plant and equipment

1.8.1 Recognition

Property, plant and equipment is capitalised where the following conditions are met.

- The item 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.
- The item 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.
  - For 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.

1.8.2 Measurement

Valuation – carrying amount

All property, plant and equipment assets are measured initially at cost, comprising borrowing costs where relevant, and all 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*.

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, but 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, 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.

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.

- 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* (the 'Red Book') 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* (the 'Red Book') 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 'desktop' revaluation of the Trust's land and buildings as at 31 March 2020. These interim professional 'desktop' revaluations are currently carried out annually, between the full revaluations which take place every 5 years, in line with GAM. 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').

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.

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.

Finance-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.

Property is usually depreciated over the following useful economic lives.

Buildings excluding dwellings	1 to 65 years

Equipment is usually depreciated over the following useful lives.

Plant and machinery	1 to 15 years
Transport equipment	1 to 7 years
Furniture and fittings	1 to 10 years
Information technology equipment	1 to 8 years

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

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

- the impairment charged to operating expenditure; and
- the balance in the revaluation reserve attributable to that asset before impairment.

An impairment arising from a clear consumption of economic benefit or service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss are reversed. Reversals are recognised as a credit to operating expenditure and capped to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. 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, such as losses due to changes in market price, are treated as revaluation losses. Reversals of these 'other impairments' are treated as revaluation gains, as described above.

1.8.3 De-recognition

A non-current asset intended for disposal is reclassified under IFRS 5 as held-for-sale once all of the following criteria are met.

- The asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales.
- The sale must be highly probable, that is
  i. management are committed to a plan to sell the asset;
  ii. an active programme has begun to find a buyer and complete the sale;
  iii. the asset is being actively marketed at a reasonable price;
  iv. the sale is expected to be completed within 12 months of the date of classification as held-for-sale; and
  v. the actions needed to complete the plan indicate that it is unlikely that the plan will be dropped or that significant changes will be made to it.

Following reclassification, the asset is measured at the lower of its carrying amount and fair value less costs to sell. Depreciation ceases to be charged. The asset is then fully de-recognised when all material sale contract conditions have been met.

It is possible for assets to be disposed of directly from operational property, plant and equipment categories, without revaluation or reclassification as surplus or held-for sale, should the conditions for reclassification not be met for an appreciable period. Any property, plant and equipment asset which is to be scrapped or demolished does not qualify for recognition as held-for-sale, and instead is retained as an operational asset with an adjustment to the asset's economic life. The asset is de-recognised when scrapping or demolition occurs.

1.9 Donated and grant-funded assets

Donated and grant-funded property, plant and equipment assets are capitalised at *current value in existing use*, if they will be held for their service potential, or otherwise at fair value on receipt, with a matching credit to income. If received to fund the purchase of a specific asset, the donation / grant is credited to income when received, unless the donor imposes a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor (for example, a grant is conditional on the future purchase or construction of the asset).

When such a condition is imposed, the donation / grant is held as deferred income within liabilities in the SoFP, and is carried forward to future financial years to the extent that the condition has not yet been met. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

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

1.10 Private Finance Initiative (PFI) transactions and service concessions

The Trust's two 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, a short-term accrual or prepayment is recognised respectively.

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.

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 date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash and bank balances are recorded at the current values of these balances in the Trust's cash book. These balances exclude monies held in the Trust's bank account belonging to patients (see *1.20 Third party assets*).

1.13 Financial instruments

1.13.1 Recognition

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

In the case of contract receivables, financial assets are recognised when, and to the extent that, performance occurs i.e. when receipt or delivery of the goods or services is made. Recognition is therefore aligned with *1.4 Income*, with regard to IFRS 15 and the expansion of the definition of a contract, and occurs at transaction price. In the case of trade payables, financial liabilities are recognised when the goods or services have been received.

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases (*1.14 Leases*), and provisions under contract are recognised and measured in accordance with *1.15 Provisions*.

1.13.2 De-recognition

Financial assets are de-recognised when the 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.

1.13.3 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.

1.13.4 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 is calculated at a rate of 21.79% (21.89% 2018/19), and this percentage reflects the average value of claims withdrawn as advised to DHSC by the Compensation Recovery Unit (CRU) of the Department for Work and Pensions. This 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. 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 2020. This activity is referred to as 'stage 2' impairment in the GAM.

HM Treasury has ruled that central government bodies may not recognise 'stage 2' impairments against other government departments, their executive agencies, the Bank of England, Exchequer Funds, and Exchequer Funds' assets where repayment is ensured by primary legislation. The Trust therefore does not recognise loss allowances for 'stage 2' impairments against these bodies. Additionally, DHSC provides a guarantee of last resort against the debts of its arm's length bodies and NHS bodies (excluding NHS charities), and the Trust therefore does not recognise 'stage 2' loss allowances against these bodies.

For individual financial assets 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 asset's gross carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. This normally equates to the difference between the invoice value and expected receipts, for the Trust's trade receivables, due to standard payment terms. When there is no reasonable expectation of recovery, a 'write-off' adjustment is recognised in the SoCI as an impairment loss, and the carrying amount of the asset is reduced directly.

1.14 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership of a leased asset are transferred to the lessee. All other leases are classified as operating leases.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

In applying IFRIC 4 *Determining whether an Arrangement Contains a Lease*, collectively significant rental arrangements that do not have the legal status of a lease but convey the right to use an asset for payment are accounted for under the Trust's lease policy, where fulfilment of the arrangement is dependent on the use of specific assets.

1.14.1 Finance leases – Trust as lessee

At the commencement of the lease, the asset is recorded as property, plant and equipment, and a corresponding liability is recognised. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease, with any initial direct costs of the lessee added to the amount recognised as an asset only. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

Thereafter, the asset is accounted for as an item of property, plant and equipment.

The annual rental is split between the repayment of the liability and a finance cost, which is calculated by applying the implicit interest rate to the outstanding liability, so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to finance costs in the SoCI. The lease liability is de-recognised when the liability is discharged, cancelled or expires.

In summary, the various charges apply as follows.

- The finance charge is allocated across the lease term on a straight line basis.
- Depreciation is charged on the asset as per the Trust's property, plant and equipment policy.
- Contingent rents (e.g. variable costs based on usage) are recognised as operating expenditure in the period in which they are incurred.
- Any lease rental expenditure that would otherwise have been charged to expenditure under an operating lease is fully de-recognised.

1.14.2 Finance leases – Trust as lessor

At the commencement of the lease, the asset is de-recognised from property, plant and equipment, and a 'finance lease debtor' balance is recognised within 'other receivables', which is calculated as the aggregate of future minimum lease payments receivable and the unguaranteed residual value accruing to the Trust, discounted at the interest rate implicit in the lease.

The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of both the minimum lease payments and the unguaranteed residual value to be equal to the sum of the fair value of the leased asset and any initial direct costs of the lessor.

The annual rental inflows are split between repayment of the Trust's receivable, and finance income in the SoCI. Finance income is calculated by applying the implicit interest rate to the outstanding receivable, so as to achieve a constant rate of finance over the life of the lease.

1.14.3 Operating leases

Operating leases are any leases which are not classified as finance leases.

Operating lease rental income is credited to operating income, in the SoCI, on a straight-line basis over the term of the lease. Operating lease rental expenditure, net of incentives, is charged to operating expenditure on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as expenditure on a straight-line basis over the lease term.

1.15 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation, as a result of a past event, of uncertain timing or amount, for which the following conditions are true.

- It is probable that there will be a future outflow of cash or other resources.
- A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision in the SoFP is the best estimate of the expenditure required to settle the obligation, taking into account risks and uncertainties. Where a provision is measured using the cash flows required to settle the obligation, and the effect of the time value of money is significant, its carrying amount is the present value of those cash flows using HM Treasury's discount rates.

For post-employment benefits including early retirement provisions and injury benefit provisions, HM Treasury's pension discount rate in real terms of -0.50% (0.29% 2018/19) is used.

All other provisions are subject to three separate discount rates according to the expected timing of cash flows.

- The nominal short-term rate is 0.51% (0.76% 2018/19) for inflation-adjusted expected cash flows up to and including 5 years from the Statement of Financial Position date.
- The nominal medium-term rate is 0.55% (1.14% 2018/19) for inflation-adjusted expected cash flows over 5 years up to and including 10 years from the Statement of Financial Position date.

- The nominal long-term rate is 1.99% (1.99% 2018/19) for inflation-adjusted expected cash flows over 10 years from the Statement of Financial Position date.

Nominal rates do not take account of inflation. Therefore the Trust inflates the cash flows relating to general provisions using the following HM Treasury rates, effective at 31 March 2020.

	Inflation rate
Year 1	1.9%
Year 2 and thereafter	2.0%

1.15.1 Clinical negligence costs

NHS Resolution (NHSR) operates a risk-pooling scheme under which the Trust pays an annual contribution to NHSR, which, in return, settles all clinical negligence claims. This contribution is charged to expenditure. Although NHSR is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSR on behalf of the Trust is disclosed in Note 23.2 but is not recognised in the Trust's accounts.

1.15.2 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 NHSR 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 expenditure when the Trust is notified that they are due.

1.16 Contingencies

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

1.17 Public dividend capital (PDC)

PDC is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of predecessor NHS trust(s), with the addition of subsequent further investment by DHSC in the Trust and its predecessors. It expresses the DHSC's total investment in the Trust. At any time, the Secretary of State can issue new PDC to, and require repayments of PDC from, the Trust. PDC is recorded at the value received.

HM Treasury has determined that, being issued under statutory authority rather than under contract, PDC is not a financial instrument within the meaning of IAS 32 *Financial Instruments: Presentation.*

An annual charge, reflecting the forecast cost of capital utilised by the Trust, is payable to DHSC as PDC dividend. The charge is calculated at the real 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, except for the following.

- Donated and grant funded assets and assets purchased in response to COVID-19.
- PSF income receivable.
- Any PDC dividend balance receivable or payable.
- Net cash balances in Government Banking Service (GBS) accounts.

The average net relevant assets balance - including GBS - is calculated for the year, and then the *average daily cleared GBS balance* is deducted from that figure to arrive at the relevant net assets amount for the calculation of the dividend. In accordance with the requirements laid down by DHSC, 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 thus calculated is not revised should any adjustment occur as a result of the audit of the annual accounts.

The Trust performs this calculation monthly. Because it has negative relevant net assets, the Trust has not paid PDC dividend in either 2018/19 or 2019/20.

1.18 Value added tax (VAT)

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. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets.

1.19 Corporation tax

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

1.20 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. However, they are disclosed in Note 18.2, as required by HM Treasury's *FReM.*

1.21 Foreign currencies

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.

1.22 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 each individual case is handled.

Losses and special payments are charged to several relevant functional headings in expenditure on an accruals basis, with the exception of provisions for future losses, and include losses which would have been made good through insurance cover had the Trust not been bearing its own risks.

1.23 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. The Trust has not issued any gifts with the exception of occasional ad hoc collaborative gestures with NHS partners of a trivial nature.

1.24 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been 'early adopted' in 2019/20.

1.25 Accounting standards issued but not yet effective or adopted

DHSC group bodies must apply IFRS as adopted by HM Treasury in the *FReM*, except where additional departures and interpretations have been agreed by DHSC, as specified in the GAM. In the *FReM*, HM Treasury applies EU-adopted IFRS with adaptations and interpretations. EU adoption is always subsequent to the issue of standards by the IASB or IFRS IC. There are therefore delays between the issue of standards, and adoption by the Trust.

Where a new standard or interpretation has been issued, but has not yet been implemented, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires disclosure in the accounts of this fact, and the known or reasonably estimated impact that application will have in the period of initial application.

In each case below, the issued standards are not yet adopted in the *FReM* (and therefore GAM). In each case, the financial year in which the change is expected to become effective in the Trust's accounts is disclosed after the standard's name.

- **IFRS 16 *Leases*:** [new standard] (2021/22) – this standard replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease* and other interpretations. The standard provides a single accounting model for lessees. This involves the recognition of a 'right of use asset' and corresponding obligation in the Statement of Financial Position for most leases. Some leases are exempt through application of practical expedients, described below.

  For arrangements recognised in the Statement of Financial Position, the standard also requires the re-measurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

  IFRS 16 changes the definition of a lease compared with IAS 17 and IFRIC 4. The Trust will apply this definition to new leases only, and will 'grandfather' its assessments made under the old standards as to whether existing arrangements contain a lease.

  On transition to IFRS 16 on 1 April 2021, the Trust will apply the standard retrospectively. The cumulative effect of initially applying the standard will be recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the Trust's incremental borrowing rate, as defined by HM Treasury. Currently, this rate is 1.27%, but this may change between now and adoption of the standard.

  The related 'right of use asset' will be recognised as equal to the lease liability adjusted for any prepaid or accrued lease payments. They will subsequently be measured on a basis consistent with owned assets and depreciated over the length of the lease term.

  For leases commencing in 2021/22, practical expedients will apply. The Trust will not recognise a 'right of use asset' or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). No adjustments will be made on 1 April 2021 for existing finance leases.

  HM Treasury revised the implementation date for IFRS 16 in the UK public sector to 1 April 2021 on 19 March 2020. Due to the need to reassess lease calculations, together with particular uncertainty on expected leasing activity from April 2021 in light of COVID-19, a quantification of the expected impact of applying the standard in 2021/22 is currently impracticable. However, the Trust does expect this standard to have a material impact on non-current assets and liabilities. It will also consequently impact on depreciation.

- **IFRS 17 *Insurance Contracts*:** [new standard] (2023/24) – This standard is not expected to affect the Trust's accounts as it does not issue insurance contracts.

- **IFRS 14 *Regulatory Deferral Accounts:*** [new standard] – this standard is not applicable to DHSC group bodies.

In addition, the IASB has issued a revised *Conceptual Framework for Financial Reporting*. All DHSC group bodies will continue to apply the current *Conceptual Framework*, issued in 2010, until the 2020/21 financial year. This is unlikely to significantly affect the Trust's accounts.

IASB - International Accounting Standards Board - the independent, accounting standard-setting body of the IFRS Foundation.
IFRS - International Financial Reporting Standard.
IFRIC - Interpretations issued by the IFRS Interpretations Committee (IFRS IC, previously IFRIC).
IAS - International Accounting Standard, issued by the predecessor International Accounting Standards Committee (IASC) and subsequently adopted by the IASB.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Note 2 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with Note 1.4.1

Note 2.1 Income from patient care activities (by nature)

	2019/20	2018/19
	£000	£000
Acute services		
Elective income	57,402	56,326
Non elective income	133,110	117,041
First outpatient income	25,586	23,290
Follow-up outpatient income	29,550	27,196
A&E income	19,299	15,323
Other NHS clinical income [1]	72,063	65,513
Community services		
Community services income from CCGs and NHS England	14,197	13,719
Additional income		
Private patient income	966	720
Agenda for Change pay award central funding [2]		3,409
Additional pension contribution central funding [3]	10,254	
Other clinical income [4]	4,549	2,039
Total income from activities	**366,976**	**324,576**

1 Other NHS clinical income was generated through a variety of services: 'unbundled' critical care block contracts, GP direct access to the Trust's diagnostic services, maternity care, 'unbundled' outpatient diagnostic imaging, and rehabilitation services.

2 In 2018/19, additional costs arising from *Agenda for Change* pay reform received central funding. From 2019/20, this funding is incorporated into the tariff for individual services.

3 The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administration charge) from 1 April 2019. For 2019/20, NHS providers continued to pay over contributions at the former rate, with the additional 6.3% being paid over by NHS England on each provider's behalf. The full cost and related funding have been recognised in these accounts.

4 Other clinical income contains COVID-19 income from NHS England (£3.0m) and ICR income, described in Note 2.2, below.

Note 2.2 Income from patient care activities (by source)

	2019/20	2018/19
	£000	£000
NHS England and CCGs	356,840	311,699
Department of Health and Social Care	-	3,409
Other NHS providers	194	776
Local authorities	3,030	2,441
Other non-NHS		
Private patients	966	720
Overseas patients (chargeable to patient)	25	39
Injury cost recovery (ICR) scheme (also known as RTA income) [1]	1,356	1,455
Other [2]	4,565	4,037
Total income from activities	**366,976**	**324,576**

1 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 17.2).

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

Note 2.3 Overseas visitors

	2019/20	2018/19
	£000	£000
Income recognised this year	25	39
Cash payments received in-year	11	34
Amounts added to provision for impairment of receivables	17	9
Amounts written off in-year	-	6

Note 3 Other operating income

	2019/20			2018/19		
	Contract income	Non-contract income [1]	Total	Contract income	Non-contract income [1]	Total
	£000	£000	£000	£000	£000	£000
Research and development	683	-	**683**	628	-	**628**
Education and training [2]	12,843	398	**13,241**	11,526	230	**11,756**
Non-patient care services to other bodies [3]	31,519		**31,519**	28,136		**28,136**
Provider sustainability fund (PSF) [4]	7,003		**7,003**	10,967		**10,967**
Receipt of capital grants and donations		31	**31**		69	**69**
Charitable and other contributions to expenditure		211	**211**		-	-
Amortisation of PFI deferred income / credits		-	-		32	**32**
Other income [5]	27,128	-	**27,128**	25,994	-	**25,994**
Total other operating income	**79,176**	**640**	**79,816**	**77,251**	**331**	**77,582**

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

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

3 This relates to services provided to other NHS bodies, including pathology, IT and HR services.

4 Provider Sustainability Fund (PSF) non-recurring income has been made available to support NHS providers in maintaining a sustainable financial footing, and is linked to the acceptance and delivery of a financial control total.

5 Other contract income of £27.1m (£26.0m 2018/19) includes income relating to the Trust's PFI arrangement (£13.0m) which is paid annually by NHS England, as well as car parking income, and other miscellaneous income recharged to other NHS bodies.

Note 4

Note 4.1 Contract revenue (IFRS 15) recognised in the period

	2019/20	2018/19
	£000	£000
Income recognised in the reporting period which was within SOFP *Contract liabilities* (per Note 22) at the previous period end	91	686

Note 4.2 Transaction price allocated to remaining performance obligations

The Trust has exercised the practical expedients permitted by IFRS 15 paragraph 121. This means that income from neither *(i) contracts with an expected duration of one year or less* nor *(ii) contracts where the Trust recognises income directly corresponding to work done to date* require disclosure. The Trust has no other significant contracts to disclose.

Note 5 Fees and charges

HM Treasury requires disclosure of income from charges to service users, where total income from that service exceeds £1m. The full cost associated with that income is also disclosed. The only service in scope for this disclosure is on-site car parking, for which income was £2.5m and the full cost was £2.6m, with a service deficit of £0.1m. 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.

Note 6

Note 6.1 Operating expenditure

	2019/20	2018/19
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	13,106	11,998
Purchase of healthcare from non-NHS and non-DHSC bodies	2,495	2,324
Staff costs including executive directors (Note 8)	265,930	238,599
Remuneration of non-executive directors	100	67
Supplies and services - clinical (excluding drugs costs)	28,691	29,289
Supplies and services - general	1,789	1,673
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	24,187	23,595
Inventories written down	61	-
Consultancy costs	-	6
Establishment	3,758	3,682
Premises	20,362	18,036
Transport (including patient travel)	1,143	1,044
Depreciation on property, plant and equipment	10,165	7,724
Amortisation on intangible assets	484	642
Net impairments (Note 7)	(4,252)	4,179
Movement in credit loss allowance: contract receivables	1	11
Change in provisions discount rate(s)	120	(30)
Audit fees payable to the external auditor [1]		
Audit services - statutory audit	57	49
Other auditor remuneration (external auditor only) (Note 6.2)	-	35
Internal audit and local counter-fraud service costs	110	104
Clinical negligence [2]	10,774	9,307
Legal fees	177	196
Insurance	237	255
Research and development	624	618
Education and training	2,987	2,812
Rentals under operating leases (Note 9)	2,591	900
Early retirements	-	44
Redundancy	-	315
Charges to operating expenditure for on-SoFP IFRIC 12 (PFI) schemes	27,224	26,327
Hospitality	122	160
Other expenditure [3]	6,940	6,314
Total	**419,983**	**390,275**

1 Audit fees include irrecoverable VAT. Actual sums receivable by the external auditor were £48k for statutory audit, and other remuneration of nil (Note 6.2) (£41k and £34k 2018/19).

2 Clinical negligence costs relate to the Trust's annual contribution to NHS Resolution (formerly NHS Litigation Authority) under its risk-pooling scheme.

3 Other expenditure of £6.9m (£6.3m 2018/19) includes professional fees, interpreting services and other miscellaneous expenditure.

Note 6.2 Other remuneration paid to the external auditor

The Trust incurred no expenditure for audit-related assurance services (£7k 2018/19), because of the *COVID-19*-related cancellation of Grant Thornton UK LLP's review of the Trust's Quality Accounts.

The Trust also incurred no expenditure on other non-audit services (£28k 2018/19).

The prior-year expenditure figures include an element of irrecoverable VAT, with the total sum actually receivable by the external auditor being £34k.

Note 6.3 Limitation on auditor's liability

The limitation on auditor's liability for external audit work is £2m (£2m 2018/19).

Note 7 Impairment of assets

	2019/20	2018/19
	£000	£000
Net impairments charged to operating surplus / deficit by cause		
Changes in market price	(4,252)	4,179
Total net impairments charged to operating surplus / deficit	**(4,252)**	**4,179**
Impairments charged to the revaluation reserve	(1,892)	(25)
Total net impairments	**(6,144)**	**4,154**

In 2019/20, a net credit to the revaluation reserve (£1.9m) was generated by the desktop revaluation of the Trust's estate as at 31 March 2020. The revaluation also led to a £4.3m reversal of impairments which had been previously charged to the SoCI.

Note 8 Employee benefits

	2019/20 Total £000	2018/19 Total £000
Salaries and wages	207,961	193,575
Social security costs	18,452	17,445
Apprenticeship levy	1,043	959
Employer's contributions to NHS Pensions	32,959	21,237
Employer's contributions to the National Employment Savings Scheme (NEST)	84	45
Temporary staff (including agency)	7,784	8,171
Total staff costs	**268,283**	**241,432**
Staff costs relating to the creation of assets, capitalised within non-current assets, and therefore not included above	189	37
Total employee benefits excluding capitalised costs	**268,094**	**241,395**
Less other employee benefits included above (such as training)	(2,164)	(2,796)
Total staff costs to SoCI per Note 6.1	**265,930**	**238,599**

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

Note 8.1 Retirements due to ill-health

During 2019/20 there was 1 early retirement from the Trust agreed on the grounds of ill-health (4 2018/19). The estimated additional pension liabilities of these ill-health retirements is £105k (£200k 2018/19).

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

Note 9 Operating leases

The Trust does not generate incomes as a lessor.

The Trust does incur expenditure and future commitments as a lessee, through operating lease arrangements.

	2019/20	2018/19
	£000	£000
Operating lease expenditure		
Minimum lease payments	2,591	900
Total	**2,591**	**900**

	31 March 2020	31 March 2019
	£000	£000
Analysis of future minimum lease payments by due date		
Not later than one year	2,539	847
Later than one year and not later than five years	2,289	1,079
Later than five years	3,675	3,467
Total	**8,503**	**5,393**

The Trust's longest term lease (25 years) relates to land used for car parking at Delph Lane, near Whiston Hospital. Lease terms rarely exceed 5 years from inception. The largest annual expenditure relates to the rental of Newton Community Hospital facilities. The Trust also rents off-site office accommodation and complex medical equipment used in the delivery of healthcare, when this represents the best *value for money* option.

Where applicable, break clauses in the Trust's lease contracts have been taken into account in the calculation of future minimum lease payments.

Note 1.25 describes the new lease accounting standard which will be applied from 2021/22 onwards.

Note 10 Finance income

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

	2019/20	2018/19
	£000	£000
Interest on bank accounts	278	227
Total finance income	**278**	**227**

Note 11

Note 11.1 Finance expenditure

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

	2019/20	2018/19
	£000	£000
Interest expenditure		
Loans from the Department of Health and Social Care	271	125
Finance leases	86	79
Interest on late payment of commercial debt (Note 11.2)	2	7
Main finance costs on PFI scheme obligations (Note 25)	8,604	8,773
Contingent finance costs on PFI scheme obligations (Note 25)	9,575	7,988
Total interest expenditure	**18,538**	**16,972**
Other finance costs - unwinding of discount on provisions	7	2
Total finance expenditure	**18,545**	**16,974**

Note 11.2 The Late Payment of Commercial Debts (Interest) Act 1998 / Public Contract Regulations (PCR) 2015

	2019/20	2018/19
	£000	£000
Amounts included within interest payable arising from claims made under this legislation	2	7

Note 12

Note 12.1 Intangible assets - 2019/20

	Total
	£000
Gross cost at 1 April 2019 - brought forward	**3,394**
Additions	**2,430**
Disposals / derecognition	**(508)**
Gross cost at 31 March 2020	**5,316**
Amortisation at 1 April 2019 - brought forward	**2,469**
Provided during the year	**484**
Disposals / derecognition	**(508)**
Amortisation at 31 March 2020	**2,445**
Net book value at 31 March 2020	**2,871**
Net book value at 1 April 2019	**925**

Note 12.2 Intangible assets - 2018/19

	Total
	£000
Gross cost at 1 April 2018 - as previously stated	**3,262**
Additions	**132**
Disposals / derecognition	**-**
Gross cost at 31 March 2019	**3,394**
Amortisation at 1 April 2018 - as previously stated	**1,827**
Provided during the year	**642**
Disposals / derecognition	**-**
Amortisation at 31 March 2019	**2,469**
Net book value at 31 March 2019	**925**
Net book value at 1 April 2018	**1,435**

All intangibles are software assets in both the current and prior years.
The actual useful economic lives of intangible assets as at 31 March 2020 ranged from 0 to 5 years.

Note 13

Note 13.1 Property, plant and equipment (PPE) - 2019/20

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2019 - brought forward	**6,500**	**233,600**	**2,021**	**47,534**	**112**	**5,523**	**6,335**	**301,625**
Additions	-	1,727	1,964	2,178	-	1,994	-	**7,863**
Impairments	-	-	(85)	-	-	-	-	**(85)**
Reversals of impairments	813	1,084	-	-	-	-	-	**1,897**
Revaluations	-	(1,400)	-	-	-	-	-	**(1,400)**
Reclassifications	-	269	(269)	-	-	-	-	-
Disposals / derecognition	-	-	-	(267)	-	(1,095)	-	**(1,362)**
Valuation/gross cost at 31 March 2020	**7,313**	**235,280**	**3,631**	**49,445**	**112**	**6,422**	**6,335**	**308,538**
Accumulated depreciation at 1 April 2019 - brought forward	**-**	**-**	**-**	**34,170**	**96**	**2,466**	**6,025**	**42,757**
Provided during the year	-	5,732	-	3,241	6	1,010	176	10,165
Impairments	-	329	-	-	-	-	-	329
Reversals of impairments	-	(4,661)	-	-	-	-	-	(4,661)
Revaluations	-	(1,400)	-	-	-	-	-	(1,400)
Reclassifications	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	(267)	-	(1,095)	-	(1,362)
Accumulated depreciation at 31 March 2020	**-**	**-**	**-**	**37,144**	**102**	**2,381**	**6,201**	**45,828**
Net book value at 31 March 2020	**7,313**	**235,280**	**3,631**	**12,301**	**10**	**4,041**	**134**	**262,710**
Net book value at 1 April 2019	**6,500**	**233,600**	**2,021**	**13,364**	**16**	**3,057**	**310**	**258,868**

Note 13.2 Property, plant and equipment (PPE) - 2018/19

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2018 - brought forward	**6,500**	**237,606**	**2,543**	**45,253**	**112**	**3,733**	**6,335**	**302,082**
Additions	-	734	2,518	4,468	-	1,790	-	**9,510**
Impairments	-	(124)	-	-	-	-	-	**(124)**
Reversals of impairments	-	149	-	-	-	-	-	**149**
Revaluations	-	(7,805)	-	-	-	-	-	(7,805)
Reclassifications	-	3,040	(3,040)	-	-	-	-	-
Disposals / derecognition	-	-	-	(2,187)	-	-	-	**(2,187)**
Valuation/gross cost at 31 March 2019	**6,500**	**233,600**	**2,021**	**47,534**	**112**	**5,523**	**6,335**	**301,625**
Accumulated depreciation at 1 April 2018 - brought forward	**-**	**-**	**-**	**33,182**	**91**	**1,739**	**5,834**	**40,846**
Provided during the year	-	3,626	-	3,175	5	727	191	**7,724**
Impairments	-	4,230	-	-	-	-	-	**4,230**
Reversals of impairments	-	(51)	-	-	-	-	-	**(51)**
Revaluations	-	(7,805)	-	-	-	-	-	(7,805)
Disposals / derecognition	-	-	-	(2,187)	-	-	-	**(2,187)**
Accumulated depreciation at 31 March 2019	**-**	**-**	**-**	**34,170**	**96**	**2,466**	**6,025**	**42,757**
Net book value at 31 March 2019	**6,500**	**233,600**	**2,021**	**13,364**	**16**	**3,057**	**310**	**258,868**
Net book value at 1 April 2018	**6,500**	**237,606**	**2,543**	**12,071**	**21**	**1,994**	**501**	**261,236**

Over 90% of the Trust's building assets, and almost 50% of *Plant and machinery* (equipment) assets relate to on-SoFP PFI contracts (Note 13.3 and Note 25).
The Trust undertakes periodic reviews of its asset register. Disposals / derecognition balances in both 2018/19 and 2019/20 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.

Note 13.3 PPE financing - 2019/20

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 20								
Owned - purchased	7,313	14,720	3,631	5,381	10	3,970	134	**35,159**
Finance leased	-	-	-	1,061	-	58	-	**1,119**
On-SoFP PFI contracts	-	220,284	-	5,859	-	-	-	**226,143**
Owned - donated	-	276	-	-	-	13	-	**289**
NBV total at 31 March 2020	**7,313**	**235,280**	**3,631**	**12,301**	**10**	**4,041**	**134**	**262,710**

Note 13.4 PPE financing - 2018/19

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2019								
Owned - purchased	6,500	14,140	2,021	5,396	16	2,957	310	**31,340**
Finance leased	-	-	-	1,205	-	83	-	**1,288**
On-SoFP PFI contracts	-	219,460	-	6,433	-	-	-	**225,893**
Owned - donated	-	-	-	330	-	17	-	**347**
NBV total at 31 March 2019	**6,500**	**233,600**	**2,021**	**13,364**	**16**	**3,057**	**310**	**258,868**

Note 13.5 Contractual capital commitments

	31 March 2020	31 March 2019
	£000	£000
Property, plant and equipment	179	-
Total	**179**	**-**

Note 14 Donations of property, plant and equipment

In 2019/20, the Trust recognised donated asset additions of £31k (£69k 2018/19), which were grant-funded by the Charity. The Trust has received no assets directly in this or the previous year.

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* (the 'Red Book'), 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 desktop (interim) revaluation of the Trust's estate was undertaken as at the valuation date of 31 March 2020. This resulted in a net impairment reversal / gain recorded in the revaluation reserve (within the Statement of Financial Position) of £1.9m, which is also disclosed as *Other comprehensive income*, and a net gain to income and expenditure from reversal of impairment (within the Statement of Comprehensive Income) of £4.3m (Note 7).

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 2020 range from nil to the following maximum lives.

Buildings excluding dwellings 63 years
Plant and machinery 15 years
Transport equipment 2 years
Furniture and fittings 8 years
Information technology equipment 5 years

Note 16 Inventories

	31 March 2020	31 March 2019
	£000	£000
Drugs	1,668	1,501
Consumables	2,353	2,094
Energy	64	55
Total inventories	**4,085**	**3,650**

Inventories recognised in expenditure for the year totalled £46,036k (£45,712k 2018/19). Write-down of inventories recognised as expenditure for the year were £61k (nil 2018/19).

Note 17

Note 17.1 Receivables

	31 March 2020	31 March 2019
	£000	£000
Current		
Contract receivables	39,441	32,191
Allowance for impaired contract receivables	(697)	(661)
Prepayments (non-PFI)	1,694	2,553
Prepayments (PFI lifecycle)	-	315
Interest receivable	9	24
VAT receivable	876	1,008
Other receivables	206	1,619
Total current receivables	**41,529**	**37,049**
Non-current		
Contract receivables	1,303	1,401
Allowance for impaired contract receivables	(284)	(319)
Prepayments (non-PFI)	152	120
Prepayments (PFI lifecycle)	472	781
Clinician pension tax provision - reimbursement funding	853	
Total non-current receivables	**2,496**	**1,983**
Total receivables from NHS and DHSC group bodies (current)	32,157	25,982

The majority of the Trust's debt relates to the Trust's provision of healthcare.
The carrying amounts of *Receivables* approximate to fair value.

Note 17.2 Allowance for credit losses

	2019/20 Contract receivables & contract assets	2019/20 All other receivables	2018/19 Contract receivables & contract assets	2018/19 All other receivables
	£000	£000	£000	£000
Allowance as at 1 April - brought forward	**980**	**-**	**-**	**977**
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018			977	(977)
New allowance arising	141	-	11	-
Changes in existing allowance	(140)	-	-	-
Utilisation of allowance (write-offs)	-	-	(8)	-
Allowance as at 31 Mar 2020	**981**	**-**	**980**	**-**

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 1.13.4.
The Trust's exposure to, and management of, credit risk is discussed in Note 26.1.

Note 18

Note 18.1 Cash and cash equivalents movements

	2019/20	2018/19
	£000	£000
At 1 April	**5,109**	**11,661**
Net change in year	2,152	(6,552)
At 31 March	**7,261**	**5,109**
Cash at commercial banks and in hand	60	99
Cash with Government Banking Service (GBS)	7,201	5,010
Total cash and cash equivalents	**7,261**	**5,109**

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents, which are readily convertible investments of known value which are subject to an insignificant risk of change in value.

Note 18.2 Third party assets held by the Trust

At 31 March, St Helens and Knowsley Teaching Hospitals NHS Trust held cash and cash equivalents on behalf of patients, as a service for them during their hospital stay. The Trust has no beneficial interest in these assets, and the balance has been excluded from the financial statements' cash and cash equivalents figure.
Total balances for third party assets held by the Trust are disclosed below.

	31 March 2020	31 March 2019
	£000	£000
Monies held on behalf of patients	2	3
Total third party assets	**2**	**3**

Note 19

Note 19.1 Trade and other payables

	31 March 2020	31 March 2019
	£000	£000
Current		
Trade payables	3,381	3,148
Capital payables	3,658	855
Accruals	16,340	15,389
Receipts in advance and payments on account	3	900
Social security costs	8,420	9,394
Other taxes payable	7,412	5,308
Other payables [1]	6,961	7,489
Total current trade and other payables	**46,175**	**42,483**
Total payables from NHS and DHSC group bodies	4,902	4,644

1 Other payables includes NHS Pensions contributions to be paid over, and other arrangements whereby the Trust collects funds to be paid over to third parties.

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

Note 19.2 Better Payment Practice Code (BPPC) and Public Contract Regulations 2015 (PCR 2015)

The Better Payment Practice Code (BPPC) gives NHS organisations the aim of paying all undisputed invoices within 30 calendar days of the receipt of either goods or a valid invoice (whichever is later), unless other payment terms have been agreed. A trust is considered compliant at rates of 95% or higher.

	2019/20	2019/20	2018/19	2018/19
Non-NHS payables	Number	£000	Number	£000
Total non-NHS trade invoices paid in the year	44,865	156,322	47,609	170,002
Total non-NHS trade invoices paid within target	39,416	151,637	43,423	164,686
Percentage of non-NHS trade invoices paid within target	87.9%	97.0%	91.2%	96.9%
NHS payables				
Total NHS trade invoices paid in the year	3,510	21,326	3,548	20,427
Total NHS trade invoices paid within target	3,339	20,262	3,408	19,780
Percentage of NHS trade invoices paid within target	95.1%	95.0%	96.1%	96.8%

The Trust also discloses payment performance in line with PCR 2015. This is similar to BPPC, but focuses on payments of valid invoices within 30 calendar days. Not all of the Trust's arrangements have 30 day terms.

	2019/20	2019/20	2018/19	2018/19
	Number	£000	Number	£000
Total relevant invoices paid in the year	48,807	178,610	51,508	191,606
Total relevant invoices paid within 30 days	33,632	163,788	35,029	173,078
Percentage of relevant invoices paid within 30 days	68.9%	91.7%	68.0%	90.3%

Note 20

Note 20.1 Borrowings

	31 March 2020	31 March 2019
	£000	£000
Current		
Loans from DHSC [1]	18,752	2,563
Other loans	421	211
Obligations under finance leases	262	221
Obligations under PFI contracts	3,981	8,141
Total current borrowings	**23,416**	**11,136**
Non-current		
Loans from DHSC [1]	-	16,604
Other loans	1,477	1,897
Obligations under finance leases	933	1,092
Obligations under PFI contracts	230,863	234,844
Total non-current borrowings	**233,273**	**254,437**

1 The previously non-current DHSC loan balance of £18.7m has been classified as a current liability at 31 March 2020, due to the announcement that DHSC loans are to be extinguished, via conversion to PDC in 2020/21.
The Trust has never breached its loan terms. Note 26 contains further details relating to the Trust's loans.

Note 20.2 Reconciliation of liabilities arising from financing activities - 2019/20

	Loans from DHSC	Other loans	Finance leases	PFI schemes	Total
	£000	£000	£000	£000	£000
Carrying value at 1 April 2019	**19,167**	**2,108**	**1,313**	**242,985**	**265,573**
Cash movements					
Financing cash flows - payments and receipts of principal	(422)	(210)	(208)	**(8,141)**	(8,981)
Financing cash flows - payments of interest	(264)	-	(86)	(8,604)	**(8,954)**
Non-cash movements					
Additions	-	-	90	-	**90**
Application of effective interest rate	271	-	86	8,604	**8,961**
Carrying value at 31 March 2020	**18,752**	**1,898**	**1,195**	**234,844**	**256,689**

Note 20.3 Reconciliation of liabilities arising from financing activities - 2018/19

	Loans from DHSC	Other loans	Finance leases	PFI schemes	Total
	£000	£000	£000	£000	£000
Carrying value at 1 April 2018	**7,630**	**1,612**	**794**	**248,683**	**258,719**
Cash movements					
Financing cash flows - payments and receipts of principal	11,499	496	(152)	(5,698)	**6,145**
Financing cash flows - payments of interest	(116)	-	(84)	(8,773)	**(8,973)**
Non-cash movements					
Impact of implementing IFRS 9 on 1 April 2018	29	-	5	-	**34**
Additions	-	-	671	-	**671**
Application of effective interest rate	125	-	79	8,773	**8,977**
Carrying value at 31 March 2019	**19,167**	**2,108**	**1,313**	**242,985**	**265,573**

Note 21 Finance leases

The Trust does not operate as a lessor. Obligations under finance leases where the trust is the lessee are detailed below.

	31 March 2020	31 March 2019
	£000	£000
Gross lease liabilities	**1,394**	**1,595**
Analysis of gross minimum lease payments by due date		
Not later than one year	336	313
Later than one year and not later than five years	891	997
Later than five years	167	285
Finance charges allocated to future periods	(199)	(282)
Net lease liabilities	**1,195**	**1,313**
Analysis of net minimum lease payments by due date		
Not later than one year	262	221
Later than one year and not later than five years	769	820
Later than five years	164	272
Net lease liabilities per Note 20.1 - Borrowings	**1,195**	**1,313**

As lessee, the Trust holds a number of finance leases for complex diagnostic equipment with a whole-life duration of less than 10 years.
Note 1.25 describes the new lease accounting standard which will be applied from 2021/22 onwards.

Note 22 Other liabilities

	31 March 2020	31 March 2019
	£000	£000
Current		
Deferred income - contract liabilities	4,166	734
Total other current liabilities	**4,166**	**734**
Non-current		
Deferred income - contract liabilities	96	-
Total other non-current liabilities	**96**	**-**

Note 23

Note 23.1 Provisions for liabilities and charges

	Pensions - early departure costs [1]	Pensions - injury benefits [1]	Legal claims [2]	Other [3]	Total
	£000	£000	£000	£000	£000
At 1 April 2019	**868**	**1,700**	**150**	**-**	**2,718**
Change in the discount rate	30	90	-	-	**120**
Arising during the year	61	71	370	1,010	**1,512**
Utilised during the year	(80)	(120)	(57)	-	**(257)**
Reversed unused	-	-	(64)	-	**(64)**
Unwinding of discount	2	5	-	-	**7**
At 31 March 2020	**881**	**1,746**	**399**	**1,010**	**4,036**
Expected timing of cash flows [4]					
Not later than one year	81	123	399	157	**760**
Later than one year and not later than five years	330	499	-	-	**829**
Later than five years	470	1,124	-	853	**2,447**
Total provisions	**881**	**1,746**	**399**	**1,010**	**4,036**

1 *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.

2 *Legal claims* contains provisions for employment-related cases (£181k). For certain employment-related claims, reimbursement may be due to the Trust from third parties. The balance comprises employer's liability and public liability claims for which there is also a corresponding contingent liability of £71k disclosed in Note 24. 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.

3 The *Other* provision balance - arising in 2019/20 - primarily relates to the Trust's contractually binding commitment (£853k) to compensate clinicians on retirement for the effects on their pension income of managing their 2019/20 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. The balance also contains a new, minor pay-related provision (£157k).

4 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 uncertainities in the timings of legal proceedings due to the effects of COVID-19.

Note 23.2 Clinical negligence liabilities

At 31 March 2020, £201,571k was included in provisions of NHS Resolution in respect of clinical negligence liabilities relating to the Trust (£208,577k at 31 March 2019).

Note 24 Contingent assets and liabilities

A quantifiable contingent liability of £71k exists at 31 March 2020 for potential third party claims in respect of employer's liability and public liability claims (£54k at 31 March 2019). This figure is not included within the Trust's financial statements. A provision for the expected value of probable cases is shown in Note 23.1.

The Trust is currently engaging in investigations and minor legal 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 in Note 23.1, 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 not been included within Provisions (Note 23.1).

Note 25 On-SoFP PFI

The Trust's main PFI arrangement is between the Trust and NewHospitals (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 asset is treated as an asset 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 25.1 On-SoFP PFI obligations recognised in the Statement of Financial Position

	31 March 2020	31 March 2019
	£000	£000
Gross PFI liabilities	**737,441**	**621,426**
Analysis by due date		
Not later than one year	20,156	26,320
Later than one year and not later than five years	92,814	84,250
Later than five years	624,471	510,856
Finance charges allocated to future periods	(502,597)	(378,441)
Net PFI liabilities	**234,844**	**242,985**
Analysis by due date		
Not later than one year	3,981	8,141
Later than one year and not later than five years	21,036	20,549
Later than five years	209,827	214,295
Net PFI liabilities per Note 20.1 - Borrowings	**234,844**	**242,985**

Note 25.2 Total on-SoFP future PFI commitments

	31 March 2020	31 March 2019
	£000	£000
Total future payments committed in respect of PFI arrangements	**1,695,269**	**1,465,410**
Analysis by due date		
Not later than one year	54,681	53,251
Later than one year and not later than five years	232,821	213,259
Later than five years	1,407,767	1,198,900

Note 25.3 Analysis of amounts (unitary payments) payable to service concession operator

	2019/20	2018/19
	£000	£000
Unitary payment (UP) payable to service concession operator	**54,258**	**52,389**
UP breakdown		
Interest charge (Note 11.1)	8,604	8,773
Contingent rent (Note 11.1)	9,575	7,988
Repayment of SoFP liabilities (Note 20.2)	8,141	5,698
Service element and other charges to operating expenditure	27,224	26,327
Capital lifecycle maintenance	714	2,507
Addition to lifecycle prepayment	-	1,096
Total amount paid to service concession operator	**54,258**	**52,389**

Note 26 Financial instruments

Note 26.1 Financial risk management

Liquidity risk

The Trust's net operating costs are incurred in delivering healthcare under annual contracts with Clinical Commissioning Groups (CCGs), which are ultimately funded from resources voted annually by Parliament. The Trust usually receives this CCG income through a combination of 'block' (fixed) payments and the Payment by Results (PbR) mechanism, which bases the income received each year on the activity delivered in that year by reference to the National Tariff. Monthly payments are received from CCGs based on annual service contracts, and this national framework reduces the Trust's exposure to liquidity risk.

The Trust can access the loan facilities offered by the Department of Health and Social Care (DHSC), and 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 on a monthly basis through monthly reports on movements, variances and trends in cash-flows, and the liquidity metric within the Use of Resources (UoR) Rating.

As at 31 March 2020, the Trust holds a number of loans (£18.8m) issued by DHSC (Note 20.1), and an interest free loan (£1.9m as at 31 March 2020), which has funded a combined heat and power (CHP) facility. The DHSC loans will be extinguished in 2020/21 through the issue of PDC, effecting the repayment of outstanding balances at 31 March 2020 (Note 28). Although the Trust's loans have been reclassified from non-current to current liabilities, this in itself does not signal liquidity risk. Rather, the residual risk of future cash pressures from significant repayments falling due at any given time has been minimised.

The loan repayments are contained within the *Maturity of financial liabilities* table in Note 26.4.

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 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 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 17.2. The Trust's approach to the impairment of financial assets is detailed in Note 1.13.4.

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 £40.7m (£32.6m 2018/19),

being the total of the carrying amount of financial assets excluding cash (Note 26.2). 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 26.2 Carrying values of financial assets

	31 March 2020	31 March 2019
	£000	£000
Trade and other receivables excluding non financial assets	40,663	32,612
Cash and cash equivalents	7,261	5,109
Total financial assets	**47,924**	**37,721**

All of the Trust's financial assets are classified as *held at amortised cost*, and are measured accordingly.

Note 26.3 Carrying values of financial liabilities

	31 March 2020	31 March 2019
	£000	£000
Loans from the Department of Health and Social Care	18,752	19,167
Obligations under finance leases	1,195	1,313
Obligations under PFI contracts	234,844	242,985
Other loans	1,898	2,108
Trade and other payables excluding non financial liabilities	24,329	26,881
Provisions under contract	1,010	-
Total financial liabilities	**282,028**	**292,454**

All of the Trust's financial liabilities are classified as *held at amortised cost*, and are measured accordingly.

Note 26.4 Maturity of financial liabilities

	31 March 2020	31 March 2019
	£000	£000
One year or less	47,904	38,017
More than one year but not more than two years	5,643	5,799
More than two years but not more than five years	17,637	33,861
More than five years	210,844	214,777
Total	**282,028**	**292,454**

Although the above table includes DHSC loans (£18.8m) within *One year or less*, the transactions relating to their repayment will be cash-neutral for the Trust (Note 28).

Note 26.5 Fair values of financial assets and liabilities

The Trust has a number of loans with the Department of Health and Social Care. Their carrying value is considered to approximate to fair value, the interest rates not being significantly different from market rates. All other financial assets and liabilities have carrying values which are not significantly different from their fair values.

Note 27 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 ideally should not arise.

	2019/20		2018/19	
	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000	Number	£000
Losses				
Cash losses	3	2	-	-
Bad debts and claims abandoned	63	2	26	7
Stores losses and damage to property	41	71	31	9
Total losses	**107**	**75**	**57**	**16**
Special payments				
Ex-gratia payments	37	74	48	94
Total special payments	**37**	**74**	**48**	**94**
Total losses and special payments	**144**	**149**	**105**	**110**

Note 28 Events after the reporting date

On 2 April 2020, NHS England and NHS Improvement, and the Department of Health and Social Care (DHSC) announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21, the Trust's historic loans balance as at 31 March 2020 will be extinguished, and replaced with the issue of PDC to effect repayment. Given that this event relates to liabilities that existed at 31 March 2020, the GAM states that this is considered an *adjusting event after the reporting period*, otherwise known as a 'post balance sheet event'. In accordance with the GAM, the loans (£18.7m) have been reclassified as current as at 31 March 2020 within these accounts, as they will be settled within 12 months.

The Trust has assessed matters relating to COVID-19. Whilst significant changes to the Trust's operations and the 'financial architecture' of the NHS have taken place in the first quarter of 2020/21, the Trust has not identified any related *non-adjusting event after the reporting period*, which would require formal disclosure. This is because, notwithstanding the disclosure in Note 1.3.2, the Trust has no evidence that there will be significant changes to the Trust's overall financial performance or position - as it continues to deliver healthcare to its patients - throughout 2020/21.

Note 29 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 they are not the parent bodies 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 the 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.

Health Education England
HM Revenue & Customs
NHS England (including sub-entities)
NHS Resolution
NHS Pension Scheme
Southport And Ormskirk Hospital NHS Trust
North West Boroughs Healthcare NHS Foundation Trust
NHS Knowsley CCG
NHS Liverpool CCG
NHS St Helens CCG
NHS Halton CCG
NHS Warrington CCG

Transactions with DHSC

The Trust received additional PDC of £3.3m (£0.8m 2018/19) from DHSC, and incurred no PDC dividend expenditure in 2019/20 (none in 2018/19). DHSC loan transactions are disclosed in Note 20.1 and throughout Note 26.

Allowance for credit losses - related parties

No related party debts have been written off by the Trust in 2019/20 (none in 2018/19). The Trust's *Allowance for credit losses* is calculated such that it includes no balance in relation to its related parties (nil 2018/19).

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 2020 was £0.5m (£0.6m 2018/19) with net expenditure of £0.3m (£0.1m 2018/19). During the year the Charity incurred expenditure of £0.2m (£0.3m 2018/19) in respect of goods and services for which the Trust was the beneficiary, and to reimburse the Trust for support costs relating to Charity administration.

Other related parties

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

Key management personnel

Key management personnel are *related parties* to the Trust, and are defined in IAS 24 *Related Party Disclosures* as 'those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.' They are identifed by the Trust as being the same individuals as the 'senior managers' which are disclosed in the remuneration section of the Annual Report, which contains details of their remuneration and other benefits.

During the financial year under review, no other member of key management personnel, and no other party closely related to these individuals outside of the NHS, has undertaken transactions with St Helens and Knowsley Teaching Hospitals NHS Trust.

Note 30 External Financing Limit (EFL)

The Trust is given an EFL against which it is permitted to underspend.

	2019/20	2018/19
	£000	£000
Cash flow financing	(7,853)	13,521
External financing requirement	**(7,853)**	**13,521**
EFL	(2,213)	16,650
Under / (over) spend against EFL	**5,640**	**3,129**

Note 31 Capital Resource Limit (CRL)

	2019/20	2018/19
	£000	£000
Gross capital expenditure	10,293	9,642
Less: donated / granted capital additions	(31)	(69)
Charge against CRL	**10,262**	**9,573**
CRL	10,263	9,892
Under / (over) spend against CRL	**1**	**319**

Note 32 Breakeven duty financial performance

	2019/20
	£000
Surplus / (deficit) for the period (SoCI)	8,542
Remove net impairments [non DEL] [1]	(4,252)
Remove SoCI impact of capital grants and donations	61
Remove 2018/19 post audit PSF reallocation (2019/20 only)	(515)
Adjusted financial performance surplus / (deficit) (control total basis)	**3,836**
Remove impairments [DEL] [1]	-
Add back 2018/19 post-accounts PSF reallocation	515
Breakeven duty financial performance surplus / (deficit)	**4,351**

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

Note 33 Breakeven duty rolling assessment

	1997/98 to 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000	£000	£000
Breakeven duty financial performance surplus / (deficit) (Note 32)		225	296	305	700	1,150
Breakeven duty cumulative position	2,807	3,032	3,328	3,633	4,333	5,483
Operating income		236,411	252,944	263,864	278,572	288,448
Cumulative breakeven position as a percentage of operating income		1.3%	1.3%	1.4%	1.6%	1.9%

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000	£000
Breakeven duty financial performance surplus / (deficit) (Note 32)	(2,551)	(9,551)	4,861	5,001	(597)	**4,351**
Breakeven duty cumulative position	2,932	(6,619)	(1,758)	3,243	2,646	**6,997**
Operating income	301,674	313,287	349,934	383,587	402,158	**446,792**
Cumulative breakeven position as a percentage of operating income	1.0%	(2.1%)	(0.5%)	0.8%	0.7%	**1.6%**

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