St Helens and Knowsley Teaching Hospitals NHS Trust

# Annual Report and Accounts 2021-22

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Section 1 - Performance Report

# 1. Performance Report

This section provides the reader with information on the organisation, its purpose, how it has performed in 2021/22 and the key risks to the achievements of its objectives.

# 1.1 Statement from the Chief Executive

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

2021/22 has been another incredibly challenging year for the Trust and the whole of the NHS. The impact of the COVID-19 pandemic continued with the spread of the Omicron variant from the autumn of 2021. Although this variant proved to be less serious for vaccinated people, it still had a major impact on the provision of normal NHS services.

In addition the Trust has faced other impacts of the pandemic which have resulted in pressures across the whole health and social care system with patients who have presented later and been more seriously ill. This combined with the pressures on primary care and social care has resulted in Trusts medical beds being 100% fully occupied for most of the year. This level of bed occupancy makes the system less efficient and has negative impact on patient flow.

The Trust has also been working hard to reduce the waiting lists and waiting times for planned care that increased during the pandemic and despite the constraints caused by the infection prevention and control requirements activity in many specialities has returned to pre-pandemic levels. Throughout the pandemic the Trust continued to diagnose and treat cancer patients and those with the greatest clinical need for urgent planned procedures. Although, the urgent and emergency care pressures and the impact of the Omicron variant on staff sickness did mean that there were times when the Trusts plans were disrupted.

2021/22 is another year when the Trust staff have risen wonderfully to the challenges, we have all faced, coping with high levels of uncertainty and the pressures of increased demand, whilst always maintaining high standards of professionalism and patient care. We were incredibly proud and honoured to be awarded the freedom of the Borough by both St Helens and Knowsley Councils in recognition of the contribution our Trust made to fighting the pandemic, in our community.

The Trust has maintained its outstanding CQC rating and has maintained close contact with our CQC relationship manager throughout the pandemic. Although number of routine systems and processes, including some nationally reported quality and performance metrics remained suspended during 2021/22 the Trust has continued to monitor key quality, safety, and performance indicators via the monthly comprehensive integrated performance report (IPR).

As seen across the NHS the results of the staff survey results in 2021 were lower than the Trust normally achieves but remained above the sector average for most of the People Plan pillars. The impact of the pandemic and the unrelenting pressures that everyone working in the NHS has had to cope with have inevitably taken their toll and the Trust recognises that many of our usual engagement activities had to be curtailed. In 2022/23 the Trust Board has approved a comprehensive action plan to re-launch and reinvigorate our staff engagement programme.

During 2021/22 the Trust reported two methicillin-resistant staphylococcus aureus (MRSA) bacteraemia (although one was classed as unavoidable) and one never event, which was the unintentional connection of a patient to an air-flow metre rather than an Oxygen metres. As a Trust, we remain committed to learning from these incidents and putting measures in place to improve the care we provide, these are outlined in more detail in the Trust's Quality Account.

The Trust's vision to deliver Five Star Patient Care remains the driving force for our focus on providing the best possible care for patients and for continuous improvement in all areas. The Trust was able to operate a business-as-usual governance structure during most of 2021/22, albeit making use of technology to hold virtual meetings to comply with the Infection Prevention Control and social distancing guidance that remained in place for healthcare settings throughout.

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

## 1.2 Overview of the purpose and activities of the Trust

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

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

The Trust has an excellent track record of providing high standards of care to a population of approximately 360,000 people, principally from St Helens, Knowsley, Halton, and Liverpool, but also from other neighbouring areas such as Warrington, Ormskirk and Wigan.

In addition, the Mersey Regional Burns and Plastic Surgery Unit provides treatment for patients across Merseyside, Cheshire, North Wales, the Isle of Man and other parts of the North West, serving a population of over 4 million. St Helens Hospital also provides specialist neuro-rehabilitation services for patients from the mid-Mersey area.

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

The Trust employed an average of 6,229 full time equivalent (FTE) staff during 2021/22. The Trust's turnover grew from £511m in 2020/21 to £524m in 2021/22.

### Our catchment population

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

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

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

## Collaborative working

The Trust is part of the Cheshire and Merseyside Integrated Care Partnership (ICS) which will become a statutory body on 1st July 2022. The Trust is also a partner in three of the 9 Place Based Partnership Boards that are the constituent parts of the ICS, namely St Helens, Knowsley and Halton.

The Trust is a member of both Provider Collaboratives in Cheshire and Merseyside for Acute and Specialist care providers and for Mental Health, Learning Disability and Community Services providers. The Trust's Chief Executive is the lead for the Acute and Community Provider Collaborative and holds one of the Provider positions on the Integrated Care Board.

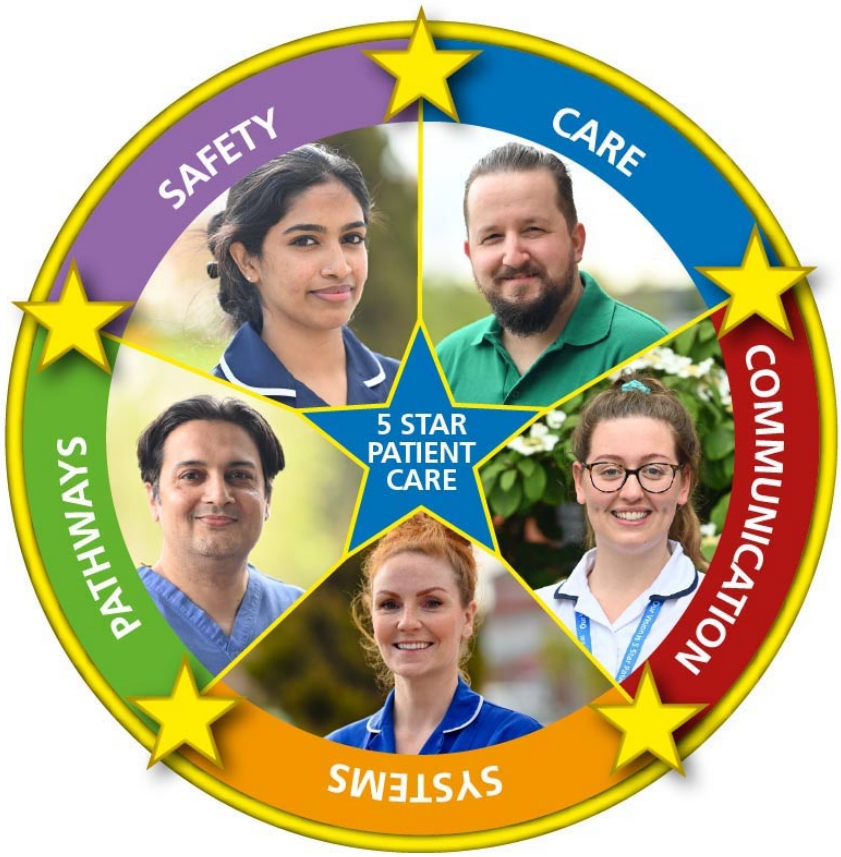
As part of the emergency response to the pandemic and subsequently to plan for restoration and recovery the Trust has worked closely with other acute Trusts to provide mutual aid and coordinate activities so that patients with the greatest clinical need are treated.

Throughout 2021/22 the Trust has continued to deliver the COVID-19 mass vaccination site, based at the St Helens Saints Rugby stadium in the centre of St Helens and this alongside the hospital vaccination hub that was set up for health and social care staff have administered 300,000 vaccines since December 2020 and have worked closely with the Primary Care Networks to deliver the vaccination programme. In addition, the Trust has acted as the Cheshire and Merseyside "lead employer" for vaccination staff, ensuring the vaccination sites across the region have had sufficient numbers of suitably trained and skilled staff to deliver the vaccination programme.

In September 2021 the Trust entered into an Agreement for Long Term Collaboration (ALTC) with Southport and Ormskirk Hospital NHS Trust and now has strategic and operational responsibility for managing this organisation. In the initial phase of the ALTC the primary focus has been on creating relationships, embedding the new governance arrangements that underpin the agreement, and working to stabilise a number of fragile clinical services where Southport and Ormskirk Hospital NHS Trust had recognised, they needed a strategic partner to be able to develop viable and sustainable options. The ALTC has also been the catalyst for the two Trusts working together across several other clinical and corporate functions to share good practice and increase resilience. The ALTC is overseen by a joint meeting with NHSE, which meets quarterly to provide assurance of the effectiveness of the agreement for both parties and plans for resolving the clinical and financial sustainability challenges that having been facing Southport and Ormskirk Hospital and its commissioners for many years.

## 1.3 The Trust's vision and objectives

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




https://www.sthk.nhs.uk/trust-objectives

During 2021/22 the Trust continued to be impacted by the pandemic and operational pressures and this impacted the progress against some of the objectives as capacity and resources had to be diverted. The Trust Board agreed objectives for 2022/23 acknowledging that some would need to be carried forward from 2021/22 so that the programmes of work to deliver Five Star Patient Care in these areas could be completed.

A summary of the 2022/23 objectives is provided in the following table:

## 2022/23 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

- Ensure patients in hospital remain hydrated, to improve recovery times and reduce the risk of deterioration, kidney injury, delirium or falls
- Continue to ensure the timely and effective assessment and care of patients in the emergency department
- Increase capacity at the Trust and improve clinical adjacencies to optimise patient flow

### 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

- Reduce avoidable harm by preventing falls
- Evaluate best practice and develop proposals for improving the Trust wide safety culture
- Implement the recommendations of the Ockenden Report into the safety of Maternity Services Use all available data sources to learn lessons to improve clinical care

### 5 STAR PATIENT CARE – Pathways

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

- Improve the effectiveness of the discharge process for patients and carers (QA)
- Implement the multidisciplinary Community Crisis Response Service for St Helens
- Improve acute care pathways to ensure optimal configuration of services
- Continue to redesign outpatient pathways through transformation and modernisation

### 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 communications for relatives who need to contact our wards
- Introduction of digital letters and "real time chat" alongside telehealth appointments to support patients in having a choice about how they communicate with the Trust
- Improve internal processes and communication systems with patients and relatives about patient property

## 5 STAR PATIENT CARE – Systems

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

- Deliver the 2022/23 Digital Strategy Objectives and achieve Healthcare Information and Management Systems Society (HIMSS) Level 5 or greater by Autumn 2023
- Implement and electronic bed management and discharge planning system across inpatient wards at Whiston Hospital
- Implement new Community Electronic Patient Record (EPR) solution

## 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.

- Enhance health and wellbeing support services for staff and promote attendance
- Continue to listen to our staff to ensure we remain an employer of choice
- Improve the methods of delivery and ease of access of mandatory training to increase compliance rate recovery
- Respond to feedback from staff to improve appraisals and appraisal compliance to support staff to deliver high quality patient care.
- Release time to care by continuing with the implementation of the e-rostering, activity manager and e-job planning systems to ensure the optimal design of the workforce and the right number and skill mix of staff
- By making the Trust the best place to work we will continue to implement innovative approaches to recruitment, retention, and staff development to provide high quality care

## OPERATIONAL PERFORMANCE

We will meet and sustain national and local performance standards

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

## FINANCIAL PERFORMANCE, EFFICIENCY AND PRODUCTIVITY

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

- Work with health care organisations across Cheshire and Merseyside to explore opportunities for collaboration at scale to increase efficiency
- Delivery of the agreed Trust financial targets: outturn, cash balances and revised capital resource limits.

## STRATEGIC PLANS

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

- Continue to meet all regulatory and accountability requirements whilst working collaboratively to achieve system success
- Working with health and care system partners implement Place Based Partnerships to improve the health of the local population
- Provide leadership and direction as part of the Cheshire and Merseyside (C&M) Integrated Care Board (ICB) to achieve clinically and financially sustainable acute provider services.

## 1.4 Key issues and risks

The Chief Executive's opening statement highlights the key pressures that the Trust has experienced during 2021/22 and these are the basis of the Trust's identified key risks going forward. We expect to continue to see rising demand for our services, and a focus on increased elective activity to reduce the waiting times and waiting lists for planned care which built up during the pandemic when elective activity was suspended or the capacity severely reduced. Therefore, the Trust's capacity both workforce, and physical capacity e.g., beds continue to be the major risk in responding to these demands.

The Trust continues to treat COVID-19 patients, but this is at a much lower level and certainly for the vaccinated population the impact of COVID-19 for the majority is less severe. The infection prevention and control measures that were a feature at the height of the pandemic have now mainly been relaxed by the UK Health Protection Agency (HPA), which has a positive impact on capacity.

A major area of focus for the Trust in 2022/23 will be to support the health and wellbeing of staff and to re-start the staff engagement programme that had to be suspended during COVID-19 but was a significant feature of the Trusts annual calendar and the foundation for maintaining our culture.

The challenge of successfully delivering the objectives of the Agreement for Long Term Collaboration (ALTC) with Southport and Ormskirk Hospital NHS Trust will also continue to feature in 2022/23, as the issues are complex and require significant leadership and management capacity. The Trust Board is committed to the ALTC but is aware that there could be impacts on STHK which have to be closely monitored and mitigated.

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

# 2. Performance Analysis

## 2.1 Key activity and performance measures

COVID-19 continued to be a significant feature during 2021/22 with several waves experienced throughout the year. The impact was lessened as greater proportions of the population were vaccinated; however, it remained a serious disease for many vulnerable patients and had significant consequences for staff absence for staff who had contract COVID-19 or were required to self-isolate because they were contacts of someone with COVID-19.

The most significant impact on activity and performance during 2021/22 was the increased acuity of patients attending our urgent and emergency services, many of whom required admission. This was compounded by COVID-19 and the increased demand for social and domiciliary care packages to be able to safety discharge these patients once their immediate medical needs had been met. This increased acuity resulted in longer lengths of stay in hospital and resulted in poor patient flow. The causes of these changes are mainly driven by our aging population but compounded by the impact of COVID-19 on the health and social care sector. The consequence was that all parts of the system became less efficient; ambulance response times increased because they could handover patients to staff in the Emergency Department; the Emergency Department became full and waiting times increased because there were no ward beds available for new patients to be admitted into; ward beds were blocked by patients who were medically optimised but could not be discharged to care/nursing homes or with packages of domiciliary care because of the capacity shortages they were also facing. This situation was not unique to St Helens and Knowsley Hospitals NHS Trust (STHK) and was also seen in many other acute Trusts across the country.

Although elective activity was not suspended as part of the national COVID-19 response during 2021/22 there were times when the capacity pressures were such that the Trust had no choice but to cancel planned procedures to release beds. This was kept to an absolute minimum and as much elective activity as possible was ringfenced on the St Helens Hospital site, which also became a community diagnostic hub in the summer 2021.

All patients on waiting lists were clinically reviewed and the Trust maintained emergency, urgent and cancer surgery, and treatment throughout the year.

The table below compares activity to 2020/21 and to 2019/20 which was the last year of "normal" activity before the COVID-19 pandemic.

| Activity Type | 19-20 | 20-21 | 21-22 | 21-22 v 19-20 | 21-22 v 20-21 |
|---|---|---|---|---|---|
| Outpatient 1st attendances | 149,517 | 120,103 | 150,170 | 0.4% | 25.0% |
| Outpatient follow-up attendances | 318,294 | 268,300 | 318,554 | 0.1% | 18.7% |
| Ward attenders | 21,893 | 17,467 | 23,068 | 5.4% | 32.1% |
| Outpatient procedures | 98,444 | 58,267 | 90,455 | -8.1% | 55.2% |
| Elective inpatients | 6,206 | 3,725 | 5,556 | -10.5% | 49.2% |
| Day case | 45,935 | 30,889 | 43,150 | -6.1% | 39.7% |
| Non-elective inpatients | 69,315 | 62,324 | 68,077 | -1.8% | 9.2% |
| Non-elective inpatients (less Obstetrics) | 56,458 | 49,771 | 54,166 | -4.1% | 8.8% |
| A&E attendances (inc. GPAU Atts) | 119,181 | 102,404 | 121,809 | 2.2% | 18.9% |
| A&E attendances (excl. GPAU Atts) | 112,743 | 97,885 | 116,728 | 3.5% | 19.3% |
| Births | 3,983 | 3,738 | 3,995 | 0.3% | 6.9% |

## 2.2 Performance in 2021/22

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

| Summary of key national targets 2021/22 | Target | Perform. |
|---|---|---|
| Emergency Department waiting times within 4 hours (all types mapped) | 95% | 77.1% |
| % of patients waiting less than 62 days for first treatment for cancer from urgent GP referral | 85% | 85.2% |
| % of patients receiving first treatment within 31 days from diagnosis of cancer | 96% | 98.3% |
| % of admitted patients treated within 18 weeks of referral | 92% | 68.2% |
| % of patients treated within 28 days following a cancelled operation | 100% | 99.8% |
| Number of Hospital Acquired MRSA bacteraemia incidences | 0 | 2 |
| Number of Hospital Acquired C. Difficile incidences | 54 | 32* |
| % of patients admitted with a stroke spending at least 90% of their stay on a stroke unit | 83% | 84.8% |
| Staff sickness | | 7.0% |

*There were 54 reported cases but 22 were successfully appealed

## Equality, diversity and inclusion

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

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

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

## 2.3 Financial Performance 2021/22

The Trust posted a year end surplus of £3.6m, taking the Trust's assessed cumulative surplus to £5.1m (Annual Accounts Note 32). This overall position reflects continued sound financial management and efficiency within the Trust within a landscape of continuing change and challenge.

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

The *adjusted financial performance surplus / deficit* in any given year is very closely related to the Trust's surplus / deficit, which can be seen in the Annual Accounts. It is the measure of financial performance (the 'bottom line') that is most closely monitored in the financial regime of NHS providers. The Trust's financial plan for 2021/22 included a break-even position for its adjusted financial performance. The Trust's performance against its 2021/22 financial plan, and the relationship between the two types of surplus / (deficit), are shown in the table below.

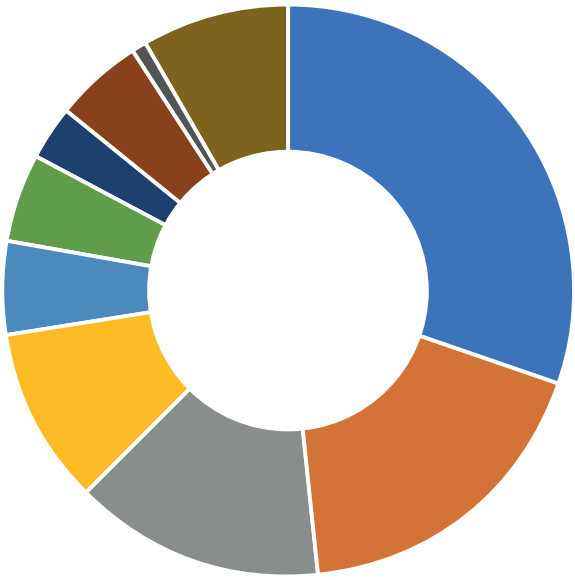
| | 2021/22 | |
|---|---|---|
| | **Actual** £m | **Plan** £m |
| **Surplus / (deficit) per Annual Accounts Statement of Comprehensive Income (SoCI)** | 3.6 | (0.1) |
| Remove net impairments [Annual Accounts Note 31] | (4.8) | 0.0 |
| Remove SoCI impact of capital grants and donations | 0.3 | 0.1 |
| Remove net impact of DHSC centrally-procured assets | 1.6 | 0.0 |
| **Adjusted financial performance surplus/ (deficit)** | **0.7** | **0.0** |

## Income

For the financial year 2021/22, the Trust received income totalling £524.5m, which is a 3% increase on the previous year.

The chart (right) depicts the Trust's total income for 2021/22, split by customer or commissioner type.

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



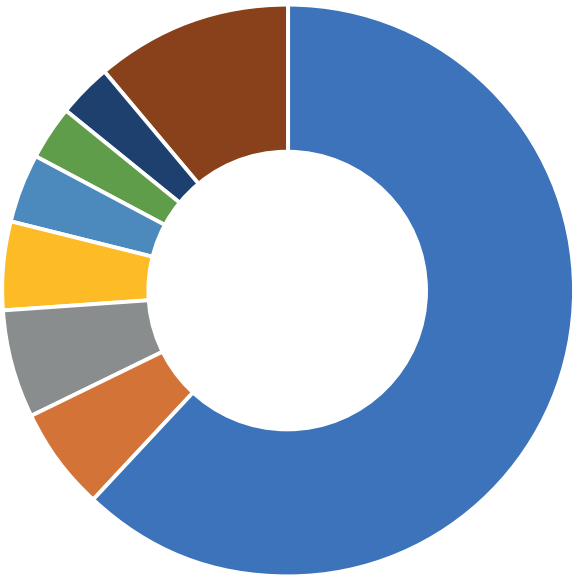
**Total income £524.5m**

- 30% NHS St Helens CCG
- 18% NHS Liverpool CCG
- 14% NHS Knowsley CCG
- 10% NHS Halton CCG
- 5% NHS England and its sub-entities
- 5% NHS providers (trusts)
- 3% Health Education England
- 5% Other NHS bodies
- 1% Other government bodies
- 8% Bodies external to government

Of the income received by the Trust, £445.8m (85%) came from patient care activities. The largest source of patient-related income remains St Helens Clinical Commissioning Group.

In 2021/22, the suspension of the sector's usual funding arrangements continued, due to COVID-19. The majority (£416.0m) of the Trust's patient care income from NHS commissioners has been in the form of both block contract arrangements, and *system envelope* block top up funding which was allocated at a system level (Cheshire & Merseyside Health & Care Partnership). A further £9.8m related to the Elective Recovery Fund, which enabled the system to earn income linked to the achievement of elective activity targets, which was distributed between individual providers by local agreement.

The remaining £78.5m (15%) of total operating income arose from a combination of sources. As in previous years, this included revenues from NHS North-West Deanery for the education and training of junior doctors, and services provided to other organisations, such as IT, HR, pharmacy and pathology services. In 2021/22, this *other operating income* also included £7.0m of reimbursement and top-up funding, to cover COVID-related expenditures such as testing and vaccination costs. A further £1.5m in extraordinary non-cash income was related to the donation of equipment and inventories (including personal protective equipment) to the Trust from DHSC bodies, as part of the continued national COVID-19 response.



**Total expenditure and losses £520.9m**

- 62% Pay
- 6% Clinical supplies
- 6% PFI
- 5% Drugs
- 4% Depreciation
- 3% PFI finance costs
- 3% CNST
- 11% Other

## Expenditure

The Trust incurred expenditure and losses totalling £520.9m, which corresponds to a year-on-year increase of 1%. Staff pay - and the day-to-day purchasing of care-related goods and services - continue to comprise the majority of Trust expenditure.

The chart (left) depicts the main categories within total reported expenditure for 2021/22.

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

The Trust also experiences significant annual finance costs related to its PFI arrangements (£16.7m) and an annual clinical negligence insurance (CNST) premium of £13.7m. A further £20.5m in 2021/22 related to depreciation and amortisation, which are non-cash expenditures. They are charged annually to reflect the usage and consumption of capital assets which were purchased in this and previous years.

## Capital expenditure

Capital expenditure on both tangible (for example, equipment) and intangible (for example, software) assets was higher than initial plan figures as the Trust secured £5.5m additional PDC funding for additional schemes.

At a headline level, the Trust's 2021/22 capital schemes, totalling £20.1m, can be broken down as follows.

- **£2.3m Surgical robot** to improve clinical outcomes for patients.
- **£6.3m Improvements to the Trust's built estate** including ongoing work to develop the Whiston A&E, and a new endoscope decontamination facility.
- **£3.4m Private Finance Initiative** lifecycle replacement expenditure.
- **£5.8m Medical equipment** including replacement laboratory equipment and pharmacy robots.
- **£2.3m Information technology** schemes, including improvements funded by DHSC's Digital Aspirant programme.

## Other financial results

The Trust's closing cash balance was £54.2m, which was a £2.8m increase from the start of the year. This cash balance does not indicate significant delays to payments, as the Trust maintained BPPC performance at over 85%, as shown in Note 20.1 to the Annual Accounts.

The Trust's borrowings (£228.9m) wholly relate to its PFI and finance lease arrangements, except for an interest-free energy efficiency loan which totals £1.1m.

The Trust has a duty to pursue CIPs (cost improvement plans) which improve value for money – reducing costs and maximising incomes whilst maintaining quality services. The Trust delivered its £10.0m efficiency target recurrently in 2021/22.

## Financial forward look

The end of the first quarter of 2022/23 will see Integrated Care Systems becoming statutory bodies, with CCGs being dissolved, and the NHS will emerge from emergency financial arrangements that have been in place throughout 2020/21 and 2021/22. The Trust's current financial plan for 2022/23, which is in place in the first quarter of 2022/23, has been drawn up in a period of uncertainty, with certain arrangements yet to be made and agreed at a national and system level. Revised plans are expected to be submitted in year to NHSE/I.

The Trust's current 2022/23 financial plan achieves a deficit of £24.9m and adjusted financial performance deficit of £24.5m. The deficit is driven by the changes in how funding is to be allocated at national and system level, which remains subject to review. The plan includes an efficiency challenge of £18.5m (3.5%), with schemes totalling £20.0m identified for delivery in year.

The Trust also has an indicative capital expenditure plan of £26.1m, including two PDC schemes: Whiston Hospital Theatre Expansion (£6.3m) and St Helens Community Diagnostic Centre (CDC) (£8.8m). The current plan is summarised below.

| 2022/23 PLAN | £m |
|---|---|
| **Surplus / (deficit)** | **(24.9)** |
| **Adjusted financial performance surplus/ (deficit)** | **(24.5)** |
| Assumed CIP achievement within the above deficit | **18.5** |
| **Capital expenditure** (capex) | **26.1** |
| **PDC funding** for capex schemes | **15.1** |
| **Closing cash balance** | **18.0** |

Performance Report signed by

Ann Marr

Ann Marr OBE
Chief Executive

Anne-Marie Stretch

Anne-Marie Stretch
Deputy Chief Executive

26 July 2022

Section 2 - Accountability Report

## 3. Corporate Governance Report

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

# 3.1 Directors Report

## 3.1.1 The Board of Directors

The Trust is managed by a Board of Directors that consists of both Executive and Non-Executive Directors (NED) with a Non-Executive Chairman. The composition of the Board during 2021/22 was as follows:

| | Position | Name | Term of Office | Committee Membership |
|---|---|---|---|---|
| Non-Executive Directors | Chair | Richard Fraser | Appointed May 2014, 2016, 2020 & 2022 | Remuneration |
| | Deputy Chair | Val Davies | Appointed July 2017 & 2019 – Left 31/03/2022 | Quality<br>Remuneration |
| | Non-Executive Director | Jeff Kozer | Appointed January 2018 & 2022 | Finance & Performance<br>Audit<br>Remuneration |
| | Non-Executive Director | Paul Growney | Appointed September 2018 & 2020 | Charitable Funds<br>Finance and Performance<br>Remuneration |
| | Non-Executive Director | Ian Clayton | Appointed September 2019 & 2021 | Audit<br>Finance and Performance<br>Remuneration<br>Strategic People |
| | Non-Executive Director | Gill Brown | Appointed January 2020 & 2022 | Quality<br>Audit<br>Remuneration<br>Strategic People |
| Executive Directors | Chief Executive | Ann Marr | Appointed January 2003 | Executive* |
| | Deputy CEO/ Director of Human Resources | Anne-Marie Stretch | Appointed July 2003 | Executive**<br>Strategic People |
| | Medical Director | Rowan Pritchard-Jones | Appointed September 2019 | Executive<br>Quality<br>Finance and Performance |
| | Director of Nursing Midwifery and Governance | Sue Redfern | Appointed May 2013 | Executive<br>Quality<br>Strategic People |
| | Director of Finance | Nik Khashu | Appointed October 2015 – Left 31/03/2022 | Executive<br>Finance & Performance<br>Quality |

| | Position | Name | Term of Office | Committee Membership |
|---|---|---|---|---|
| Associate Directors | Director of Transformation | Tiffany Hemming*** | Appointed May 2017 – Left 31/03/2022 | Executive |
| | Director of Corporate Services | Nicola Bunce | Appointed July 2017 | Executive<br>Quality<br>Finance & Performance<br>Strategic People |
| | Director of Informatics | Christine Walters | Appointed September 2015 | Executive |
| | Director of Operations and Performance | Rob Cooper | Appointed January 2017 | Executive<br>Finance & Performance<br>Quality<br>Strategic People |
| | Associate Non-Executive Director | Lisa Knight | Appointed July 2019 | Strategic People<br>Charitable Funds<br>Remuneration |
| | Associate Non-Executive Director | Rani Thind | Appointed September 2021 | Quality<br>Remuneration |
| Other | Board Advisor | Geoffrey Appleton**** | November 2021 | Quality |
| | Board Advisor | Allan Sharples**** | November 2021 | Finance and Performance<br>Audit |

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

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

***Seconded to NHSE/I from April 2020

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

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

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

Many of the normal activities of the Board remained restricted during 2021/22 to comply with government and Infection Prevention Control guidance as it applied to healthcare settings. This meant that all Board and Committee meetings were held virtually and some of the usual time out and collective training events could not take place.

### 3.1.2 Fit and Proper Persons Requirement (FPPR)

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

The Trust requires all Directors to make an annual declaration of compliance with the FPPR standards. In 2021/22 all Board members were required to complete a self-certificate to confirm compliance with these standards, and where appropriate external assessments, including Disclosure and Barring Service (DBS) checks were undertaken. The results were scrutinised by the Trust Chairman who concluded that the Board members were, and remain, fit to carry out the roles they are in.

### 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

Anne-Marie Stretch

Anne-Marie Stretch
Deputy Chief Executive

26 July 2022


Our Vision is 5 Star Patient Care

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

### 3.3.3 Capacity to handle risk

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

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

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

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

The Trust's risk management process was audited in 2021/22 as part of the internal audit programme and the audit was rated as providing substantial assurance.

## 3.3.4 The risk and control framework

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

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

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

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

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

Risks with a score below 15 are managed at care group or corporate department level. Each risk is allocated an appropriate review date and 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.

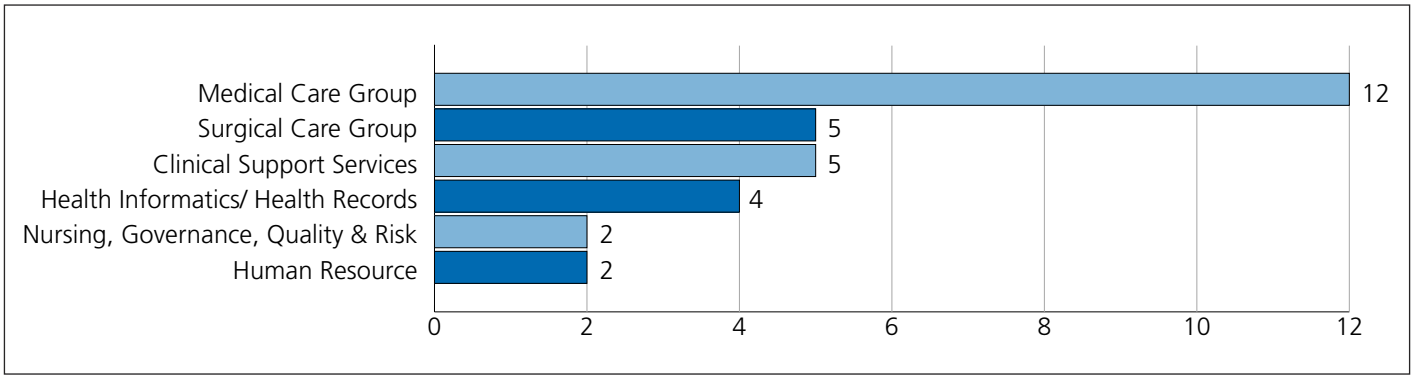
If, following review and mitigating action within the care group or corporate department, the risk score is still 15 or above, it is automatically escalated to the Corporate Risk Register and "owned" by the most appropriate Director to see if more senior intervention can further reduce the potential risk to the organisation. The Trust's Cost Improvement Scheme (CIP) plans are also risk rated using DATIX which then tracks that they have been through quality risk assessment process and are not closed until there is evidence that implementing the scheme has not impacted the quality of care that the Trust provides.

On 31st March 2022 there were a total of 788* scored risks recorded on Datix. The table below shows the profile of the risk scores (between 1 and 25):

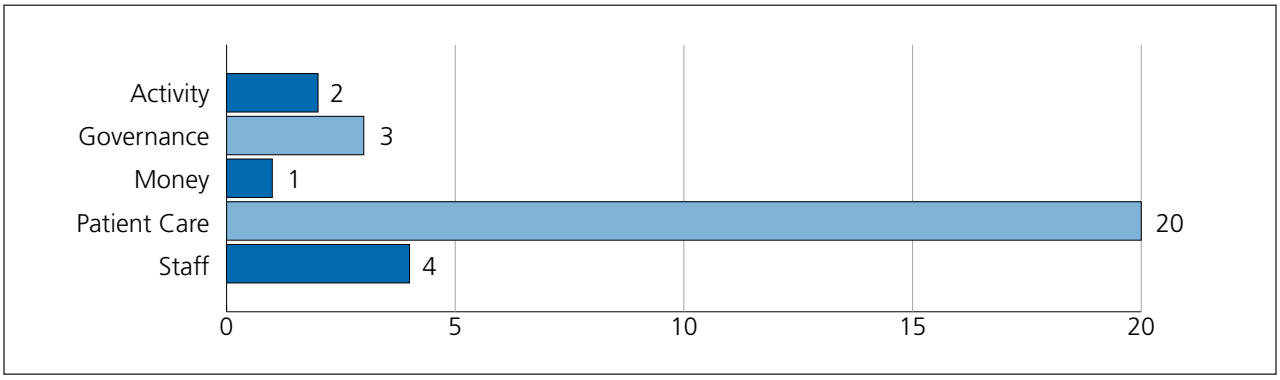
| Very Low Risk | | | Low Risk | | | Moderate Risk | | | | High/ Extreme Risk | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 8 | 9 | 10 | 12 | 15 | 16 | 20 | 25 |
| **38** | **31** | **14** | **93** | **9** | **153** | **69** | **165** | **35** | **151** | **8** | **11** | **10** | **1** |
| **83 = 10.53%** | | | **255 = 32.36%** | | | **420 = 53.30%** | | | | **30 = 3.81%** | | | |

*DATIX is a live system and there were 16 further risks that had been reported but not yet scored

As can be seen, 30 of these risks were scored at 15 or above and were escalated to the Corporate Risk Register. These risks reflected the operational pressures facing the Trust and the distribution of the risks across the organisation was:




Risks are categorised into broad themes, relating to patient care, staffing, activity, governance, and money (finance), as can be seen from the table most risks related to patient care which also reflects the impact of the operational pressures and the consequences across the organisation and beyond as described in section 2:




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

In addition, the Board has identified the strategic risks that in theory could be catastrophic to the delivery of the organisation's long term purpose and goals, and these are captured in the Board Assurance Framework (BAF) which is also considered by the Board four times per year. Strategic concerns captured in the BAF on 31st March 2022 were:

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

In developing its plans for 2022/23 the Board has assessed the future risks that will need to be managed, these continue to include the ongoing impact and aftermath of the COVID-19 Pandemic, the challenges of eliminating the elective backlog recovery and reducing waiting lists in line with national targets, the recovery and wellbeing of staff and long term mental health impact of the pandemic, recruitment and retention challenges and workforce shortages, the ongoing system pressures as a result of increasing demand for urgent and emergency care, the changes to the structure of the NHS as a result of the NHS Act which will result in Integrated Care Systems becoming statutory bodies in July 2022 and Clinical Commissioning Groups being dissolved. Finally, there is also uncertainty about the future NHS financial regime as the NHS moves from the emergency financial system that has been in place during 2020/21 and 2021/22.

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

http://www.sthk.nhs.uk/about/trust-board/trust-board-papers-2022-22

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

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

The Trust recognises the challenges it faces on issues of climate change, waste and air pollution and the impact these issues have on the health of our planet, our local communities, and our patients. In 2021/22 the Trust published its Green Plan, which has been developed to accelerate the pace of our response to climate change by setting out a clear, ambitious, and achievable strategy in full support of the NHS commitment to reduce emissions to 'net zero'. The Green Plan renews and reinvigorates a framework to encourage a culture in healthcare settings that supports and inspires innovative policies, decisions and actions that empower individuals, departments, and partner organisations to progress our green agenda; to provide sustainable healthcare, tackle climate change and achieve our carbon reduction targets.

Other key achievements for 2021/22 include the Launch of a *Net Zero Action Group* tasked with driving continuous improvement, highlighting opportunities for development, and supporting the implementation and delivery of initiatives for carbon reduction. We also developed our own *Carbon Management System*, which uses robust data to display our Carbon Footprint and Carbon Footprint Plus, identify and quantify our carbon hotspots, set out clear targets to sustain a pathway to net zero, provide a quantitative action plan, and aid the monitoring of progress. This year we also initiated a drive to reduce the use of desflurane, exchanging it where possible to an anaesthetic gas with a much lower global warming potential (GWP); and we switched the type of thermometer we use in clinical observations to a non-contact device, helping us to significantly reduce our use of single use plastic thermometer sleaves. Additionally, we carried out a feasibility assessment was carried out into solar PV for onsite renewable electricity generation and inquires began into Air Source Heat pumps for low carbon heating.

As we move forward the Trust realises the urgency for positive change and accepts the immediate challenge of delivering healthcare in a way that meets current needs without hindering the ability of future generations to meet theirs. Our Green Plan centres around three core actionable objectives: (1) reduce carbon, waste, and water, (2) improve air quality, and (3) reduce avoidable single use plastics. Through delivering these objectives we strive to 'live within our means' environmentally, financially, and socially, and commit to engage our collective knowledge and skills to help secure the health and wellbeing of future generations.

## Governance Framework of the organisation

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

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

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

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

## Changes to the Board during 2021/22

There were several changes to Board membership that came into effect at the end of 2021/22.

Tiffany Hemming the Associate Director of Transformation was seconded to the East of England NHSE/I Regional Office in April 2020 and this secondment continued until 31st March 2022 when she left the Trust.

Val Davies was successful in completing the national Aspiring Chairs Development Programme and was appointed as the Chair of Liverpool Heart and Chest Hospital NHSFT on 1st April 2022.

Nik Khashu successfully completed the national Aspiring Chief Executive Development Programme and was appointed to the post of NHSE Regional Director of Finance on 1st April 2022.

The Trust appointed Dr Rani Thind as an additional Associate Non-Executive Director in September 2021, to provide clinical experience and knowledge. Rani Thind has become the Maternity Champion for the Trust.

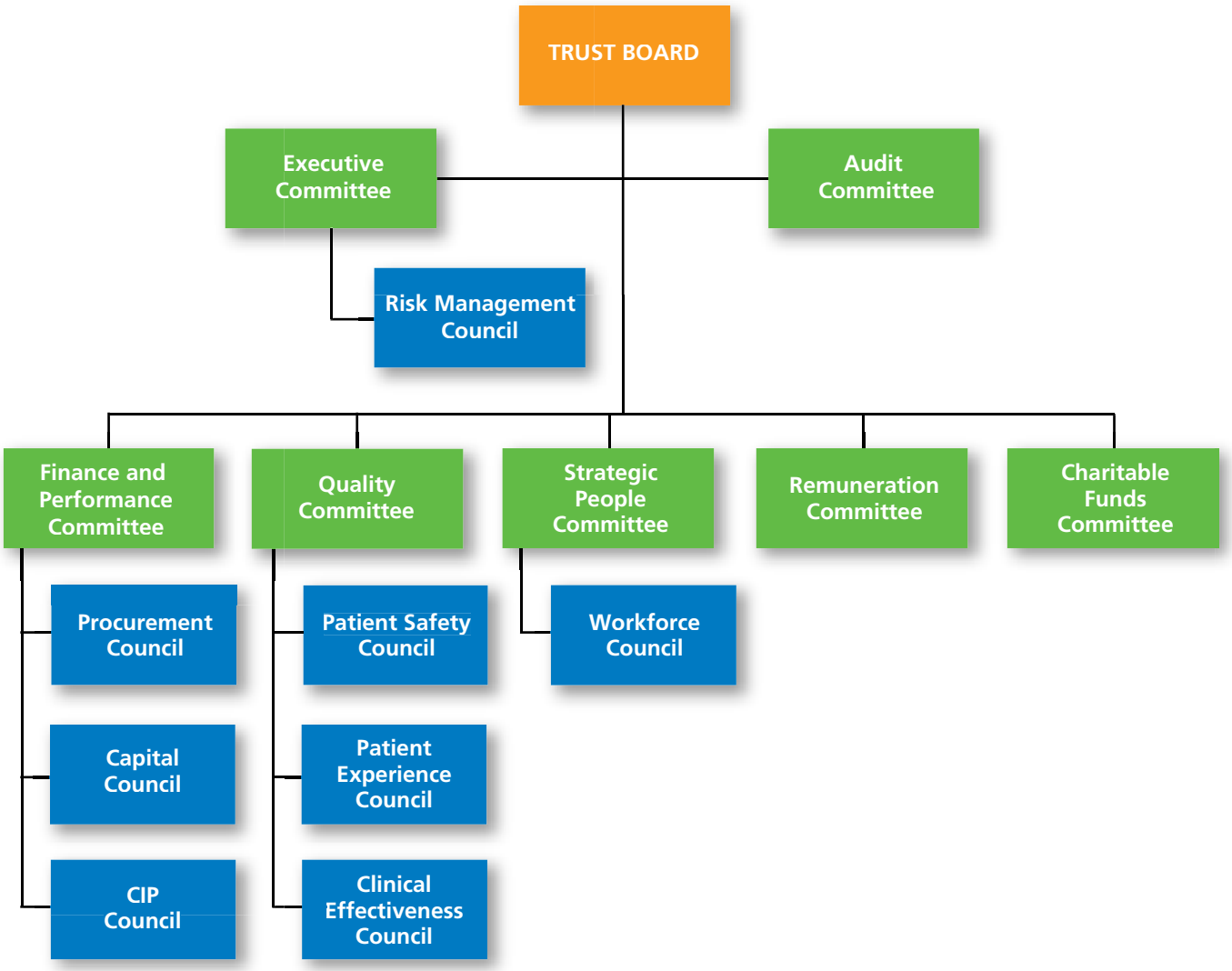
The Trust also appointed two temporary "Board Advisors" in November 2021. Geoffrey Appleton and Alan Sharples both continued to be CCG lay members during this period. The appointments provided additional capacity and resilience when the Trust entered into the management agreement with Southport and Ormskirk Hospital NHS Trust and the STHK Board became responsible for the management and governance of both organisations. This meant the STHK directors have been attending two sets of governance meetings since September 2021.

## Governance structure

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

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

### 2022 -2023 Governance Structure



The Board established a new Strategic People Committee in 2021/22 recognising the range of other assurance that needed to be considered by the Quality Committee and the growing NHS People Plan agenda.

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

## Remuneration Committee

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

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

The Committee is required to meet at least once a year and during 2021/22 met on 2 occasions and conducted business via email (formal agreement of proposals previously discussed) on 3 further occasions. All 6 Non-Executive Directors attended or participated at each meeting.

## Audit Committee

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

In addition, the Trust's external and internal auditors along with the Director of Finance are regularly invited to attend. In 2021/22 the Committee met on five occasions.

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

Through the agreement of an annual programme of independent audits, the Committee gains assurance that the data being provided to the Board, on which decisions are based, is accurate and complies with guidance. Although there continued to be some disruption because of the impact of COVID-19 and operational pressures the audit programme did continue during 2021/22.

This programme included key financial controls, the data protection and security toolkit submission, risk management, payroll, clinical audit, bank and agency staffing, patient discharge and mandatory training. The quality spot checks remained suspended due to the infection prevention control guidance in place, which restricted access to clinical areas. These audits provide independent assurance to the Board that the quality and accuracy of information reported and systems in place are sufficiently robust to be relied on.

## Quality Committee

The Quality Committee oversees quality governance. Quality performance within the Trust is measured against a range of parameters, including patient safety, patient experience and clinical effectiveness. The Quality Committee also monitored workforce metrics until the Strategic People Committee was established and because it meets more frequently continues to receive some workforce reports in particular those associated with staffing levels and mandatory training compliance as these have a direct bearing on patient safety. The performance metrics are reported each month in the Trust 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 support decision making.

The Quality Committee usually meets each month (excluding August and December) to review all aspects of quality. During 2021/22 the Quality Committee met on ten occasions, but at times the agenda was curtailed to core business only or attendance was reduced as front-line clinical staff had to respond to operational pressures. Also, the CEO and Deputy CEO/Director of HR no longer regularly attend the Quality Committee meetings due to their responsibilities at Southport and Ormskirk Hospital NHS Trust and for the Cheshire and Merseyside ICS.

The Quality Committee is made up of both Non-Executive and Executive members and is supported by Councils that consider in greater detail issues relating to the monitoring of patient safety, patient experience, clinical effectiveness and workforce (until the Strategic People Committee was established in November 2021). Chairs assurance reports from each of these Councils are reported to the Committee which include any matters for escalation.

## Finance and Performance Committee

Like the Quality Committee, this Committee meets each month (excluding August and December) and reviews the financial and activity metrics reported in the IPR, reflecting the annual financial and operational plans and targets agreed by the Trust Board. During 2021/22 the Finance and Performance Committee met ten times, although on occasion the agenda was curtailed and the usual Care Group CIP presentations due to operational pressures.

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

## Strategic People Committee

The Strategic People was established following the Board and Committee effectiveness review undertaken in 2020/21 when it was acknowledged that the range of issues considered by the Quality Committee was too broad to allow effective scrutiny and acknowledging the growing importance of People issues, following the publication of the NHS People Plan.

The new committee was established in November 2021 and will normally meet 4 times a year. In 2021/22 the committee met on two occasions.

## Charitable Funds Committee

The Trust's Charitable Funds Committee normally meets at least three times a year and is responsible for managing the income and expenditure of any charitable and donated monies and assets held by the Trust. During 2021/22 the committee met on three occasions.

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

## Executive Committee

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

Throughout the pandemic the Executive Committee also became the strategic and policy decision making body in respect of the Trust's emergency response command and control structure. The Executive Committee was supported by gold and silver command meetings which dealt with operational issues and escalated matters that required Executive Committee decision or approval.

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. In 2021/22 there were 48 formal Executive committee meetings.

The Committee is supported in its work by the Risk Management Council, the premium Payments Scrutiny Council (although meetings of this group were suspended during the pandemic) and received reports from the Digital Aspirant Programme Board at regular intervals.

## Board Meetings

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

Part 2 of the Board meetings are held in private to discuss confidential issues such as the details of serious untoward incidents relating to patients, confidential staff matters, commercial decisions such as bidding to provide new services or to allow time for the Board to undertake development activities and formulate strategy.

All Trust Board and Committee meetings during the year took place virtually and all were quorate.

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

| Board Members | | Trust Board | Audit Committee | Quality Committee | Finance and Performance Committee | Strategic People Committee | Remuneration Committee | Charitable Funds Committee | Executive Committee | Total | % Attendance |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Name** | **Position** | **10** | **5** | **10** | **10** | **2** | **2** | **3** | **48** | **80** | **%** |
| Richard Fraser | Chair | 9 | | | | | 2 | | | 11/12 | 92% |
| Val Davies | NED | 9 | | 6 | | | 2 | | | 17/22 | 77% |
| Jeff Kozer | NED | 10 | 5 | | 9 | | 2 | | | 26/27 | 96% |
| Paul Growney | NED | 10 | | | 10 | | 2 | 3 | | 15/15 | 100% |
| Ian Clayton | NED | 10 | 5 | | 9 | 2 | 2 | | | 28/29 | 96% |
| Gill Brown | NED | 10 | 5 | 10 | | 2 | 2 | | | 29/29 | 100% |
| Lisa Knight | Associate NED | 9 | | 4 (of 5) | | 2 | 1 | 3 | | 19/21 | 90% |
| Rani Thind | Associate NED | 6 (of 6) | | 5 (of 6) | | | 2 | | | 13/14 | 93% |
| Geoffrey Appleton | Board Advisor | 4 (of 4) | | | | | | | | 4/4 | 100% |
| Alan Sharples | Board Advisor | 4 (of 4) | 1 (of 1) | | 3 (of 3) | | | | | 8/8 | 100% |
| Ann Marr | Chief Executive | 10 | | | | | | | 44 | 54/58 | 93% |
| Anne-Marie Stretch | Director of HR/Deputy CEO | 10 | | 4 (of 4)* | 3 (of 4)* | 2 | | | 43 | 62/68 | 91% |
| Nikhil Khashu | Director of Finance and Information | 9 | | 6 | 6 | | | 1 | 38 | 60/80 | 75% |
| Rowan Pritchard-Jones | Medical Director | 8 | | 6 | 7 | | | | 39 | 60/78 | 77% |
| Sue Redfern | Director of Nursing, Midwifery and Governance | 9 | | 9 | | 2 | | | 38 | 58/70 | 83% |
| Rob Cooper | Director of Operations and Performance | 8 | | 8 | 9 | 2 | | | 41 | 68/80 | 85% |
| Christine Walters | Director of Informatics | 10 | | | | | | | 39 | 49/58 | 84% |
| Nicola Bunce | Director of Corporate Services | 9 | | 9 | | 2 | | | 43 | 63/70 | 90% |
| Meetings quorate | | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | 641/744 | 86% |

*Did not attend from September 2021 when appointed as the Managing Director at Southport and Ormskirk Hospital NHS Trust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The following changes to committee membership occurred during 2021/22.

- Lisa Knight, Ian Clayton, and Gill Brown became members of the new Strategic People Committee
- Rani Thind became a member of the Quality Committee

Due to social distancing and lockdown restrictions the Board was unable to hold any time out development or face to face strategic planning sessions during 2021/22, however there were briefings on key strategic issues at Board meetings and the topics covered are summarised in the following table:

| Purpose | Provider / Lead | Date |
|---|---|---|
| The changing strategic environment - A year of system transition | Ann Marr, Chief Executive | April 2021 |
| 2021/22 Financial and Operational Plan | Nik Khashu, Director of Finance and Information, Rob Cooper, Director of Operations and Performance | May 2021 |
| Restoration and Recovery Plan | Rob Cooper, Director of Operations and Performance | June 2021 |
| Agreement for long term collaboration with Southport and Ormskirk Hospitals NHS Trust – Next Steps | Ann Marr, Chief Executive | September 2021 |
| Staff Wellbeing Strategy | Anne-Marie Stretch, Deputy CEO/Director of HR | October 2021 |
| Strategic Estates Development Plan | Nicola Bunce, Director of Corporate Services, Rob Cooper, Director of Operations and Performance | November 2021 |
| NHS Finance and Operational Planning Guidance 2022/23 | Nik Khashu, Director of Finance and Information | February 2022 |

To effectively carry out their duties Board members need to be able to probe the data conveyed in formal reports to the Board and its Committees and triangulate that with the softer intelligence gained through attendance at events, staff and carer listening sessions, and ward and department visits. These opportunities remained limited during 2021/22 because of infection, prevention and control requirements, social distancing restrictions and work from home guidance, which meant that Non-Executive Directors could not come to site to undertake the normal engagement activities until the government "living with COVID" strategy was announced in March 2022. However the Board continued to receive patient stories. It is planned that these "business as usual" activities will be re-established in 2022/23.

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

In 2021-22, the Trust received 269 new complaints that were opened for investigation. This represents a 7% increase on 2020-21, when the Trust received 251. This is significantly below the figures for 2019-20 (325 complaints) which was the last year largely unaffected by the pandemic.

There were different themes for many complaints during 2021/22 which were linked to the impact of the pandemic, for example the impact of visiting restrictions, the difficulties of relatives obtaining information about their loved ones and waiting time concerns.

## Care Quality Commission

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

St Helens and Knowsley Teaching Hospitals NHS Trust is required to register with the CQC, and its current registration status is registered without conditions. The Trust is fully compliant with the registration requirements of the CQC.

The CQC has not taken enforcement action against St Helens and Knowsley Teaching Hospitals NHS Trust during 2021-22.

St Helens and Knowsley Teaching Hospitals NHS Trust has not participated in any special reviews or investigations by the CQC in 2021-22.

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 rating was 'Outstanding'.

## NHS Improvement (NHSI) and the Provider Licence Conditions

The Trust has not been subject to any regulatory special interventions or support during 2021/22.

The Trust remained compliant with the NHS Provider Licence, NHS acts and the NHS Constitution. The requirement for the Trust to self-certify remained suspended during 2021/22.

## NHS Pensions

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

## Equality and Diversity Obligations

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

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

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

## Workforce Strategy and Workforce Safeguards

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

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

The Trust also utilises a suite of scheduling systems to roster staff, plan activities and monitor staffing in line with patient acuity on a day-to-day basis. Nurse safer staffing information is reported to the Trust Board in the Integrated Performance Report, and detailed reports are also reviewed at the Executive and Quality committees. The Trust continued to experience high levels of staff sickness and absence during 2021/22 which correlated with the incidence levels of COVID-19 in the local population. The need for supplementary care (one to one supervision of patients who are confused or at increased risk of falls) and corridor care when the Emergency Department had reached capacity were significant challenges at certain points during the year. Maintaining safe levels of staffing has been a significant challenge throughout the pandemic as staff were also affected by COVID-19. Staffing levels were reviewed several times a day by operational and nurse managers to ensure that all wards had adequate staffing and the need for bank and agency staff increased during the year.

The Director of Nursing, Midwifery and Governance undertook a nurse establishment review that was reported to the Board in March 2022, which demonstrated that the Trust is investing sufficient resource in its nursing workforce to meet the needs of patients.

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

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

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

## Register of Interests/Managing Conflicts of Interest

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

## Board Assurance

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

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

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

- Financial systems,
- IM&T, cyber security and Information Governance,
- Performance and Board reporting systems,
- Processes to ensure service quality,
- Processes underpinning management of the workforce,
- Governance risk and legal compliance of statutory functions.

For 2021/22 the HoIA opinion was that substantial assurance can be given that the organisation's Assurance Framework is structured to meet the NHS requirements, is visibly used by the Board and clearly reflects the risk discussed by the Board.

The basis for that opinion was as follows.

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

The Trust's external Anti-Fraud Specialist (AFS) Annual Report for 2021/22 confirmed that the Trust remained compliant against anti-fraud standards and was strong with respect to ensuring that NHS resources are protected against fraud, bribery or corruption.

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

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

The Trust continued throughout the pandemic to be committed to ensuring value for money to meet its financial objectives whilst ensuring quality of care and transforming services. Performance is monitored by the Trust's Board, with more detailed scrutiny taking place across committees and councils. The CIP Council met throughout 2021/22 and reported to the Finance and Performance Committee.

There are a number of measures and benchmarking tools used in the monitoring process which are specifically reviewed by the Finance and Performance Committee and support the development of improvement plans. Some benchmarking continued to be suspended nationally in 2021/22 due to the pandemic, for example, the Model Hospital Weighted Activity Unit (WAU) has not been updated, although formal resubmission of Model Hospital metrics will resume from April 2022. Nevertheless, the Trust has continued to monitor its performance against prior year figures at all levels in the organisation. For example, the Trust's Procurement Steering Council reported 2021/22 performance data against past Model Hospital data to maintain control over unwarranted variation, and the Procurement team has continued to use the national Spend Comparison Service (SCS) as leverage to reduce costs and for assurance as to prices paid.

Within this financial year, the Trust has also joined the Cheshire & Merseyside procurement price benchmarking project to further aid reviews, drive improvements and gain assurance. The national GiRFT programme re-started in Autumn 2021 and the Trust has completed several reviews and developed action plans to ensure our clinical services are as effective and efficient as possible.

The Trust has continued to develop services and create value. Community Midwives TUPE transferred to the Trust on 1st November 2021, following a review of the service by Halton CCG. The Trust continues to provide payroll services for Trusts across Cheshire and Merseyside and has further expanded its Lead Employer contracts with several NHS regions. The Trust now hosts the Shared Care Record on behalf of the Cheshire and Merseyside ICS and it will be rolled out to the 9 Place Based Partnerships in 2022/23. The Trust has also acted as the Cheshire and Merseyside Lead Employer for the national vaccination programme recruiting, training and rostering staff to the different vaccination siters across our region.

The Trust's external auditor forms annual overall conclusions on whether the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor's findings for 2021/22 can be found in the independent auditor's report to the Directors of St Helens and Knowsley Teaching Hospitals within this Annual Report and Accounts or within the Auditor's Annual Report which is published on the Trust's website.

## 3.3.6 Information governance

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

The Data Security and Protection Toolkit (DSPT) is an online tool (covering topics such as staff responsibilities, training, and continuity planning) that enables organisations to measure their performance against data security and information governance requirements which reflect updated legal obligations and Department of Health and Social Care policy. All organisations that have access to personal information must provide assurances that they are practising good Information Governance and use the DSPT to evidence this by the publication of annual assessments. The Trust must address all mandatory requirements within the DPST in order to publish a successful assessment.

The Trust submitted the DSPT assessment at the end of June 2022 for the 2021/22 and has evidenced items for all the mandatory assertions required for the submission, to achieve a "standards met" rating. This submission was audited by Mersey Internal Audit Agency (MIAA) and the Trust has maintained its assurance level of "Substantial Assurance" for the 9th year running, which demonstrates the Trust's commitment to protecting the information it holds and uses.

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

responsible for ensuring confidentiality of personal information. In addition, the SIRO and Caldicott Guardian oversee the Information Governance Framework and Information Governance Steering Group (IGSG), which is accountable to the Trust Risk Management Council and, ultimately, the Trust Board. Its main purpose is to support and drive the Information Governance agenda and provide the Trust Board with the assurance that effective Information Governance best practice mechanisms are in place within the Trust. Also required is a Data Protection Officer.

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

The Trust has a duty to report any incident regarding breaches of the Data Protection Act to the Information Commissioner's Office (ICO) and for the financial year 2021-22 there were 5 reportable incident which resulted in no further action from the ICO.

## 3.3.7 Data Quality

The Trust continues to be committed to ensuring accurate and up-to-date information is available to communicate effectively with 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 is 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. There is a dedicated Data Quality team who have an agreed work plan to review key data streams, including the accuracy of patient waiting lists and the audit outcomes support the Trust in reporting an accurate position for the national standards. Data quality audits are also undertaken by MIAA as part of their ongoing internal audit cycle.

As part of the national response to the COVID-19 pandemic, elective activity was suspended for a period in 2020/21 but the Data Quality team continued to audit the waiting list for accuracy. As part of the Elective Recovery programme, the validation of the waiting lists now also includes validations carried out by the operational and clinical teams.

The standard national data quality items that are routinely monitored are as follows:

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

## 3.3.8 Review of effectiveness

### Annual meeting effectiveness review

Each year the Board and each of its Committees undertakes an effectiveness review each comprising of:

- A review by the Chair and lead Director
- A review of the meeting structure, membership and reporting arrangements,
- A review of attendance,
- Feedback from members,
- Annual review of the Terms of Reference and work plan.

The conclusion of these reviews, reported to the Audit Committee is to ensure that the purpose, remit and organisation of the Trust Board and its Committees remain appropriate and provides the necessary assurance that the Trust is effectively and appropriately managed. The reviews are also used to inform a skills audit, succession planning and the future board development priorities. The reviews for 2021/22 were undertaken between February and June 2022 and the findings reported to the individual committees and to the audit committee. The Board and all committees were assessed as remaining effective and fit for purpose.

### 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, strategic people committee and the quality committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## 3.3.9 Conclusion

There are no significant internal control issues have been identified or reported in the annual governance statement for 2021/22.

Annual Governance Statement signed by

Ann Marr

Ann Marr OBE, Chief Executive

Anne-Marie Stretch

Anne-Marie Stretch, Deputy Chief Executive

26 July 2022

# 4. Remuneration and Staff Report

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

## 4.1 The Trust's approach to its workforce and staffing

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

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

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

## 4.2 Staff composition and equality, diversity, and inclusion

At the end of 2021/22, the Trust directly employed over five and a half thousand WTE (whole time equivalent) staff of which 40% are doctors and nurses, 33% are clinical support staff, and the remaining 27% are non-clinical support staff. 4226 were full time employees and 2498 were employed less than full time.

Turnover of staff is circa 15.41%, which has increased since 2020/21

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

The number of senior managers employed by the Trust at 31 March 2022 was 38 (29.99 WTE) including all directors who attend the Trust Board and other senior managers at the Trust who have responsibility for controlling major activities and delivering statutory responsibilities. All the senior managers are employed on NHS Agenda for Change (AfC) or the national Very Senior Manager (VSM) pay and contractual conditions.

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

| **Staff numbers** ***(31 March 2022)*** | **Male** | | **Female** | | **All staff** | |
|---|---|---|---|---|---|---|
| | ***Headcount*** | ***WTE*** | ***Headcount*** | ***WTE*** | ***Headcount*** | ***WTE*** |
| **Non-executive directors*** | 5 | 0.66 | 4 | 0.52 | 9 | 1.18 |
| **Directors** | 4 | 4 | 5 | 4.8 | 9 | 8.8 |
| **Other senior managers** ***(AfC band 8d and above)*** | 7 | 7 | 13 | 13 | 20 | 20 |
| **All other staff** | 1,170 | 1,106.28 | 5,516 | 4,710.96 | 6,686 | 5817.24 |
| **TOTAL** | **1,186** | **1,118** | **5,538** | **4,729** | **6,724** | **5,847** |

***Includes Board Advisors

The Trust's 2021/22 sickness absence data are available from NHS Digital.

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

83% of the total workforce is female.

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

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

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

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

# 4.3 Staff costs and average employee numbers

## Analysis of staff costs 2021/22

| | Permanently employed | Other | 2020/21 Total | 2019/20 Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Salaries and wages | 231,261 | 17,584 | 248,845 | 253,475 |
| Social security costs | 22,913 | 0 | 22,913 | 21,188 |
| Apprenticeship levy | 1,227 | - | 1,227 | 1,182 |
| Employer's contributions to NHS Pensions | 39,392 | 0 | 39,392 | 37,434 |
| Employer's contributions to National Employment Savings Scheme (NEST) | 105 | - | 105 | 99 |
| Agency / contract staff | - | 11,268 | 11,268 | 9,368 |
| **Total staff costs** | 294,898 | 28,852 | 323,750 | 322,746 |
| *of which* | | | | |
| Capitalised (non-revenue) costs within total staff costs | 164 | 107 | 271 | 120 |

## Analysis of average staff numbers 2021/22

| | Permanently employed | Other | 2021/22 Total | 2020/21 Total |
|---|---|---|---|---|
| Medical and dental | 687 | 60 | 747 | 710 |
| Administration and estates | 1,343 | 60 | 1,403 | 1,371 |
| Healthcare assistants and other support staff | 950 | 210 | 1,160 | 1,130 |
| Nursing, midwifery and health visiting staff | 1,796 | 123 | 1,919 | 1,828 |
| Scientific, therapeutic and technical staff | 625 | 23 | 648 | 649 |
| Healthcare science staff | 344 | 4 | 348 | 333 |
| Social care staff | 4 | 0 | 4 | 1 |
| **Total average staff numbers** | 5,749 | 480 | 6,229 | 6,022 |
| *of which* | | | | |
| Number of employees engaged on capital projects | 5 | 2 | 7 | 2 |

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

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

## 4.4 Off-payroll engagements

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

| **Total number of existing engagements as of 31st March 2022** | **7** |
|---|---|
| Of which….. | |
| Number that have existed for less than one year | 1 |
| Number that have existed for between 1 and 2 years | 2 |
| Number that have existed for between 2 and 3 years | 1 |
| Number that have existed for between 3 and 4 years | 0 |
| Number that have existed for 4 years or more | 3 |
| **Total number of new engagements, or those that reached six months in duration, between 1 April 2021 and 31 March 2022** | **6** |
| Of which... | |
| Number assessed as *within the scope of* IR35 | 0 |
| Number assessed as not *within the scope of* IR35 | 6 |
| Number engaged directly (via PSC contracted to the Trust) and are on the Trust's payroll | 0 |
| Number of engagements reassessed for consistency / assurance purposes during the year | 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)** | **0** |
|---|---|
| Of which... | |
| Number of off-payroll engagements of 'board members, and/or senior officers with significant financial responsibility', during the financial year | 0 |

The Trust's expenditure on management consultants during 2021/22 appears in Note 5 of the Annual Accounts.

## 4.5 Senior managers' remuneration policy

The definition of 'senior managers' for the purpose of the following disclosures, according to the *Department of Health and Social Care Group Accounting Manual* (GAM) 2021/22, is those staff with '*authority or responsibility for directing or controlling major activities within the group body. This means those who influence the decisions of the entity as a whole, rather than the decisions of individual directorates or departments'.* The Chief Executive has confirmed that, in this context, the Trust's voting executive directors, together with the non-executive directors, are its 'senior managers'.

The level of remuneration paid to the chairs and non-executive directors of NHS trusts is set by the Secretary of State for Health. Executive directors of the Trust are employed on contracts of service and are substantive members of the Trust. The Chief Executive post is a standard NHS contract with no time element included and is reviewed by the Trust's Remuneration Committee on an annual basis. The Medical Director is appointed from within the Trust's consultant body on a fixed-term contract. The Chief Executive and other executive directors' posts would be subject to national competition if they became vacant. The directors' VSM contracts can be terminated by either party with up to six months' notice. The Trust's disciplinary policies apply to executive directors, including the sanction of summary dismissal for gross misconduct.

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

# 4.6 Further remuneration disclosures which are subject to audit

The remaining disclosures are subject to audit.

## 4.6.1 Salaries and benefits of the Trust's senior managers

| | 2021/22 | | | |
|---|---|---|---|---|
| | **Salary & fees** (in bands of £5000) £000 | **Taxable benefits** (to the nearest £100) £ | **Pension-related benefits** (in bands of £2,500) £000 | **Total** (in bands of £5000) £000 |
| Richard Fraser<br>Chair | 35 - 40 | 0 | n/a | 35 - 40 |
| Ann Marr OBE [2]<br>Chief - total remuneration | 185 - 190 | 0 | n/a | 185 - 190 |
| Remuneration in relation this Trust | 155 - 160 | 0 | n/a | 155 - 160 |
| Anne-Marie Stretch [2]<br>Deputy CEO / Director of Human Resources - total remuneration | 145 - 150 | 0 | 130 - 132.5 | 275 - 280 |
| Remuneration in relation this Trust | 80 - 85 | 0 | 25 - 27.5 | 105 - 110 |
| Nikhil Khashu<br>Director of Finance & Information (to March 2022) | 140 - 145 | 0 | 32.5 - 35 | 175 - 180 |
| Rowan Pritchard Jones [1]<br>Medical Director | 230 - 235 | 100 | 22.5 - 25 | 255 - 260 |
| Sue Redfern<br>Director of Nursing, Midwifery and Governance | 120 - 125 | 0 | 7.5 - 10 | 130 - 135 |
| Val Davies<br>Non-Executive Director (to March 2022)<br>Deputy Chair / Senior Independent Director (SID) | 10 - 15 | 0 | n/a | 10 - 15 |
| Jeff Kozer<br>Non-Executive Director | 10 - 15 | 0 | n/a | 10 - 15 |
| Paul Growney<br>Non-Executive Director | 10 - 15 | 0 | n/a | 10 - 15 |
| Ian Clayton<br>Non-Executive Director | 10 - 15 | 0 | n/a | 10 - 15 |
| Gill Brown<br>Non-Executive Director | 10 - 15 | 0 | n/a | 10 - 15 |
| Lisa Knight<br>Non-Executive Director | 10 - 15 | 0 | n/a | 10 - 15 |
| Rani Thind<br>Non-Executive Director (from September 2021) | 5 - 10 | 0 | n/a | 5-10 |

| 2021/22 | | | |
|---|---|---|---|
| **Salary & fees** (in bands of £5000) £000 | **Taxable benefits** (to the nearest £100) £ | **Pension-related benefits** (in bands of £2,500) £000 | **Total** (in bands of £5000) £000 |
| 35 - 40 | 0 | n/a | 35 - 40 |
| 165 - 170 | 0 | n/a | 165 - 170 |
| | | | |
| 140 - 145 | 0 | 100 - 102.5 | 240 - 245 |
| | | | |
| 140 - 145 | 0 | 80 - 82.5 | 225 - 230 |
| 180 - 185 | 100 | 85 - 87.5 | 270 - 275 |
| 120 - 125 | 0 | 122.5 - 125 | 245 - 250 |
| 10 - 15 | 300 | n/a | 10 - 15 |
| 10 - 15 | 100 | n/a | 10 - 15 |
| 10 - 15 | 0 | n/a | 10 - 15 |
| 10 - 15 | 600 | n/a | 10 - 15 |
| 10 - 15 | 200 | n/a | 10 - 15 |
| 10 - 15 | 0 | n/a | 10 - 15 |
| | | | |

1 The element of the Medical Director's salary that relates to their non-managerial role was £205k - 210k

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

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

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

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

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

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

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

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

## Pension benefits of senior managers

| | 2021/22 | | | | | | | 2020/21 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (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) | (g) |
| Ann Marr OBE[1]<br>Chief Executive | | | | | | | | | | | | | | |
| Anne-Marie Stretch[2]<br>Deputy CEO / Director of Human Resources | 5-7.5 | 10-12.5 | 75-80 | 175-200 | 1,419 | 147 | 1,594 | 5-7.5 | 7.5-10 | 65-70 | 160-165 | 1,266 | 112 | 1,419 |
| Nikhil Khashu<br>Director of Finance & Information (to March 2022) | 2.5-5 | 0 | 45-50 | 90-95 | 724 | 26 | 773 | 2.5-5 | 5-7.5 | 45-50 | 90-95 | 629 | 64 | 724 |
| Rowan Pritchard Jones<br>Medical Director | 0-2.5 | 0 | 40-45 | 80-85 | 627 | 17 | 666 | 2.5-5 | 10-12.5 | 35-40 | 80-85 | 528 | 72 | 627 |
| Sue Redfern[1]<br>Director of Nursing, Midwifery and Governance | 0-2.5 | 2.5-5 | 65-70 | 200-205 | | | | 5-7.5 | 17.5-20 | 65-70 | 195-200 | | | |

**(a)** Real increase in pension at pension age (bands of £2,500)
**(b)** Real increase in pension lump sum at pension age (bands of £2,500)
**(c)** Total accrued pension at pension age at 31 March 2022 (bands of £5,000)
**(d)** Lump sum at pension age related to accrued pension at 31 March 2022 (bands of £5,000)
**(e)** Cash equivalent transfer value (CETV) at 1 Aprl 2021 (to the nearest £1,000)
**(f)** Real increase in CETV (to the nearest £1,000)
**(g)** CETV at 31 March 2022 (to the nearest £1,000)

**(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 2021 (bands of £5,000)
**(d)** Lump sum at pension age related to accrued pension at 31 March 2021 (bands of £5,000)
**(e)** Cash equivalent transfer value (CETV) at 1 Aprl 2020 (to the nearest £1,000)
**(f)** Real increase in CETV (to the nearest £1,000)
**(g)** CETV at 31 March 2021 (to the nearest £1,000)

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

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

## 4.6.2 Exit packages

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

### Staff Exit packages

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

| Exit package cost band | 2020/21 Number of compulsory redundancies Number | 2020/21 Cost of compulsory redundancies £ | 2020/21 Number of other departures Number | 2020/21 Cost of departures £ | 2020/21 Total number of exit packages Number | 2020/21 Total cost of exit packages £ |
|---|---|---|---|---|---|---|
| < £10,000 | - | - | 29 | 85,152 | **29** | **85,152** |
| £10,001 - £25,000 | - | - | 2 | 22,590 | **2** | **22,590** |
| £25,001 - £50,000 | - | - | - | - | - | - |
| **Total** | - | - | **31** | **107,742** | **31** | **107,742** |

There was one compulsory redundancy agreed in 2021/22 (nil 2020/21).

In 2021/22, 14 of the 'other departures' were as a result of dismissal, and 4 were resignations. Of the remaining nine cases, eight were exit payments relating to ill-health retirements. For comparison, in 2020/21, 12 of the 'other departures' were as a result of dismissal, and 13 were resignations. Of the remaining six cases, three were exit payments relating to ill-health retirements. 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

| | 2021/22 Agreements Number | 2021/22 Total value of agreements £000 | 2020/21 Agreements Number | 2020/21 Total value of agreements £000 |
|---|---|---|---|---|
| Contractual payments in lieu of notice | 27 | 97 | 31 | 108 |

No non-contractual exit packages, which require HM Treasury pre-approval, were made in either 2020/21 or 2021/22. None of the exit packages disclosed relate to 'senior managers' of the Trust.

## 4.6.3 Fair pay disclosures

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

The banded remuneration of the Trust's highest paid director, the Medical Director in the financial year 2021/22 (2020/21 Medical Director) was £175,000 to £180,000 (2020/21 £150k to £155k). Based on the midpoint of the band, this was 5.54 times (2020/21 4.98 times) the median remuneration of the workforce, which was £32,046 (2020/21 £30,615).

In 2021/22, 7 employees received remuneration greater than the highest paid director (2020/21, 6 employees). Their remuneration in 2021/22 ranged from £179,866 to £243,493 (2020/21 £157,797 to £260,714). These employees are members of the medical workforce, and the pay figures do not reflect actual paid salary, but rather, the calculated annualised, full-time equivalent salary as described below.

Total remuneration includes salary, non-consolidated performance-related pay if applicable and benefits-in-kind. It does not include severance payments, employer pension contributions or the cash equivalent transfer value of pensions. As in previous years, temporary agency staff are excluded from the calculations. The calculation methodology is kept the same so that the 2021/22 results are comparable with those in previous years.

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

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

## Pay Multiplier Disclosure 2021-2022

| Year | 2021-2022 | 2020-2021 |
|---|---|---|
| Band of Highest Paid Directors' remuneration (£,000) | 175-180 | N/A |
| 25th Quartile Total (£) | 23,179 | N/A |
| Ratio | 7.66 | N/A |
| **Year** | **2021-2022** | **2020-2021** |
| Band of Highest Paid Directors' remuneration (£,000) | 175-180 | 150-155 |
| Median Total (£) | 32,046 | 30,615 |
| Ratio | 5.54 | 4.98 |
| **Year** | **2021-2022** | **2020-2021** |
| Band of Highest Paid Directors' remuneration (£,000) | 175-180 | N/A |
| 75th Quartile Total (£) | 42,861 | N/A |
| Ratio | 4.14 | N/A |

Accountability Report signed by

Ann Marr

Ann Marr OBE
Chief Executive

Anne-Marie Stretch

Anne-Marie Stretch
Deputy Chief Executive

26 July 2022


medivest
adidas

Section 3 - Annual Accounts 2021/22

# 5. Annual Accounts

Annual Accounts for the year ended
31 March 2022

# AUDIT REPORT

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

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

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

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

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

The directors confirm that this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for patients, regulators and stakeholders to assess the Trust's performance, business model and strategy.

By order of the Board, signed by

Ann Marr

Ann Marr OBE, Chief Executive

Anne-Marie Stretch

Anne-Marie Stretch, Deputy Chief Executive 26 July 2022

Gareth Lawrence

Gareth Lawrence, Director of Finance & Information 26 July 2022

# 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 on financial statements

We have audited the financial statements of St Helens and Knowsley Teaching Hospitals NHS Trust (the 'Trust') for the year ended 31 March 2022, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Accounts Directions issued under Schedule 15 of the National Health Service Act 2006, as interpreted and adapted by the Department of Health and Social Care Group accounting manual 2021 to 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group accounting manual 2021 to 2022; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

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

In our evaluation of the Directors' conclusions, and in accordance with the expectation set out within the Department of Health and Social Care Group accounting manual 2021 to 2022 that the Trust's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Trust. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Trust and the Trust's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to

continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

The responsibilities of the Directors with respect to going concern are described in the 'Responsibilities of the Directors and Those Charged with Governance for the financial statements' section of this report.

### 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the guidance issued by NHS England or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit:

- the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Accounts Directions issued under Schedule 15 of the National Health Service Act 2006, as interpreted and adapted by the Department of Health and Social Care Group accounting manual 2021 to 2022; and
- based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Trust, 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

As explained in the Statement of directors' responsibilities in respect of the accounts set out on page 48, 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.

#### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Trust and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (international accounting standards and the National Health Service Act 2006, as interpreted and adapted by the Department of Health and Social Care Group accounting manual 2021 to 2022).
- We enquired of management and the Audit Committee, concerning the Trust's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

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

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

### Matter on which we are required to report by exception – the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Trust's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, they will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

### Responsibilities of the Accountable Officer

As explained in the Statement of the Chief Executive's responsibilities as the Accountable Officer of the Trust page 18, the Chief Executive, as Accountable Officer, is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of the Trust's resources.

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

We are required under Section 21(3)(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. 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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

## Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for St Helens and Knowsley Teaching Hospitals NHS Trust for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources.

### 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*

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

Liverpool

27 July 2022

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

In our auditor's report issued on 27 July 2022, we explained that we could not formally conclude the audit and issue an audit certificate for the Trust for the year ended 31 March 2022, in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice, until we had:

- Completed our work on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have now completed this work, and the results of our work are set out below.

## Opinion on the financial statements

In our auditor's report for the year ended 31 March 2022 issued on 27 July 2022 we reported that, in our opinion the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group accounting manual 2021 to 2022; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave this opinion.

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

### Matter on which we are required to report by exception – the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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

### Responsibilities of the Accountable Officer

The Chief Executive, as Accountable Officer, is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of the Trust's resources.

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

We are required under Section 21(3)(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. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Trust plans and manages its resources to ensure it can continue to deliver its services;

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

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

## Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of St Helens and Knowsley Teaching Hospitals NHS Trust for the year ended 31 March 2022 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

28 September 2022

5.3 Annual Accounts for the year ended 31 March 2022

# Annual Accounts 2021-22

# Statement of Comprehensive Income (SoCI)

| | Note | 2021/22 £000 | 2020/21 £000 |
|---|---|---|---|
| Operating income from patient care activities | 2 | 445,832 | 398,038 |
| Other operating income | 3 | 78,520 | 113,272 |
| Operating expenditure | 5, 8 | (503,126) | (497,433) |
| **Operating surplus / (deficit)** | | **21,226** | **13,877** |
| Finance income | 10 | 104 | - |
| Finance expenditure | 11 | (16,811) | (16,279) |
| **Net finance costs** | | **(16,707)** | **(16,279)** |
| Other gains / (losses) | 12 | (951) | - |
| **Surplus / (deficit) for the year** | | **3,568** | **(2,402)** |
| **Other comprehensive income** | | | |
| **Items which will not be reclassified to income and expenditure** | | | |
| Impairments | 7 | 1,460 | (591) |
| Revaluations | 16 | 2,420 | - |
| **Total comprehensive income / (expenditure) for the period** | | **7,448** | **(2,993)** |

The notes on pages 75 to 132 form part of these accounts.

All income and expenditure is derived from continuing operations.

# Statement of Financial Position (SoFP)

| | Note | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 13 | 8,977 | 18,928 |
| Property, plant and equipment | 14 | 289,971 | 272,672 |
| Receivables | 18 | 9,676 | 5,868 |
| **Total non-current assets** | | **308,624** | **297,468** |
| **Current assets** | | | |
| Inventories | 17 | 5,076 | 5,700 |
| Receivables | 18 | 34,789 | 35,485 |
| Cash and cash equivalents | 19 | 54,172 | 51,356 |
| **Total current assets** | | **94,037** | **92,541** |
| **Current liabilities** | | | |
| Trade and other payables | 20 | (75,507) | (71,673) |
| Borrowings | 21 | (7,187) | (5,922) |
| Provisions | 23 | (461) | (624) |
| Other liabilities | 22 | (19,798) | (20,025) |
| **Total current liabilities** | | **(102,953)** | **(98,244)** |
| **Total assets less current liabilities** | | **299,708** | **291,765** |
| **Non-current liabilities** | | | |
| Borrowings | 21 | (221,692) | (228,513) |
| Provisions | 23 | (3,806) | (3,590) |
| Other liabilities | 22 | (54) | (452) |
| **Total non-current liabilities** | | **(225,552)** | **(232,555)** |
| **Total assets employed** | | **74,156** | **59,210** |
| **Financed by** | | | |
| Public dividend capital | | 129,821 | 122,323 |
| Revaluation reserve | | 14,788 | 11,116 |
| Income and expenditure reserve | | (70,453) | (74,229) |
| **Total taxpayers' equity** | | **74,156** | **59,210** |

The notes on pages 75 to 132 form part of these accounts.

The primary financial statements on pages 71 to 74 and the notes on pages 75 to 132 were approved and signed on behalf of the Trust's Board of Directors on 26 July by Anne-Marie Stretch, Deputy Chief Executive.

**Signed** **26 July 2022**

Ann Marr

Ann Marr OBE, Chief Executive

Anne-Marie Stretch

Anne-Marie Stretch, Deputy Chief Executive

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

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

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

| | Public dividend capital £000 | Revaluation reserve £000 | Income and expenditure reserve £000 | Total £000 |
|---|---|---|---|---|
| **Taxpayers' equity at 1 April 2020** | **69,910** | **11,963** | **(72,083)** | **9,790** |
| Surplus / (deficit) for the year | - | - | (2,402) | **(2,402)** |
| Other transfers between reserves | - | (256) | 256 | **-** |
| Impairments | - | (591) | - | **(591)** |
| Revaluations | - | - | - | **-** |
| Public dividend capital received | 52,413 | - | - | **52,413** |
| **Taxpayers' equity at 31 March 2021** | **122,323** | **11,116** | **(74,229)** | **59,210** |

## 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 the 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 ordinarily payable to DHSC as the public dividend capital dividend (PDC dividend). The Trust is not currently required to pay PDC dividend, but may be required to do so in the future.

In 2021/22, the Trust received additional PDC totalling £7.5m which included £2.0m funding for a multi-year estates expansion project and the *Digital Aspirant Programme,* and £5.0m for elective recovery programmes.

# Statement of Cash Flows (SoCF)

| | Note | 2021/22 £000 | 2020/21 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Operating surplus / (deficit) | | 21,226 | 13,877 |
| **Non-cash income and expenditure** | | | |
| Depreciation and amortisation | 5 | 20,460 | 11,513 |
| Net impairments | 7 | (4,789) | 3,151 |
| Income recognised in respect of capital donations | 3 | (175) | (2,418) |
| (Increase) / decrease in receivables | | 181 | 6,802 |
| (Increase) / decrease in inventories | | 624 | (1,615) |
| Increase / (decrease) in payables and other liabilities | | 1,777 | 40,005 |
| Increase / (decrease) in provisions | | 55 | 190 |
| **Net cash flows from / (used in) operating activities** | | **39,359** | **71,505** |
| **Cash flows from investing activities** | | | |
| Interest received | | 48 | 9 |
| Purchase of intangible assets | | (1,336) | (17,153) |
| Purchase of property, plant and equipment | | (16,806) | (18,820) |
| Receipt of cash donations to purchase capital assets | | 35 | 259 |
| Prepayment of PFI capital contributions | | (3,236) | (4,139) |
| **Net cash flows from / (used in) investing activities** | | **(21,295)** | **(39,844)** |
| **Cash flows from financing activities** | | | |
| PDC received | | 7,498 | 52,413 |
| Movement on loans from the Department of Health and Social Care | | - | (18,707) |
| Movement on other loans | | (421) | (422) |
| Capital element of finance lease rental payments | | (534) | (534) |
| Capital element of PFI payments | | (4,978) | (3,981) |
| Interest paid (loans) | | - | (45) |
| Interest paid (other) | | - | (7) |
| Interest paid (finance lease liabilities) | | (81) | (107) |
| Interest paid (PFI obligations) | | (16,732) | (16,176) |
| **Net cash flows from / (used in) financing activities** | | **(15,248)** | **12,434** |
| **Increase / (decrease) in cash and cash equivalents** | | **2,816** | **44,095** |
| **Cash and cash equivalents at 1 April** | | **51,356** | **7,261** |
| **Cash and cash equivalents at 31 March** | 19 | **54,172** | **51,356** |

# 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 be consistent with 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 2021-22 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, inventories and certain financial assets and financial liabilities.

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.

### 1.1.2 Going concern

These accounts have been prepared on a going concern basis. The financial reporting framework applicable to NHS bodies, derived from the *FReM,* determines that the anticipated continued provision of the entity's services in the public sector is normally sufficient evidence of going concern. The directors have a reasonable expectation that this will continue to be the case.

### 1.2 Consolidation and subsidiary

The Trust has assessed its existing contracts and collaborative arrangements for 2021/22, 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.

In particular, the Trust is the corporate trustee of Whiston and St Helens Hospitals' Charity ('the Charity'). It has assessed its relationship with the Charity and determined it to be a subsidiary, as it has the power to realise economic returns and other benefits from the Charity. The Trust has reviewed the value of the Charity's fund balances at 31 March 2022 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 2022.

## 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.

***Segmental reporting***

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

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

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

***Asset valuation***

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

- The GAM requires that the valuation of the Trust's specialised buildings is based on a modern equivalent asset (MEA) with the same productive capacity as the property being valued. From 2016 onwards, the Trust has opted to interpret the MEA basis as pertaining to a single combined hospital facility ('single alternative site model'), and this fundamentally affects valuation processes, generally reducing floor space and asset carrying values. The location of the facility is not precisely identified, but would be on the outskirts of Prescot or St Helens.
- The Trust's PFI assets are valued at depreciated replacement cost *excluding VAT*, consistent with previous years. This critical judgement to exclude VAT arises because any re-provision of service would involve a similar PFI arrangement, for which VAT would be recoverable. Recoverable VAT on the NBV of the PFI estate would be approximately £44m.

### 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***

The total balance of intangible and tangible fixed assets as at 31 March 2022 is £298.9m, of which £244.3m relates to revalued estate assets.

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

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

Cushman & Wakefield has highlighted to the Trust that any significant future changes in pandemic conditions may rapidly affect market conditions and future valuations. The valuer has also highlighted an uncertainty into future periods relating to the changing regulatory environment regarding building safety following the Grenfell fire, but this is not specifically related to the NHS or the Trust.

The performance of the 31 March 2022 desktop valuation was not compromised by pandemic-related access restrictions. It was based on a RICS *Building Cost Information Service* All-in Tender Price Index (BCIS TPI) published on 31 March 2022 and no significant correction to this is anticipated. If the RICS-provided BCIS TPI had been 2.9% higher, in line with forecasts beyond 31 March 2022, the valuer's estate valuation would have been over £7m higher. The Trust's valuation also depends on the BCIS Location Factor applied, and an estimation of external / economic obsolescence levels. These would also generate similar changes in valuation if varied by 2 - 3%.

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

## 1.4 Income

### 1.4.1 Contract income – service delivery

Recognition and measurement

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

The GAM expands the definition of a contract to include legislation and regulations which 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.

NHS healthcare income

The main source of income for the Trust is contracts with commissioners for healthcare services. The above principles equally apply to the recognition of NHS contract income. The customer in such circumstances is the commissioner, but the customer benefits as services are provided to their patients.

In 2021/22 and 2020/21, the majority of the Trust's income from NHS commissioners was in the form of block contract arrangements (Note 2.1), per NHSEI instruction. The Trust also received system envelope *block top up funding* from its NHS commissioners, where funding was allocated at a system level (Cheshire & Merseyside Health & Care Partnership). For the first half of the 2020/21 comparative year, these blocks were set for individual NHS providers directly, with the same revenue recognition principles. These incomes were received monthly in advance in 2020/21, and then in-month from 2021/22.

The related performance obligation is the delivery of healthcare and related services during the period, with the Trust's entitlement to consideration not varying based on the levels of activity performed, other than through incentive schemes linked to activity. The Trust has received additional income outside the block and system envelopes to reimburse specific costs incurred, and, in 2020/21, other income top-ups to support the delivery of services (Note 3). Reimbursement and top-up income is accounted for as variable consideration in IFRS 15 terms.

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

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.

Revenue from research contracts

The Trust has a variety of low-value arrangements with differing contract terms. Where such contracts are individually significant, and if the arrangement is not within the scope of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance,* IFRS 15 is strictly applied. There were no individually significant contracts in 2021/22 or 2020/21.

### 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 Other forms of income

Government grants and donations

Government grants are grants from government bodies other than income from commissioners for the provision of services. Where a grant is 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.

### 1.4.4 Lead employer

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

## 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. Purchases are recognised as expenditure in the SoCI except where they result 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. The schemes 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. 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, the schemes are accounted for as though they are defined contribution schemes.

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 manner of payment (Note 23).

***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 2022 is based on the valuation data as at 31 March 2021, updated to 31 March 2022 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant *FReM* interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the 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 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% of pensionable pay. The 2016 funding valuation also tested the cost of the schemes relative to the 'employer cost cap' that was set following the 2012 valuation. There was initially a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case.

HMT published valuation directions dated 7 October 2021 that set out the technical detail of how the costs of remedy are included in the 2016 valuation process. Following these directions, the scheme actuary has completed the cost control element of the 2016 valuation for the NHS Pension Scheme, which concludes that no changes to benefits or member contributions are required. The 2016 valuation reports can be found on the NHS Pensions website at https://www.nhsbsa.nhs.uk/nhs-pension-scheme-accounts-and-valuation-reports.

**National Employment Savings Trust (NEST)**

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

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

## 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. The amount initially recognised for *internally-generated* intangible assets is the sum of the expenditure incurred from the date when the criteria for recognition are initially met.

Subsequently, intangible assets are measured at *current value in existing use*, 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 - they are held at depreciated historical cost (DHC), net of impairments. This is because DHC is not considered to be materially different from *current value in existing use*, for short-life low-value assets.

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

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

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

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

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

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

Cushman & Wakefield has performed a 'desktop' revaluation of the Trust's land and buildings as at 31 March 2022. These interim professional 'desktop' revaluations are currently carried out annually, between full revaluations which take place every 5 years or so, depending on assessment of factors such as volatility in asset values. Between revaluation exercises, the carrying amount of an asset is the value at the date of previous revaluation less any subsequent accumulated depreciation, and less any subsequent accumulated impairment losses.

Prior to 31 March 2009, the depreciated replacement cost of specialised buildings was based on an exact replacement of the asset in its present location, whereas HM Treasury has since required that the MEA basis also includes an alternative site valuation basis, provided that the location requirements of the service are met. The MEA concept generally requires that replacement cost is based on the cost of a modern replacement asset that has the same productive capacity as the property being valued. From 2016, the Trust has opted to interpret the MEA basis as pertaining to a single combined hospital facility ('single alternative site model'). Further detail is included under Note 1.3.

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

### *Subsequent expenditure*

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred will flow to the Trust, and the cost of the item can be determined reliably. That is, only subsequent expenditure which enhances an asset beyond its original specification can be capitalised.

Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part which has been replaced is de-recognised and charged to expenditure in the SoCI.

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

### *Depreciation*

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

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

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

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 80 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 total asset life at the point of first recognition, and not the remaining life.

### *Revaluation gains and losses*

Revaluation gains / increases are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease / impairment that has previously been recognised in operating expenditure, in which case they are credited to expenditure to the extent of the decrease previously charged there.

Revaluation losses / decreases that do not result from a loss of economic value or service potential are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to expenditure.

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

***Impairments***

At each reporting period end, the Trust checks whether there is any indication that any of its property, plant and equipment or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually at the financial year end.

In accordance with the GAM, impairments that arise from a clear consumption of economic benefits or 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 their fair value on receipt. The donation / grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor (for example, where a grant is specifically conditional on the future purchase or construction of a specific 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.

Assets provided to the Trust by DHSC / NHSEI as part of the COVID-19 response were considered to be donated assets for the purposes of these accounts, in line with the GAM. This is because the Trust controls, and is obtaining economic benefits from, these assets.

## 1.10 Private Finance Initiative (PFI) transactions and service concessions

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

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

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

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

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

### 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.

In 2021/22 and 2020/21, the Trust received inventories including consumables such as personal protective equipment from the Department of Health and Social Care at nil cost. In line with the GAM, and applying the principles of the IFRS Conceptual Framework, the Trust has accounted for the receipt of these inventories at a deemed cost, reflecting the best available approximation of an imputed market value for the transaction based on the cost of acquisition by the Department.

### 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 23.76% (22.43% 2020/21), 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. When significant, the Trust recognises a loss allowance at an amount equal to lifetime expected credit losses. This is estimated across different populations of receivables in different customer segments, using both historical data and forward-looking information, to form a view about the impairment of Trust debts held on 31 March 2022. This activity is referred to as 'stage 2' impairment in the GAM, and such allowances cannot be applied to NHS bodies and certain other government entities.

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

## 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 effective for 31 March 2022.

For post-employment benefits including early retirement provisions and injury benefit provisions, HM Treasury's pension discount rate in real terms of -1.30% (-0.95% 2020/21) is used.

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

| | Timing of expected cashflow, from the Statement of Financial Position date | **Nominal rate** | **Prior year rate** |
|---|---|---|---|
| Short-term | Up to 5 years | 0.47% | - 0.02% |
| Medium-term | Between 5 and 10 years | 0.70% | 0.18% |
| Long-term | Between 10 and 40 years | 0.95% | 1.99% |
| Very long-term | Exceeding 40 years | 0.66% | 1.99% |

HM Treasury provides discount rates for general provisions on a nominal rate basis. Nominal rates do not take account of inflation. Expected future cash flows are therefore adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates are set by HM Treasury, effective from 31 March 2022.

| | **Inflation rate** | **Prior year rate** |
|---|---|---|
| Year 1 | 4.00% | 1.20% |
| Year 2 | 2.60% | 1.60% |
| Thereafter | 2.00% | 2.00% |

### 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 23.1 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 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in Note 23.2, 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 rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year, as defined in the DHSC's PDC dividend policy, which can be found online: https://www.gov.uk/government/publications/guidance-on-financing-available-to-nhs-trusts-and-foundation-trusts.

In accordance with the requirements laid down by DHSC, as the issuer of PDC, the dividend for the year is calculated on the basis of figures in the 'pre-audit' version of the annual accounts. The dividend is not revised should any adjustment occur as a result of the audit of the annual accounts.

Providers perform this calculation monthly and are monitored centrally. Because the Trust has negative relevant net assets, it has not paid PDC dividend in either 2021/22 or 2020/21.

### 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 reclaimable. Where output tax is charged or input VAT is reclaimable, 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 19.1, 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. Such transactions are not expected to be significant in any reporting year.

### 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, and are charged to expenditure on an accruals basis.

### 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 2021/22.

## 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 UK- adopted IFRS with adaptations and interpretations. UK 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 their 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] (2022/23) – 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 2022, the Trust will apply the standard retrospectively without restatement. 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. For 2022, this rate is 0.95%. The related 'right of use asset' will be recognised as equal to the lease liability adjusted for any prepaid or accrued lease payments.

  For leases commencing in 2022/23, 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 2022 for existing finance leases.

From 1 April 2022, the principles of IFRS 16 will also be applied to the Trust's PFI liabilities, where future payments are linked to RPI. Currently, amounts relating to changes in RPI are expensed as incurred, but under the new standard, the borrowings liability will be re-measured accordingly. The effect of transition has not yet been quantified.

The Trust has estimated the impact of applying IFRS 16 in 2022/23 on the opening statement of financial position, and the in-year impact on the statement of comprehensive income and capital additions, as follows.

| **Estimated impact on Statement of Financial Position - 1 April 2022** | **£000** |
|---|---|
| Additional right of use assets recognised for existing operating leases | 26,877 |
| Additional lease obligations recognised for existing operating leases | (26,877) |
| **Net impact on net assets on 1 April 2022** | **Nil** |
| | |
| **Estimated in-year impact in 2022/23** | **£000** |
| Additional depreciation on right of use assets | (3,853) |
| Additional finance costs on lease liabilities | (239) |
| Lease rentals no longer charged to operating expenditure | 3,985 |
| **Estimated impact on surplus / deficit in 2022/23** | **(107)** |

- **IFRS 17 *Insurance Contracts*:** [new standard] (expected from 2023/24) – This standard is not expected to affect the Trust's accounts; it does not issue insurance contracts.
- **IFRS 14 *Regulatory Deferral Accounts:*** [new standard] – this standard is not applicable to DHSC group bodies.

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.

## 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)

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| **Acute services** | | |
| Block contract / system envelope income | 415,987 | 371,582 |
| High cost drugs income from commissioners (excluding pass-through costs) | 1,519 | - |
| Other NHS clinical income | 204 | 200 |
| **Additional income** | | |
| Private patient income | 1,152 | 605 |
| Elective recovery fund (ERF) [1] | 9,788 | - |
| Additional pension contribution central funding [2] | 11,995 | 11,416 |
| Other clinical income [3] | 5,187 | 14,235 |
| **Total income from patient care activities** | **445,832** | **398,038** |

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

[2] The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administration charge) from 1 April 2019. Since 2019/20, NHS providers have continued to pay over contributions at the former rate, with the additional 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.

[3] Other clinical income contains income from Welsh health bodies, local authorities, other providers, and ICR income, described in Note 2.2, below. In 2020/21, the Trust received additional funding for its *annual leave accrual* increase, and additional national pay funding, which totalled £6.9m.

## Note 2.2 Income from patient care activities (by source)

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| NHS England and CCGs | 439,288 | 389,897 |
| Other NHS providers | 204 | 915 |
| Local authorities | 524 | 1,971 |
| Other non-NHS | | |
| Private patients | 1,152 | 605 |
| Overseas patients (chargeable to patient) | 1 | 9 |
| Injury cost recovery (ICR) scheme (also known as RTA income) [1] | 885 | 1,072 |
| Other [2] | 3,778 | 3,569 |
| **Total income from patient care activities** | **445,832** | **398,038** |

[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 18.1).

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

## Note 2.3 Overseas visitors

This note relates to patients directly charged by the Trust.

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| Income recognised | 1 | 9 |
| Cash payments received | 9 | 13 |
| Amounts added to allowance for credit losses | 6 | 11 |
| Amounts written off | - | 28 |

## Note 3 Other operating income

| | 2021/22 Contract income £000 | 2021/22 Non-contract income [1] £000 | 2021/22 Total £000 | 2020/21 Contract income £000 | 2020/21 Non-contract income [1] £000 | 2020/21 Total £000 |
|---|---|---|---|---|---|---|
| Research and development | 765 | - | **765** | 777 | - | **777** |
| Education and training [2] | 13,182 | 883 | **14,065** | 12,547 | 506 | **13,053** |
| Non-patient care services to other bodies [3] | 36,987 | | **36,987** | 37,066 | | **37,066** |
| Reimbursement and top-up funding [4] | 6,984 | | **6,984** | 46,885 | | **46,885** |
| Receipt of capital grants and donations [5] | | 175 | **175** | | 2,418 | **2,418** |
| Charitable and other contributions to expenditure [6] | | 1,619 | **1,619** | | 8,076 | **8,076** |
| Other income [7] | 17,925 | - | **17,925** | 4,997 | - | **4,997** |
| **Total other operating income** | **75,843** | **2,677** | **78,520** | **102,272** | **11,000** | **113,272** |

[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] *Non-patient care services* income relates to services provided to other NHS bodies, including pathology, CIPHA scheme incomes, IT and HR / payroll services.
[4] Reimbursement and top-up funding was available to providers to cover COVID-related expenditure (e.g. testing and vaccination).
[5] This includes £0.1m (£2.2m 2020/21) non-cash income related to donated equipment from DHSC bodies, as part of the national COVID-19 response.
[6] This includes £1.4m (£7.7m 2020/21) non-cash income related to donated inventories used for COVID-19 response.
[7] Other contract income of £17.9m (£5.0m 2020/21) includes pharmacy sales, car parking income, incomes from a regional bank staff service and Lead Employer fees.

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

| | 2021/22 £000 | 2020/21 £000 |
|---|---|---|
| Income recognised in the reporting period which was within SOFP *Contract liabilities* (Note 22) at the previous period end | 13,206 | 3,024 |

The release in 2021/22 largely relates to funding received at the end of 2020/21, for the *Combined Intelligence for Population Health Action (CIPHA)* project, which provided a platform to integrate testing and vaccination data, for epidemiological studies.

## 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 Operating expenses

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| Purchase of healthcare from NHS and DHSC bodies | 6,007 | 5,336 |
| Purchase of healthcare from non-NHS and non-DHSC bodies | 3,343 | 5,728 |
| Staff costs including executive directors (Note 8) | 323,205 | 320,176 |
| Remuneration of non-executive directors | 132 | 112 |
| Supplies and services - clinical (excluding drugs costs) [1] | 31,473 | 34,008 |
| Supplies and services - general | 2,021 | 2,517 |
| Drug costs (drugs inventory consumed and purchase of non-inventory drugs) | 27,713 | 23,362 |
| Inventories written down | 246 | 729 |
| Consultancy | 167 | - |
| Establishment | 4,932 | 4,471 |
| Premises | 31,235 | 25,421 |
| Transport (including patient travel) | 1,956 | 1,352 |
| Depreciation on property, plant and equipment | 12,040 | 10,853 |
| Amortisation on intangible assets | 8,420 | 660 |
| Net impairments (Note 7) | (4,789) | 3,151 |
| Movement in credit loss allowance: contract receivables | (1) | 152 |
| Movement in credit loss allowance: other receivables | 50 | 77 |
| Change in provisions discount rate(s) | 87 | 66 |
| Audit fees payable to the external auditor - statutory audit [2] | 110 | 101 |
| Internal audit and counter-fraud service costs | 110 | 113 |
| Clinical negligence [3] | 13,689 | 13,133 |
| Legal fees | 450 | 913 |
| Insurance | 337 | 324 |
| Research and development | 70 | 711 |
| Education and training | 2,290 | 3,191 |
| Rentals under operating leases (Note 9) | 5,671 | 3,492 |
| Charges to operating expenditure for on-SoFP IFRIC 12 (PFI) schemes (Note 24.3) | 28,729 | 27,359 |
| Hospitality | 42 | 32 |
| Other expenditure [4] | 3,391 | 9,893 |
| **Total expenditure** | **503,126** | **497,433** |

[1] This includes the cost of DHSC-donated consumables such as personal protective equipment totalling £2.1m (£6.5m 2020/21) which was used within the year.

[2] Audit fees include irrecoverable VAT. The actual sum receivable by the external auditor for statutory audit was £92k (£84k 2020/21). The external auditor received no additional remuneration relating to either 2021/22 or 2020/21.

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

[4] Other expenditure of £3.4m (£9.9m 2020/21) includes professional fees, interpreting services, recruitment fees, losses and special payments (Note 26) and costs relating to sterilisation and decontamination.

## Note 5.1 Limitation on auditor's liability

The limitation on auditor's liability for external audit work is £2m (£2m 2020/21).

## Note 6 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. 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. There was a significant drop in this income in both 2021/22 and 2020/21, due to local COVID-19 factors - periods of reduced useage and some suspension of fees.

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| Income | 693 | 429 |
| Full cost | (2,622) | (2,615) |
| **Surplus / (deficit)** | **(1,929)** | **(2,186)** |

## Note 7 Impairment of assets

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| Changes in market price | (8,279) | 3,151 |
| Other [1] | 3,490 | - |
| **Total net impairments charged to the operating surplus / deficit (Note 5)** | **(4,789)** | **3,151** |
| Impairments charged / (credited) to the revaluation reserve | (1,460) | 591 |
| **Total net impairments** | **(6,249)** | **3,742** |

In 2021/22, a net credit to the revaluation reserve (£1.5m) was generated by the desktop revaluation of the Trust's estate as at 31 March 2022. The revaluation also led to a £8.3m reversal of impairments which had been previously been charged to the SoCI. In the prior year, a net debit to the revaluation reserve (£0.6m) was generated by that year's desktop revaluation as at 31 March 2021. That revaluation led to a £3.2m impairment charged to the SoCI.

[1] In 2021/22, an evaluation of the future cash flows of the CIPHA intangible asset led to an *other impairment* of £3.5m charged to the SoCI, with the recoverable amount being measured at *value in use* based on future cash flows.

## Note 8 Employee benefits

| | 2021/22 Total £000 | 2020/21 Total £000 |
|---|---|---|
| Salaries and wages | 248,845 | 253,475 |
| Social security costs | 22,913 | 21,188 |
| Apprenticeship levy | 1,227 | 1,182 |
| Employer's contributions to NHS Pensions | 39,392 | 37,434 |
| Employer's contributions to the National Employment Savings Scheme (NEST) | 105 | 99 |
| Temporary staff (including agency) | 11,268 | 9,368 |
| **Total gross staff costs** | **323,750** | **322,746** |
| Costs capitalised as part of assets | (271) | (120) |
| **Total employee benefits excluding capitalised costs** | **323,479** | **322,626** |
| Less other employee benefits included above (such as training) | (274) | (2,450) |
| **Total staff costs to SoCI per Note 5** | **323,205** | **320,176** |

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 2021/22, there were 5 early retirements from the Trust agreed on the grounds of ill-health (4 2020/21). The estimated additional pension liabilities of these ill-health retirements is £381k (£84k 2020/21).

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 significant incomes as a lessor.

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

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| **Operating lease expenditure** | | |
| Minimum lease payments | 5,671 | 3,492 |
| **Total** | **5,671** | **3,492** |

| | 31 March 2022 | 31 March 2021 |
|---|---|---|
| | £000 | £000 |
| **Analysis of future minimum lease payments by due date** | | |
| One year or less | 3,605 | 3,929 |
| More than one year but not more than five years | 9,778 | 2,949 |
| More than five years | 11,182 | 3,468 |
| **Total** | **24,565** | **10,346** |

The Trust's longest term lease (25 years, with 20.7 years remaining) relates to land used for car parking at Delph Lane, near Whiston Hospital. Lease terms usually do not exceed 5 years from inception. The largest annual expenditure in the prior year relates to the rental of Newton Community Hospital facilities. Bevan Court, a Whiston site facility comprising modular buildings, became operational mid-way through 2020/21 and is the most significant lease in 2021/22. 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 2022/23 onwards.

## Note 10 Finance income

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

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| Interest on bank accounts | 104 | - |
| **Total finance income** | **104** | **-** |

## Note 11 Finance expenditure

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

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| **Interest expenditure** | | |
| Finance leases | 81 | 107 |
| Interest on late payment of commercial debt (Note 11.1) | - | 7 |
| Interest charge on PFI scheme obligations (Note 24.3) | 8,164 | 8,290 |
| Contingent rent: finance costs on PFI scheme obligations (Note 24.3) | 8,568 | 7,885 |
| **Total interest expenditure** | **16,813** | **16,289** |
| Other finance costs - unwinding of discount on provisions | (2) | (12) |
| Other finance costs | - | 2 |
| **Total finance expenditure** | **16,811** | **16,279** |

## Note 11.1 The Late Payment of Commercial Debts (Interest) Act 1998 / Public Contract Regulations (PCR) 2015

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| Amounts included within interest payable arising from claims made under this legislation | - | 7 |

## Note 12 Other gains / (losses)

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| Gains on disposal of assets | 1 | - |
| Losses on disposal of assets | (952) | - |
| **Total other gains / (losses)** | **(951)** | **-** |

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

## Note 13.1 Intangible assets - 2021/22

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

## Note 13.2 Intangible assets - 2020/21

| | Software licences | Internally generated information technology | Intangible assets under construction | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Gross cost / valuation at 1 April 2020** | **2,336** | **2,980** | **-** | **5,316** |
| Additions [1] | 15,971 | 707 | 39 | **16,717** |
| Impairments | - | - | - | **-** |
| Revaluations | - | - | - | **-** |
| Reclassifications | (677) | - | 677 | **-** |
| Disposals / derecognition | - | - | - | **-** |
| **Gross cost / valuation at 31 March 2021** | **17,630** | **3,687** | **716** | **22,033** |
| **Amortisation at 1 April 2020** | **445** | **2,000** | | **2,445** |
| Provided during the year | 403 | 257 | | **660** |
| Impairments | - | - | | **-** |
| Revaluations | - | - | | **-** |
| Reclassifications | - | - | | **-** |
| Disposals / derecognition | - | - | | **-** |
| **Amortisation at 31 March 2021** | **848** | **2,257** | **-** | **3,105** |
| **Net book value at 31 March 2021** | **16,782** | **1,430** | **716** | **18,928** |
| **Net book value at 1 April 2020** | **1,891** | **980** | **-** | **2,871** |

[1] In 2020/21, the Trust expended £15.2m in relation to the *Combined Intelligence for Population Health Action (CIPHA)* PDC scheme, which created a platform to integrate testing and vaccination data, for epidemiological studies. In 2021/22, the same asset was revalued, and the resulting £3.5m impairment (Note 7) reflected forecast cash inflows. The revaluation arose from changing forecast requirements as COVID-19 evolved, leading to an NHS England procurement exercise for a national data model that could replace CIPHA at the end of March 2023.

All intangibles are software assets in both the current and prior years.

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

## Note 14.1 Property, plant and equipment (PPE) - 2021/22

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

## Note 14.2 Property, plant and equipment (PPE) - 2020/21

| | Land | Buildings excluding dwellings | Assets under construction | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Gross cost / valuation at 1 April 2020** | **7,313** | **235,280** | **3,631** | **49,445** | **112** | **6,422** | **6,335** | **308,538** |
| Additions | - | 2,261 | 11,764 | 6,935 | - | 3,567 | 30 | **24,557** |
| Impairments | - | (591) | - | - | - | - | - | **(591)** |
| Reversals of impairments | - | - | - | - | - | - | - | **-** |
| Revaluations | - | (9,116) | - | - | - | - | - | **(9,116)** |
| Reclassifications | - | 1,364 | (1,443) | 79 | - | - | - | **-** |
| Disposals / derecognition | - | - | - | (1,682) | - | (143) | - | **(1,825)** |
| **Gross cost / valuation at 31 March 2021** | **7,313** | **229,198** | **13,952** | **54,777** | **112** | **9,846** | **6,365** | **321,563** |
| **Accumulated depreciation at 1 April 2020** | | **-** | | **37,144** | **102** | **2,381** | **6,201** | **45,828** |
| Provided during the year | | 6,095 | | 3,195 | 5 | 1,513 | 45 | **10,853** |
| Impairments | | 3,164 | | - | - | - | - | **3,164** |
| Reversals of impairments | | (13) | | - | - | - | - | **(13)** |
| Revaluations | | (9,116) | | - | - | - | - | **(9,116)** |
| Reclassifications | - | - | | - | - | - | **-** | |
| Disposals / derecognition | | - | | (1,682) | - | (143) | - | **(1,825)** |
| **Accumulated depreciation at 31 March 2021** | **-** | **130** | **-** | **38,657** | **107** | **3,751** | **6,246** | **48,891** |
| **Net book value at 31 March 2021** | **7,313** | **229,068** | **13,952** | **16,120** | **5** | **6,095** | **119** | **272,672** |
| **Net book value at 1 April 2020** | **7,313** | **235,280** | **3,631** | **12,301** | **10** | **4,041** | **134** | **262,710** |

Nearly 93% of the Trust's building assets, and over 30% of *Plant and machinery* (equipment) assets relate to on-SoFP PFI contracts (Note 14.3 and Note 24). The Trust did not hold any surplus assets in either the current or prior year.

The Trust undertakes periodic reviews of its asset register. Disposals / derecognition balances in both 2021/22 and 2020/21 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 14.3 PPE financing - 2021/22

| | 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 2022** | | | | | | | | |
| Owned - purchased | 8,983 | 16,737 | 17,431 | 12,088 | - | 5,407 | 134 | **60,780** |
| Finance leased | - | - | - | 962 | - | 943 | - | **1,905** |
| On-SoFP PFI contracts | - | 219,230 | - | 6,824 | - | - | - | **226,054** |
| Owned - donated / granted | - | - | - | 1,227 | - | 5 | - | **1,232** |
| **NBV total at 31 March 2022** | **8,983** | **235,967** | **17,431** | **21,101** | **-** | **6,355** | **134** | **289,971** |

## Note 14.4 PPE financing - 2020/21

| | 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 2021** | | | | | | | | |
| Owned - purchased | 7,313 | 16,050 | 13,952 | 6,185 | 5 | 4,834 | 119 | **48,458** |
| Finance leased | - | - | - | 816 | - | 1,252 | - | **2,068** |
| On-SoFP PFI contracts | - | 213,018 | - | 6,705 | - | - | - | **219,723** |
| Owned - donated / granted | - | - | - | 2,414 | - | 9 | - | **2,423** |
| **NBV total at 31 March 2021** | **7,313** | **229,068** | **13,952** | **16,120** | **5** | **6,095** | **119** | **272,672** |

## Note 14.5 Contractual capital commitments

| | 31 March 2022 | 31 March 2021 |
|---|---|---|
| | £000 | £000 |
| Property, plant and equipment | 245 | 250 |
| Intangible assets | 180 | 352 |
| **Total** | **425** | **602** |

## Note 15 Donations of PPE

In 2021/22, the Trust recognised donated asset additions of £13k (£52k 2020/21), which were grant-funded by Charity, and a further £20k of assets were purchased through grants (£207k 2020/21). As part of the national COVID-19 response in 2021/22, centrally-procured equipment valued at £142k (£2,159k 2020/21) was directly donated to the Trust from DHSC.

## Note 16 Revaluations of PPE

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

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

A desktop (interim) revaluation of the Trust's estate was undertaken as at the valuation date of 31 March 2022. This resulted in a net impairment reversal recorded in the revaluation reserve (within the Statement of Financial Position) of £1.5m, which is also disclosed as *Other comprehensive income* , and a net gain to income and expenditure from impairment (within the Statement of Comprehensive Income) of £8.3m (Note 5).

The useful economic lives of equipment assets are estimated on historical experience of similar equipment lives with reference to national guidance and consideration of the pace of technological change. The lives of assets determined at recognition are disclosed within the accounting policies (Note 1.8.2). Recorded actual useful economic lives of non-land assets as at 31 March 2022 range from nil to the following maximum lives.

| | |
|---|---|
| Buildings excluding dwellings | 80 years |
| Plant and machinery | 15 years |
| Transport equipment | 0 years |
| Furniture and fittings | 10 years |
| Information technology equipment | 5 years |

## Note 17 Inventories

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Drugs | 1,972 | 1,833 |
| Consumables | 3,031 | 3,820 |
| Energy | 73 | 47 |
| **Total inventories** | **5,076** | **5,700** |

Inventories recognised in expenditure for the year totalled £37,271k (£47,730k 2020/21). Write-down of inventories recognised as expenses for the year was £246k (£729k 2020/21) (Note 5).
In response to COVID-19, DHSC centrally procured consumables such as personal protective equipment, and distributed such stocks to NHS providers free of charge. During 2021/22, the Trust received £1,398k of central inventory (£7,724k 2020/21). It was recognised in the Trust's inventory balance at deemed cost, with the corresponding benefit recognised in income. The utilisation and write-down of these items is included in the main expenditure totals in these footnotes.

## Note 18 Receivables

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| **Current** | | |
| Contract receivables | 15,253 | 17,603 |
| Allowance for impaired contract receivables | (773) | (775) |
| Allowance for other impaired receivables | (107) | (77) |
| Prepayments (non-PFI) | 3,750 | 2,113 |
| Interest receivable | 56 | - |
| VAT receivable | 1,695 | 5,000 |
| Other receivables | 14,915 | 11,621 |
| **Total current receivables** | **34,789** | **35,485** |
| **Non-current** | | |
| Contract receivables | 738 | 924 |
| Allowance for impaired contract receivables | (175) | (207) |
| Prepayments (non-PFI) | 251 | 304 |
| Prepayments (PFI lifecycle) | 7,848 | 4,611 |
| Other receivables | 1,014 | 236 |
| **Total non-current receivables** | **9,676** | **5,868** |
| **Total receivables from NHS and DHSC group bodies** | | |
| Current | 19,310 | 19,001 |
| Non-current | 1,014 | 236 |

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

The carrying amounts of *Receivables* approximate to fair value.

## Note 18.1 Allowances for credit losses

| | 2021/22 | | 2020/21 | |
|---|---|---|---|---|
| | Contract receivables | All other receivables | Contract receivables | All other receivables |
| | £000 | £000 | £000 | £000 |
| **Allowances as at 1 April** | **982** | **77** | **981** | **-** |
| New allowances arising | 74 | 68 | 115 | 77 |
| Changes in existing allowances | (61) | (11) | 37 | - |
| Reversals of allowances | (14) | (7) | - | - |
| Utilisation (write offs) | (33) | (20) | (151) | - |
| **Allowances as at 31 Mar 2022** | **948** | **107** | **982** | **77** |

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 25.

## Note 19 Cash and cash equivalents

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| **At 1 April** | **51,356** | **7,261** |
| Net change in year | 2,816 | 44,095 |
| **At 31 March** | **54,172** | **51,356** |
| Cash at commercial banks and in hand | 44 | 36 |
| Cash with the Government Banking Service | 54,128 | 51,320 |
| **Total cash and cash equivalents as in SoFP** | **54,172** | **51,356** |

Cash and cash equivalents comprise cash at bank, cash 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 19.1 Third party assets held by the Trust

The Trust holds cash and cash equivalents on behalf of other parties. At 31 March, balances were held for staff and on bahalf 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 deposits held by the Trust are disclosed below.

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Bank balances | 11 | 13 |
| **Total third party assets** | **11** | **13** |

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

## Note 20 Trade and other payables

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| **Current** | | |
| Trade payables | 2,692 | 2,487 |
| Capital payables | 6,798 | 5,366 |
| Accruals | 53,298 | 51,365 |
| Receipts in advance and payments on account | - | 3,864 |
| Social security costs | 61 | 883 |
| Other taxes payable | 394 | - |
| Other payables [1] | 12,264 | 7,708 |
| **Total current trade and other payables** | **75,507** | **71,673** |
| **Total payables from NHS and DHSC group bodies** | 20,052 | 17,047 |

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

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

## Note 20.1 Better Payment Practice Code (BPPC)

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.

| | 2021/22 Number | 2021/22 £000 | 2020/21 Number | 2020/21 £000 |
|---|---|---|---|---|
| **Non-NHS payables** | | | | |
| Total non-NHS trade invoices paid in the year | 67,175 | 225,618 | 43,516 | 213,651 |
| Total non-NHS trade invoices paid within target | 57,536 | 218,718 | 38,665 | 204,865 |
| Percentage of non-NHS trade invoices paid within target | 85.7% | 96.9% | 88.9% | 95.9% |
| **NHS payables** | | | | |
| Total NHS trade invoices paid in the year | 4,138 | 20,342 | 3,958 | 16,262 |
| Total NHS trade invoices paid within target | 3,885 | 18,385 | 3,744 | 14,602 |
| Percentage of NHS trade invoices paid within target | 93.9% | 90.4% | 94.6% | 89.8% |

The 2021/22 increase in invoice numbers relates to the inclusion of individual Pharmacy invoices in the metric, which were not previously captured.

## Note 21 Borrowings

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| **Current** | | |
| Other loans | 422 | 422 |
| Obligations under finance leases | 562 | 523 |
| Obligations under PFI contracts | 6,203 | 4,977 |
| **Total current borrowings** | **7,187** | **5,922** |
| **Non-current** | | |
| Other loans | 633 | 1,054 |
| Obligations under finance leases | 1,376 | 1,573 |
| Obligations under PFI contracts | 219,683 | 225,886 |
| **Total non-current borrowings** | **221,692** | **228,513** |

The Trust has never breached its loan terms. Note 25 further details the Trust's loans.

## Note 21.1 Reconciliation of liabilities arising from financing activities - 2021/22

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

## Note 21.2 Reconciliation of liabilities arising from financing activities - 2020/21

| | Loans from DHSC | Other loans | Finance leases | PFI & LIFT schemes | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Carrying value at 1 April 2020** | **18,752** | **1,898** | **1,195** | **234,844** | **256,689** |
| **Cash movements** | | | | | |
| Financing cash flows - payments and receipts of principal | (18,707) | (422) | (534) | (3,981) | **(23,644)** |
| Financing cash flows - payments of interest | (45) | - | (107) | (8,290) | **(8,442)** |
| **Non-cash movements** | | | | | |
| Additions | - | - | 1,434 | - | **1,434** |
| Application of effective interest rate | - | - | 107 | 8,290 | **8,397** |
| **Carrying value at 31 March 2021** | **-** | **1,476** | **2,096** | **230,863** | **234,434** |

## Note 21.3 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 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| **Gross lease liabilities** | **2,081** | **2,281** |
| Analysis of gross minimum lease payments by due date | | |
| One year or less | 629 | 601 |
| More than one year but not more than five years | 1,452 | 1,638 |
| More than five years | - | 42 |
| Finance charges allocated to future periods | (143) | (185) |
| **Net lease liabilities** | **1,938** | **2,096** |
| Analysis of net minimum lease payments by due date | | |
| One year or less | 562 | 523 |
| More than one year but not more than five years | 1,376 | 1,531 |
| More than five years | - | 42 |
| **Net lease liabilities per Note 21 - Borrowings** | **1,938** | **2,096** |

As lessee, the Trust holds a number of finance leases for complex diagnostic equipment with a whole-life duration of less than 10 years. In 2021/22, the Trust acquired a new finance lease for laboratory equipment, with a whole-life duration of 5 years.

Note 1.25 describes the new lease accounting standard which will be applied from 2022/23 onwards.

## Note 22 Other liabilities

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| **Current** | | |
| Deferred income: contract liabilities | 18,793 | 20,025 |
| Deferred grants | 1,005 | - |
| **Total other current liabilities** | **19,798** | **20,025** |
| **Non-current** | | |
| Deferred income: contract liabilities | 54 | 452 |
| **Total other non-current liabilities** | **54** | **452** |

## Note 23 Provisions for liabilities and charges analysis

| | Pensions - early departure costs [1] | Pensions - injury benefits [1] | Legal claims [2] | Other [3] | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **At 1 April 2021** | **876** | **1,656** | **416** | **1,266** | **4,214** |
| Change in the discount rate | 35 | 52 | - | - | **87** |
| Arising during the year | 222 | 613 | 188 | 795 | **1,818** |
| Utilised during the year | (82) | (111) | (86) | (15) | **(294)** |
| Reversed unused | (7) | (249) | (285) | (1,015) | **(1,556)** |
| Unwinding of discount | (1) | (1) | - | - | **(2)** |
| **At 31 March 2022** | **1,043** | **1,960** | **233** | **1,031** | **4,267** |
| **Expected timing of cash flows [4]** | | | | | |
| Not later than one year | 85 | 126 | 233 | 17 | **461** |
| Later than one year and not later than five years | 377 | 560 | - | 35 | **972** |
| Later than five years | 581 | 1,274 | - | 979 | **2,834** |
| **Total provisions** | **1,043** | **1,960** | **233** | **1,031** | **4,267** |

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

[3] The *Other* provision balance relates to the Trust's commitment to compensate clinicians on retirement for the effects on their pension income of managing certain tax charges through NHS Pensions' 'Scheme Pays' plan. The Trust has recognised an offsetting asset which reflects the commitment of NHS England and the government to fund such payments as they arise. This means there is nil effect on Trust expenditure for this provision. The 1 April balance also contained a provision (£1,030k) for obligations under pensions regulations which was largely released in 2022 due to changes in those regulations.

[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 backlog effects of COVID-19.

## Note 23.1 Clinical negligence liabilities

At 31 March 2022, £239,776k was included in provisions of NHS Resolution in respect of clinical negligence liabilities relating to the Trust (£186,365k at 31 March 2021).

## Note 23.2 Contingent assets and liabilities

A contingent liability of £81k exists at 31 March 2022 for potential third party claims in respect of employer's liability and public liability claim excesses (nil at 31 March 2021). Contingent liabilities are not included within the Trust's financial statements. A provision for the expected value of probable cases is shown in Note 23. The Trust has no contingent assets to disclose in this or the prior year.

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

## Note 24 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 IFRIC 12 as interpreted for the public sector, the assets are treated as assets of the Trust. The substance of the contract is that the Trust has a finance lease and payments comprise two elements - imputed finance lease charges and service charges. The price base is uplifted annually by the Retail Price Index, with the base RPI set in December 2002.

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

## Note 24.1 On-SoFP PFI obligations recognised in the Statement ofFinancial Position

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| **Gross PFI liabilities** | **610,057** | **590,035** |
| Analysis by due date | | |
| One year or less | 24,847 | 21,709 |
| More than one year but not more than five years | 97,273 | 87,990 |
| More than five years | 487,937 | 480,336 |
| Finance charges allocated to future periods | (384,171) | (359,172) |
| **Net PFI liabilities** | **225,886** | **230,863** |
| Analysis by due date | | |
| One year or less | 6,203 | 4,977 |
| More than one year but not more than five years | 25,340 | 22,596 |
| More than five years | 194,343 | 203,290 |
| **Net PFI liabilities per Note 21 - Borrowings** | **225,886** | **230,863** |

## Note 24.2 Total on-SoFP future PFI commitments

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| **Total future payments committed in respect of PFI arrangements** | **1,454,181** | **1,401,061** |
| Analysis by due date | | |
| One year or less | 59,659 | 55,328 |
| More than one year but not more than five years | 241,141 | 221,578 |
| More than five years | 1,153,381 | 1,124,155 |

## Note 24.3 Analysis of amounts (unitary payments) payable to service concession operator

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| Interest charge (Note 11) | 8,164 | 8,290 |
| Contingent rent (Note 11) | 8,568 | 7,885 |
| Repayment of SoFP liabilities (Note 21) | 4,978 | 3,981 |
| Service element and other charges to operating expenditure | 28,729 | 27,359 |
| Capital lifecycle maintenance | 3,418 | 3,836 |
| Addition to lifecycle prepayment | 3,236 | 4,139 |
| **Unitary payment payable to service concession operator** | **57,093** | **55,490** |

## Note 25 Financial instruments

## Note 25.1 Financial risk management

### Liquidity risk

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

If required, the Trust can access additional financial support through the issue of Public Dividend Capital or, potentially, short-term working capital loans by the Department of Health and Social Care (DHSC). The Trust actively mitigates liquidity risk by daily cash management procedures, keeping all cash balances in an appropriately liquid form. Liquidity is monitored by the Trust's Board and its sub-committees on a monthly basis.

The Trust holds an interest free loan (£1.1m as at 31 March 2022), which has funded a combined heat and power (CHP) facility. All previously held DHSC loans were extinguished in 2020/21 through the issue of PDC, effecting the repayment of outstanding balances held at 31 March 2020.

Loan repayments are contained within the *Maturity of financial liabilities* table in Note 25.4.

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

The main source of income for the Trust is from CCGs in respect of healthcare services provided under contractual agreements. The credit risk associated with such customers is minimal. Non-NHS customers (for example, private patients and prescription charges) typically have a higher rate of write-off, but represent a small proportion of income. Therefore, the Trust is not exposed to significant credit risk from its customers.

The movement in the *Allowance for credit losses* during the year is disclosed in Note 18.1. 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 £30.9m (£29.3m 2020/21), being the total of the carrying amount of financial assets excluding cash (Note 25.2). 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 25.2 Carrying values of financial assets

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Trade and other receivables excluding non financial assets | 30,898 | 29,285 |
| Cash and cash equivalents | 54,172 | 51,356 |
| **Total financial assets** | **85,070** | **80,641** |

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

## Note 25.3 Carrying values of financial liabilities

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| Obligations under finance leases | 1,938 | 2,096 |
| Obligations under PFI contracts | 225,886 | 230,863 |
| Other loans | 1,055 | 1,476 |
| Trade and other payables excluding non financial liabilities | 74,942 | 66,747 |
| Provisions under contract | - | 1,266 |
| **Total financial liabilities** | **303,821** | **302,448** |

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

## Note 25.4 Maturity of financial liabilities

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---|---|---|
| One year or less | 100,840 | 89,480 |
| More than one year but not more than five years | 99,358 | 91,785 |
| More than five years | 487,937 | 480,540 |
| **Total** | **688,135** | **661,805** |

The Trust is required to include in this note future cash flows for finance charges. Because of these additional finance charges, this note's total balances exceed *Total financial liabilities* per Note 25.3.

## Note 26 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.

| | 2021/22 | | 2020/21 Restated | |
|---|---|---|---|---|
| | Total number of cases | Total value of cases | Total number of cases | Total value of cases |
| | Number | £000 | Number | £000 |
| **Losses** | | | | |
| Cash losses and salary overpayments | 39 | 50 | 12 | 4 |
| Bad debts written off | 65 | 3 | 59 | 50 |
| Stores losses and damage to assets | 25 | 129 | 50 | 155 |
| **Total losses** | **129** | **182** | **121** | **209** |
| **Special payments** | | | | |
| Under court order or legally binding award | 3 | 46 | 1 | 5 |
| Ex-gratia [1] | 26 | 61 | 47 | 1,582 |
| **Total special payments** | **29** | **107** | **48** | **1,587** |
| **Total losses and special payments** | **158** | **289** | **169** | **1,796** |

[1] Ex gratia payments include insurance excesses due relating to employer's and public liability claims via NHS Resolution.
In March 2021, the Trust accrued additional pay costs of £2.0m, relating to a national settlement, which was ultimately largely funded by NHS England and NHS Improvement (NHSEI). NHSEI technically deemed £1.5m of this to be a special payment. The full accrual was disclosed in the 2020/21 accounts. The comparator column is restated to move this disclosure from the footnote and into the table of this note.

## Note 27 Events after the reporting date

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

## Note 28 Related parties

### Whole of Government Accounts (WGA) and consolidation

NHS England and NHS Improvement prepares *consolidated NHS provider accounts* which do not contain its results or those of its constituent bodies, as it is not a parent body of NHS trusts or foundation trusts. The Department of Health and Social Care (DHSC) is the parent department of all NHS providers, including St Helens and Knowsley Teaching Hospitals NHS Trust.

The Department of Health and Social Care uses the provider sub-consolidation as part of the DHSC group accounts, which are ultimately then further consolidated into the Whole of Government Accounts. Although there is a number of consolidation steps between the Trust's accounts and Whole of Government Accounts, the Trust's ultimate parent is HM Government.

### WGA bodies

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

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

| | |
|---|---|
| NHS England (including sub-entities) | Health Education England |
| NHS Liverpool CCG | Mersey Care NHS Foundation Trust |
| NHS St Helens CCG | Warrington and Halton Teaching Hospitals NHS Foundation Trust |
| NHS Halton CCG | Southport And Ormskirk Hospital NHS Trust |
| NHS Knowsley CCG | HM Revenue & Customs |
| NHS Wigan Borough CCG | NHS Pension Scheme |
| NHS Warrington CCG | Cwm Taf Morgannwg University Health Board |
| | NHS Resolution |

### Transactions with DHSC

The Trust received additional PDC of £7.50m (£52.4m 2020/21) from DHSC, and incurred no PDC dividend expenditure in 2021/22 (nil 2020/21). £18.7m of the 2020/21 PDC issue was to extinguish existing DHSC loans, as disclosed in Note 25. During the year, DHSC also provided the Trust with centrally procured consumables totalling £1.4m (£7.7m 2020/21) and other low-value equipment (Note 3).

### Allowance for credit losses - related parties

No related party debts have been written off by the Trust in 2021/22 (nil 2020/21). The Trust's *Allowance for credit losses* includes no balance in relation to its related parties (nil 2020/21).

### Charitable related parties

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

The Charity's total funds balance as at 31 March 2022 was £0.7m (£0.7m 2020/21). During the year, the Charity incurred expenditure of £0.1m (£0.2m 2020/21) in respect of goods and services for which the Trust was the beneficiary, and to reimburse the Trust for support costs relating to administration.

### Other related parties

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

### 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 29 External Financing Limit (EFL)

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

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| Cash flow financing | (1,251) | (15,326) |
| **External financing requirement** | **(1,251)** | **(15,326)** |
| EFL | (1,251) | 5,680 |
| **Under / (over) spend against EFL** | **-** | **21,006** |

## Note 30 Capital Resource Limit

| | 2021/22 | 2020/21 |
|---|---|---|
| | £000 | £000 |
| Gross capital expenditure | 20,091 | 41,274 |
| Less: disposals | (952) | - |
| Less: donated / granted capital additions | (175) | (2,418) |
| Plus: loss on disposal from capital grants in kind | 952 | - |
| **Charge against CRL** | **19,916** | **38,856** |
| CRL | 19,916 | 38,856 |
| **Under / (over) spend against CRL** | **-** | **-** |

## Note 31 Breakeven duty financial performance

| | 2021/22 |
|---|---|
| | £000 |
| Surplus / (deficit) for the period (SoCI) | 3,568 |
| Remove net impairments [non DEL] [1] | (4,789) |
| Remove SoCI impact of capital grants and donations | 285 |
| Remove net impact of DHSC centrally-procured inventories | 1,633 |
| **Adjusted financial performance surplus / (deficit) (control total basis)** | **697** |
| Other adjustments | - |
| **Breakeven duty financial performance surplus / (deficit)** | **697** |

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

## Note 32 Breakeven duty rolling assessment

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

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Breakeven duty financial performance surplus / (deficit) (Note 31) | (9,551) | 4,861 | 5,001 | (597) | 4,351 | (2,618) | 697 |
| Breakeven duty cumulative position | (6,619) | (1,758) | 3,243 | 2,646 | 6,997 | 4,379 | 5,076 |
| Operating income | 313,287 | 349,934 | 383,587 | 402,158 | 446,792 | 511,310 | 524,352 |
| **Cumulative breakeven position as a percentage of operating income** | (2.1%) | (0.5%) | 0.8% | 0.7% | 1.6% | 0.9% | 1.0% |

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