



Annual Report and Accounts 2019/20

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We are
LSCft

LANCASHIRE & SOUTH CUMBRIA NHS FOUNDATION TRUST

Annual Report and Accounts 2019/20

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

Contents

06

Chair and Chief Executive's Foreword

23

1.0 Performance Report
1.1 Overview of Performance

41

2.0 Accountability Report

42

3.0 Directors' Report
3.1 Patient Care
3.2 Stakeholder Relations
3.3 NHS Improvements Well-Led Framework
3.4 Statement as to Disclosure to Auditors
3.5 Income Disclosures as Required by
Section 43 (2A) of the NHS Act 2006
3.6 Statement of Directors' Responsibility in
Preparing the Financial Statements

54

4.0 Remuneration Report
4.1 Annual Statement on Remuneration
4.2 Senior Managers' Remuneration Policy
4.3 Annual Report on Remuneration
4.4 Expenses and Remuneration Payments

66

5.0 Staff Report
5.1 Staff Survey
5.2 Reporting High Paid Off-Payroll
Arrangements
5.3 Exit Packages

87

6.0 Disclosures set out in the NHS Foundation
Trust's Code of Governance
6.1 The Board of Directors
6.2 The Council of Governors
6.3 Foundation Trust Membership

119

7.0 NHS England and NHS Improvement
Oversight Framework

120

8.0 Statement of Accounting Officers'
Responsibilities

122

9.0 The Annual Governance Statement

150

10.0 Statement of the Modern Slavery Act 2005



Introduction

This report has been prepared on a 'group' basis and will refer to Lancashire & South Cumbria NHS Foundation Trust as 'LSCFT' or 'the Trust'. LSCFT and 'the Trust' includes Healthcare Support and Infrastructure Services (HSIS), our wholly owned subsidiary.

The Chair and Chief Executive Foreword

Thank you to everyone that has supported Lancashire and South Cumbria NHS Foundation Trust over the past 12 months. It has been a year of significant challenge and change for the organisation and one that will be remembered for many years to come for a wide variety of reasons.

Once you have digested the considerable amount of information contained within this document, we hope you will agree that through an enormous amount of hard work and an unwavering desire to provide the very best services for our communities, the Trust is concluding 2019/20 in a very much improved position from where we began.

On April 1st 2019, a new Chief Executive commenced in post. The Trust had exceptional challenges across the adult acute mental health pathway. A CQC rated 'outstanding' mental health and learning disability Trust, Cumbria, Northumberland, Tyne and Wear (CNTW) had been commissioned by the Lancashire and South Cumbria Integrated Care System (ICS) with support from the Trust to review the adult mental health crisis pathway. This review was shared across the system in May 2019 and was an honest appraisal of the experience service users and carers were receiving across Lancashire. The report highlighted a number of improvements needed with key themes being:

- The significant unmet demand with very long waits for assessment and treatment;
- A review of the Trust's bed management and gatekeeping arrangement;
- Continued focus being required on the discharge of long-stay inpatients;
- The need to engage more robustly with community and voluntary sector organisations; and
- Consider the limitation of key pathways within the wider system in particular within Community Mental Health Teams and rehabilitation.

As part of the review undertaken by CNTW, the Trust collaborated with other local system partners to develop joint solutions to improve health care, and these were collated into a system-wide mental health improvement plan.

The first part of the year was incredibly challenging. Two key documents were received that reflected a very real and urgent need to dramatically improve. This feedback provided a catalyst for change in the organisation that has resulted in rapid and focused action.

In May and June 2019, five out of 14 core services were inspected by the CQC. Dental services were inspected for the first time and received an overall rating of 'good' with 'outstanding' for caring. Children's inpatient services also had a very positive report with an overall rating of 'good' and all five domains rated good by CQC. The adult acute mental health pathway however had made no improvement since the previous CQC inspection in 2017. The inpatient wards and the crisis and health based places of safety received a reduced rating of 'inadequate' and adult community mental health teams received a reduce rating of 'requires improvement'. Following the inspection, the Trust received two Warning Notices issued under S29A of the Health and Social Care Act. The notices were against two core services; acute wards and psychiatric intensive care units and crisis services and health based places of safety. The Trust is pleased to confirm that both warning notices have now been lifted.

Key issues that underpinned the significant challenges were a lack of specialist beds, lack of investment in community services and a need to focus on cultural improvements, including engaging staff, service users and partners in a pro-active and systematic way. Further information on the response to the CQC inspection report can be seen further on in this report.

Significant national and local investment in community services followed alongside the development of an inpatient beds capital plan and a real focus on strengthening the organisational culture. The development of a robust CQC action plan and supporting governance processes has enabled us to begin our improvement plans. There are some great examples of our staff delivering some significant outcomes for local people in a wide range of settings and it is important to highlight and recognise these.

On 1 October, 2019, the Trust acquired responsibility for mental health and learning disability services from the Cumbria Partnership NHS Foundation Trust (CPFT). The acquisition enabled mental health and learning disability services to be run by a specialist provider providing a stronger focus on improving services for the communities of South Cumbria. It also enabled the alignment of services within the integrated care system of Lancashire and South Cumbria. This included the transfer of all staff and a specific leadership team was introduced to oversee the integration of services in the most effective way. In recognition of this, the Trust changed its name to Lancashire and South Cumbria NHS Foundation Trust.

This new geographical footprint represents new boundaries for the Trust, creating new partners and stakeholders from across the system and, not least, new staff who joined the Trust. Much work has been implemented to build relationships and ensure we are working in the most joined up and collaborative way possible.

As part of the improvement journey, the new Chief Executive and the Board focussed on strengthening the leadership within the organisation and a new Executive Team was recruited to, bringing new skills, expertise and experience to the Trust.

A major programme was also initiated to explore the need to move the organisational structure to reflect the Integrated Care Partnerships across the ICS, enabling strong and sustainable partnerships to be developed. A locality-focused model which mirrors the Integrated Care Partnerships within Lancashire and South Cumbria, has now been developed and is ready for implementation later this year. This approach will allow us to work within geographical boundaries more effectively and will result in a further strengthening of local clinical and operational leadership, accountable to our partners in those areas and co-producing the services local people need.

Whilst this transformation work was ongoing, significant improvements to our performance were delivered across all networks, although most notably in mental health services where we concluded the year with an improved position which included:

- Investment in a number of areas to improve mental health care, including 24/7 Crisis Teams, Home-based Treatment Teams and Frequent Attender Teams

- The development of Mental Health Urgent Assessment Centres in each of our five localities supporting people who have a mental health need but no physical health issues
- The development of a single telephone number operated 24/7 by trained mental health professionals who will offer help, advice, mental health assessments, referrals and access to the Trust's wider mental health services, including home treatment. This number can also be used by anyone looking for advice if they are worried about someone else
- Improvement in the responsiveness of our urgent care pathway. Mental Health Liaison Teams (MHLTs), working within Accident and Emergency Departments, have delivered improved patient care and reduced waiting times (resulting in reductions in 12 hour and Section 136 breaches)
- Working with voluntary sector colleagues the Trust has expanded its Crisis Houses and Crisis Cafés across each of the localities
- As part of the Trust's response to the CQC inspection report, the Trust has made significant improvements in its Acute and PICU wards, including mandatory training, supervision, staffing, appraisals and care planning
- To address the needs of service users in the Community waiting for counselling or Cognitive Behavioral Therapy, the Mindsmatter teams are working with Burnley Football Club to deliver a 12 week therapy support programme
- The CAMHS teams are working with General Practitioner (GP) practices to provide an accessible early intervention clinic to support children and young people of the surgery who present with primary mental health difficulties.

These improvements have been recognised and following a series of unannounced inspections to the Trust by the CQC between December and March, both our warning notices were lifted. Of course, there is more work to do on improving mental health services but this was an important milestone at the end of a difficult year and the result of an enormous amount of effort from everyone. It could not have been achieved without the dedication, commitment and hard work of all our staff and without the excellent partnership working with our commissioners and wider partners.

Financial information in this report also shows that the Trust began the year with substantial pressures within its mental health acute care pathway. But, by working with our partners across the Lancashire and South Cumbria Integrated Care System (ICS), as well as service users and their families, carers, the faith and voluntary sector and, not least our staff, we have been able to deliver significant improvements which in turn have delivered substantial investment too.



Colleagues working in Royal Preston Hospital at one of our Mental Health Urgent Assessment Centres



Staff operating the urgent assessment line, operated 24/7 by trained mental health professionals

As part of our cultural improvement programme, we launched Listening into Action (LiA), a huge independent staff engagement programme which enabled the organisation to hear issues, concerns, ideas and suggestions for key focus areas which would help us to change. The programme began by identifying some simple needs from staff which included requests for resources and equipment to help them deliver more effective services. In response we launched a Christmas campaign with an 'LiA Elf' delivering these and the effort was warmly received by colleagues. The LiA programme resulted in 15 key work streams being established to focus on the most important areas for improvement. Each was led by a triumvirate of clinical operational champions and sponsored by a member of the Executive Team, with objectives to be delivered over a rigorous 20 week timeframe. The work of the LiA teams was far reaching, but just some of the highlights included:

- The creation of refreshed values and behaviours, led by staff
- The development of a happiness and wellbeing toolkit to help us support and recognise staff, led by staff
- An estates-focused team which enables environmental improvements to take place quickly following staff feedback
- A team focused on improved Equality, Diversity and Inclusion (ED&I) which introduced improvements to medical staffing recruitment processes and an anti-racism campaign
- The development of a staff approach to creating a 'No Blame Culture' and tackling risk aversion with a number of pilots delivered on MH wards to ensure a focus on safety

This staff-led change helped the organisation to hear honest feedback and make impactful improvements and this approach will continue into 2020/21. This will be tracked partly by the national NHS staff survey, which was circulated in October and closed for submissions in November 2019. This year we recorded the highest ever response rate for the Trust of 48 per cent, with 2,784 people completing it. From a total of 90 questions, we improved the number of positive responses in 49 compared to 2018's results. There was also a slight improvement in six areas with the remaining 35 staying broadly the same. Key improvements since 2018 were:

- I would recommend this organisation as a place to work
- Staff satisfaction with appraisal/performance reviews
- Senior managers involving staff in important decisions
- Patient/service user feedback is collected within the department
- I don't often think about or am planning to leave

There has also been a renewed approach to patient and service user and carer engagement to help us identify the improvements that matter to them most too. This has included a number of open space events, where people are able to feedback their experience and ideas for services in the future. The beginning of a strengthened focus on co-production has commenced and we have begun work on refreshing our Trust strategy in collaboration with staff, service users, local people and key stakeholders. To support this work, the Trust has appointed an Associate Director of Nursing, Patient Experience and Engagement.



Listening Into Action Christmas Campaign



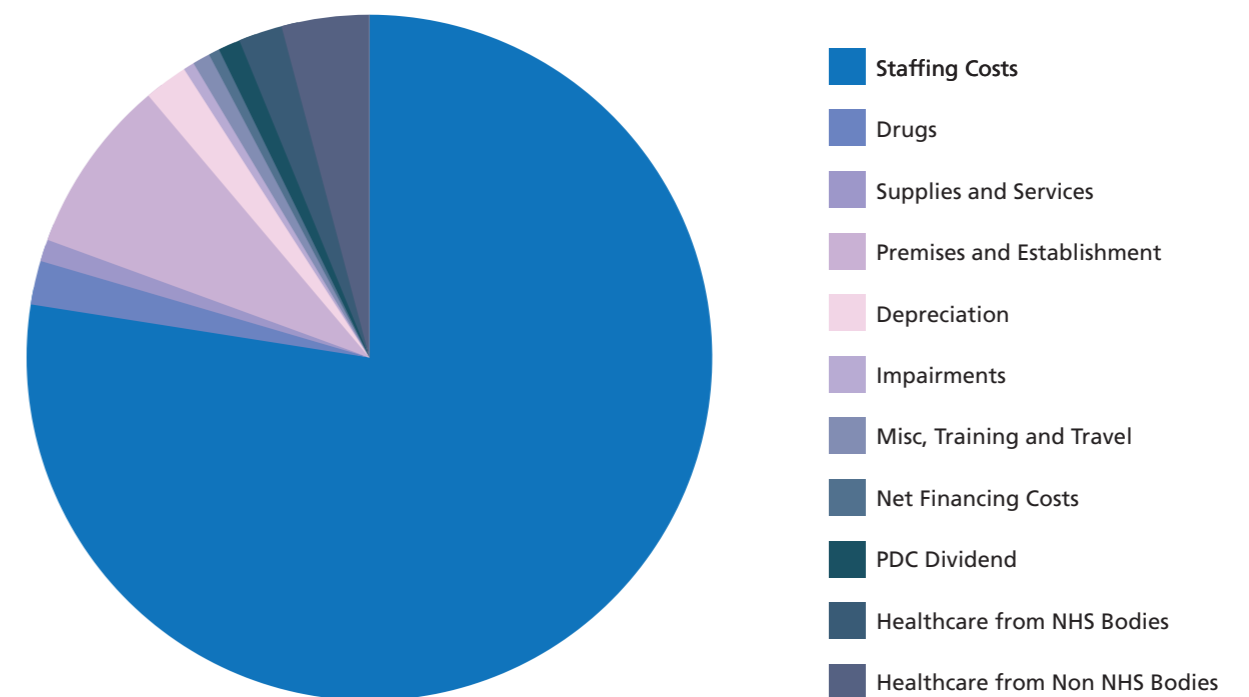
As part of the LIA feedback and 5 star response, the Trust launched a campaign throughout December 2019 to ensure staff had everything they needed to enhance patient care and wellbeing. Every day of December we opened a new #LiAdventCalendar door and the #LSCFTelfsquad travelled across the Trust to provide a festive gift to a different team.

There were some great examples of quick win items that were delivered to teams across the Trust throughout the month and often it's a small thing that can make a big difference. New books were received by the Personality Disorder Team to support with NICE recommended therapies providing staff with additional resources that enhanced the offer they provide. Measuring cylinder and anti-glare screen protectors were delivered to the Pharmacy Team at Guild Lodge and the Adult Learning Disability Speech and Language service received a Christmas delivery of colour cards to assist with assessments. This is an example of the many items like this for 24 days that were delivered and very well received by all the teams involved.

Underpinning our improvement journey has been a refreshed approach to our governance arrangements. In December 2019, the Trust received the findings of an independent governance well-led review, undertaken by AQuA that resulted in a number of key improvement recommendations. Supported by these findings, the Trust has enhanced its governance framework which includes a revised Board committee structure with clear reporting arrangements.

The Trust was successful in its bid to become the lead provider for the Lancashire and South Cumbria Provider Collaborative for adult secure services and child and adolescent mental health services (CAMHS), including children's specialist eating disorder services. The Trust is represented on the system Provider Collaborative Board to ensure it has input into all formal decisions. LSCFT will also work in partnership with a range of NHS, private sector and other providers to commission and provide specialist care across pathways, aiming to improve services with enhanced service user experience. The Trust commenced a refresh of its strategy during 2019/20. The Trust's vision and strategic priorities have been co-produced in collaboration with staff, service users and stakeholders, and provide direction for the organisation moving forward. The final Trust strategy and its enabling strategies will be completed during 2020/21.

Financially, the Trust has ended the year at a surplus of £8.8m and the control total was achieved. After taking into account technical adjustments, this resulted in the Trust delivering a positive variance against its control total of £245k. 2019/20 operating income totalled £378.6m against a comparative of £352.2m for 2018/19, this represents an increase of c7.5%, attributed to the inclusion of South Cumbria services, the pay award and an adjustment to reflect the 6% increase in Pension Costs paid by NHS England. 2019/20 expenditure totalled £372.8m, compared with £359.8m for 2018/19, this represents an overall decrease of £26.5m (c7.7%). A summary analysis of how the Trust spent its money is included below.



Further detailed information on the Trust's financial position during 2019/20 can be seen in the Annual Accounts for 2019/20.

The scale of the final challenge of 2019/20 could not have been predicted but we have been so very proud of the way that everyone at the Trust has responded to the global Covid-19 pandemic. Our initial mobilisation can be tracked back to February, when we were requested to work with North West Ambulance Service (NWS) and other colleagues from across the system to deliver the initial phase of community swabbing for anyone with symptoms. We activated the Trust's major incident plan, with a seven day multi-disciplinary incident room and daily gold command led by the Executive Team established.

A review of critical services was quickly delivered using a prioritisation framework to ensure the most important were protected in the eventuality that the NHS as a whole became overwhelmed. In reality, very few services were stood down and we continued to support local people and our staff effectively. We asked all staff to change the way they worked and, in some cases, even their role to ensure we had as many people as possible focused on patient care on the frontline.

The reality of our response to Covid-19 was in fact a magnificent effort from everyone across all our settings to find new and innovative ways to continue to provide effective services. The staff have risen to the challenge in the most amazing way and the speed in which we embraced technology and transitioned to seven day working was just stunning. We are beyond proud of the support that has been provided to our service users and their families and carers each and every day. In order to support staff we implemented, enhanced physical health care training for those staff returning to front line services. In addition, to support the anticipated demand for end of life care on local acute organisations, the Trust took steps to increase its bed numbers for any mental health inpatients requiring end of life support. The Trust has also established a number of enhanced 'care hubs' wards across its localities dedicated to end of life care. All staff providing end of life care were upskilled in the appropriate clinical training.

This was clearly recognised and welcomed by our communities who delivered an overwhelming number of gifts and tributes for colleagues. The generosity of the Lancashire and South Cumbria people seemed to know no bounds and we were fed with the most delicious homemade food, gifted items of treats, snacks, mugs and even handmade and printed personal protective equipment (PPE). The genuine appreciation behind all of these donations really lifted our spirits and we would like to thank everyone who took the time to do this for us. It was really appreciated.



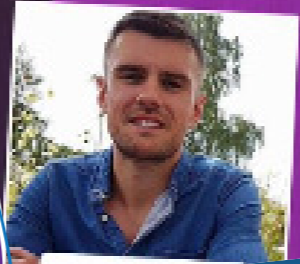
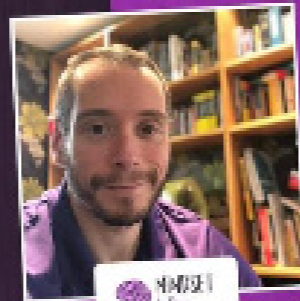
Recognising our staff and saying thank you

THE MENTAL HEALTH FAMILY HOUR

EPISODE 04

Stress and Coping Strategies

Supporting people during lockdown



Providing exemplar services in perinatal mental health

We are now moving into the 'restore, retain and recover' phase and we will be focusing on three main areas. The first will be to review the very small number of services that were stood down in the early stages of our response.

The second area will be to ensure the significant transformation and innovation that has been introduced is retained and accelerated to ensure we build on that good practice, rather than simply reinstating service delivery.

The third area will be focused on preparations for the predicted surge in demand for our services including the significant mental health support and community services which will be required.

We would like to end with a genuine and heartfelt thank you to everyone who has contributed to this important year in the Trust's history. The willingness and enthusiasm to change the way we work, be flexible and collaborative in our approach and transform have been instrumental in this journey so far. The hard work and perseverance of everyone involved has paid off.

We will continue to improve to give confidence to our communities that we are providing safe, effective and personalised care of the highest quality. But we are both confident that things are moving in the right direction and we can be proud of our progress so far.

David Eva
Chair
22 June 2020

Caroline Donovan
Chief Executive
22 June 2020





Colleagues are finding creative ways to keep morale high and lift spirits. This includes the Community Wellbeing leadership team in Blackburn with Darwen who visited different teams last week to hand out gifts, including a rainbow balloon and a special poem written by Care Group Manager Andy Jones.

This and other similar gestures show the appreciation felt about the fantastic work that all staff are doing.



The poem reads:

*On the 19th of March the world became weird.
When Boris announced the news that we feared*

*The country is in lockdown, lives are on the line.
But thankfully we work in NHS Pennine*

*Covid was rising, forecasts causing a scare
Our prayers were all focused on our nurses in critical care*

*Our staff are amazing, still focused on the ill
From Darwen to Shadsworth and Daisyfield Mill*

*Assistants and Therapists, Admin and Nurses
All pulling together with a sense of real purpose*

Blackburn and Darwen folk applaud you out loud

The care that you're giving should make you feel proud.

So thanks to you and your amazing teams, we're proud of you all!!!

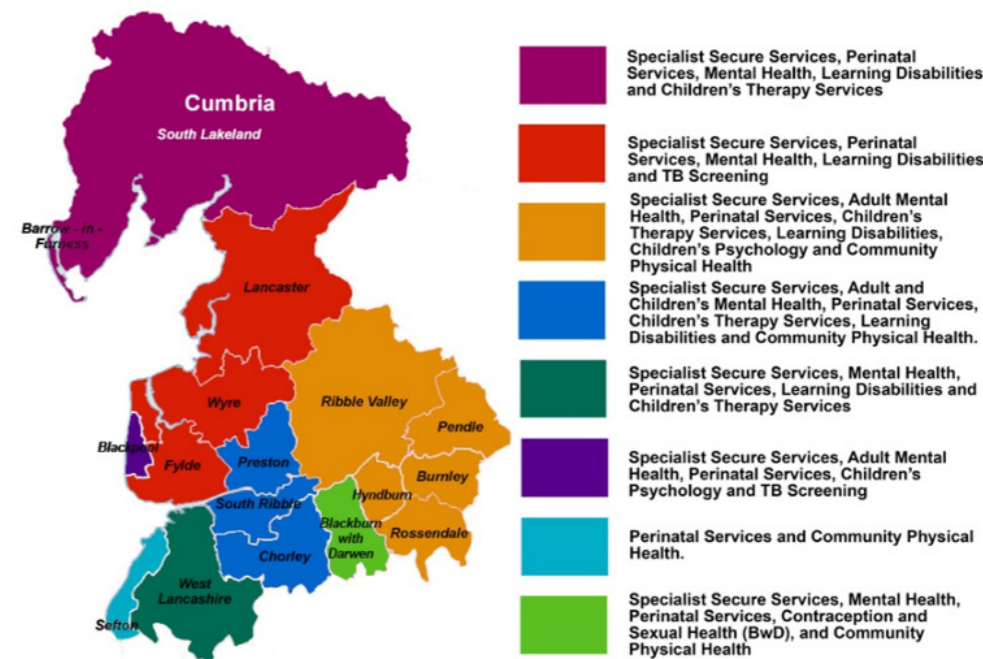
Trust History and Statutory Background

Lancashire Care was established in April 2002 as a mental health and learning disability provider and authorised as a Foundation Trust on 1 December, 2007. On 1 June, 2011 the Trust incorporated a range of community health and wellbeing services from neighbouring provider organisations, extending its portfolio to include a range of community based services. On 1 October, 2019, the Trust acquired mental health and learning disabilities services in South Cumbria from Cumbria Partnership Foundation Trust and became Lancashire & South Cumbria NHS Foundation Trust (LSCFT). LSCFT has an active Council of Governors comprising elected staff and public Governors and nominated partner Governors. The Council of Governors represents the views of the Trust's 7,000 public and approximately 6,342 staff members.

Purpose and Activities of the Trust

The Trust provides health and wellbeing services for a population of around 1.8 million people. The services provided include community nursing, health visiting and a range of therapy services. Wellbeing services provided include smoking cessation and healthy lifestyle services. The Trust specialises in secure, perinatal, inpatient and community mental health services, including services for children and young people and patients with learning disabilities. LSCFT covers the whole of the county and as 31 March 2020 employed 6,342 staff across more than 400 sites, working with a multitude of partners. Care and support is provided in a range of settings. Service provision is delivered to meet the physical and mental health needs of the local population. The Trust has 26 CQC registered locations.

The graphic below outlines the footprint covered by the Trust, which is aligned to the Lancashire and South Cumbria.





Recognising our staff



Attend anywhere helped us to see people when they needed us most



Using technology to stay in touch

Business Model and Structure

The Trust's services have historically been delivered through three clinical networks:

- The Mental Health network providing services for adults aged 18 and over, including the provision of specialist secure services and specialist perinatal care
- The Community and Wellbeing network providing community/specialist nursing and therapies, earning disability services, intermediate care service, rheumatology and dentistry services as well as Improving Access to Psychological Therapies (IAPT) services
- The Children and Young People network providing a full range of mental health and wellbeing services for children and young people and public health services, including early intervention in psychosis

In October 2019 following the transfer of services from Cumbria Partnership FT, a fourth clinical network was established

- In South Cumbria the services provided are community mental health services for children, adults and older adults, community learning disability services for adults and children, Improving Access to Psychological Therapy (IAPT) services and eating disorder services

In 2019/20, discussions commenced to explore the benefits of the Trust moving towards a model based on localities that are aligned with the Integrated Care Partnerships and the emerging Primary Care Networks. This would enable the Trust to influence and advocate more for the population that it serves. Throughout 2019/20, there has been an extensive period of engagement to seek views on appropriate clinical models and the supportive leadership and management models. These proposals were considered and approved by the Trust Board during 2019/20 and this process will continue during 2020/21.

The Trust's services are supported by corporate support services including finance, human resources and organisational development, nursing, quality improvement, communications and engagement, business planning, clinical governance, corporate governance, safety and clinical audit.

Within Lancashire and South Cumbria there are eight clinical commissioning groups (CCGs) and three local authorities. The Trust has established long-standing relationships with the CCGs, local authorities and wider partners both in Lancashire and in those areas outside of the county where it delivers services. The Trust works closely with GPs to support referrals for patients to the Trust's specialist community health and wellbeing teams and mental health services.

The lead commissioner for community services is Chorley and South Ribble CCG and for mental health it is Blackburn with Darwen CCG. The Trust also receives income from NHS England to fund specialist services such as forensic care and mental services for children and young people and local authorities for public health services. The Trust has an annual turnover of £378.8 million.

The Trust's current geographical footprint extends to cover two Integrated Care Systems (ICSs). The vast majority of our services are provided as part of the Lancashire and South Cumbria ICS, whilst the community services we deliver in Sefton are part of the Cheshire and Merseyside ICS. The Lancashire and South Cumbria ICS is a partnership of commissioners, NHS providers, local authorities, voluntary sector organisations, and other statutory organisations, such as the Police. It consists of five 'partnership' areas: the four Integrated Care Partnerships (ICPs) of Morecambe Bay, Blackpool and the Fylde Coast, Central Lancashire, Pennine Lancashire, and one Multi-speciality Care Partnership (MCP) in West Lancashire.

Wholly Owned Subsidiary Company

The Trust's property services are provided by Healthcare Support and Infrastructure Services (HSIS) LLP which is a wholly owned subsidiary of the Trust. HSIS provides the management of all Trust property assets and leads the management of the Trust's outsourced hard and soft facilities management services. It is responsible for ensuring all buildings comply with estates statutory compliance, for example fire safety, asbestos, legionella, etc. This service took over the management of the buildings transferred from South Cumbria from October 2019. HSIS also delivers the required efficiencies against the Lord Carter metrics through the management of the Trust's Space Efficiency Programme (SEP).



Performance Report

The Performance Report has been prepared under direction issued by NHS Improvement, and the requirements of the performance reports are based on the requirements of a Strategic Report as set out in:

- Sections 414A, 414C and 414D of the Companies Act 2006. Sections 414A(5) and (6) and 414D(2) do not apply to NHS Foundation Trusts; and
- The NHS Foundation Trust Annual Reporting Manual 2019/20 (FT ARM).

Further details of the areas included in this statement can be found on the Trust's website, together with the final 2019/20 annual report at <https://www.lscft.nhs.uk>



Caroline Donovan
Chief Executive
22 June 2020

1.1 Overview of Performance

This section aims to provide a short summary of LSCFT, its purpose, the key risks to the achievement of objectives and how the Trust has performed during the year.

Chief Executive's Perspective on Trust Performance 2019/20

Demand for all services during 2019/20 has remained consistently high, with significant levels of activity within the broad range of services provided. Due to a number of key factors, there has been a significant focus on mental health provision and its ongoing development throughout the year.

With the support of partners across the ICS, service users, carers, the voluntary sector and strategic partners CNTW, the system has developed and implemented a system-wide Mental Health Improvement Plan. Key to the success of this plan has been the willingness of partners to work in a collaborative manner for the benefit of the population that we serve.

The Trust has also benefitted substantially from obtaining additional local and national recurrent and non-recurrent resources which have supported the expansion of the range of mental health urgent care services provided by the Trust. Whilst the full impact has yet to be realised and gaps in provision remain, the Trust has made significant improvements and will continue to make further progress during 2020/21 to improve mental health services for local people.

The principle of a 'Home First' approach to care delivery has been progressed within the Trust and the broader health and care system. This is predicated on the fact that the overwhelming majority of patients accessing services receive their care in the community or in their own homes with only a very small proportion ever having to be admitted to hospital.

The additional resources referenced earlier has enabled the Trust to make the following service developments:

- An expansion of 24-7 Crisis Resolution, Home Based Treatment Teams providing a more responsive and accessible service to those in need of urgent help and their carers
- The range and number of hospital alternatives in the form of Crisis Houses and Crisis Cafés has been expanded across the localities in partnership with other providers. Additional crisis facilities are planned for later in 2020
- Hospital based Accident & Emergency (A&E) Liaison services have been enhanced enabling more effective management of patients in emergency departments or within an acute bed
- A Frequent Attenders Service has been established to support a small group of patients that have a high level of need and make regular contact with services. The aim is to work proactively with these patients to reduce their dependence on services by supporting them to develop their own coping strategies

- The Mental Health Access Line has been further enhanced and serves to provide advice and guidance to the police and ambulance service about patients that they come into contact with. Information about care planning and support requirements are shared to enable decision making and reduce the need for attendance at A&E or transfer to a place of safety (136 suite)

This investment into the urgent care pathway has had a positive impact. Performance metrics have improved and the Trust can demonstrate positive outcomes in respect of Section 136 compliance, improvement in liaison attendance and improvement in one hour and four hour compliance. Reassuringly, there has been a significant reduction in the number of Section 136 breaches, reporting 91.3 per cent compliance by 31 March 2020.

During 2019/20, the Trust has continued to rely heavily on the use of Out of Area placements (OAPs) to meet the demand for mental health inpatient admissions. NHS Trusts are required to reduce their reliance on the use of OAPs, with the expectation that there will be zero OAPs by March 2021. Progress on reducing the number of people being treated outside of the LSCFT area remains a top priority for the organisation. As a responsible provider, the Trust has developed plans and approaches with key partners to improve this pathway and meet this requirement:

- The Bed Management service has been expanded to effectively meet the needs of service users by undertaking regular reviews of care which facilitates early discharge ideally into the community, rather than admission into hospital
- The Trust has broadened its bed base to incorporate alternatives to acute mental health wards. The Trust is pursuing plans to develop two rehabilitation facilities, in Preston and the Fylde Coast, with a total of 35 beds across the two facilities. These facilities and access to local independent provision, will ensure that service users receive care in the most appropriate settings and contribute towards reducing reliance on OAPs provision
- Niche Consultancy have been commissioned to undertake an independent review of the Trust's bed modelling assumptions which proposes the number and type of beds that will be needed in the future. This review serves to ensure that the assumptions made align to the emerging clinical model



Case Study: Pennine Transformation Project

Anthony is one of the service users who has been involved in all the different stages of the transformation work, from the workshops to the feedback sessions and has been a key part along with other service users in shaping what services look like in the future. He was instrumental in discussing his experiences of care planning and talking about what worked and what needed to be different so that service users felt part of the planning process from the start.

'I think it's really important that Service Users and carers are involved in care planning and I really wanted professionals to understand this. It's really shone through that with my involvement in these workshops is very important to the Trust and they have really encouraged me to get involved to make sure my voice is heard'.

Anthony continues to be part of this programme of work and is very happy to continue to be involved in making a difference to service development and delivery: "All the staff really listened and I felt I was a very important part of the workshops. It's amazing how much this Trust is helping us get involved, it really is amazing".

In order to reduce pressure on the A&E Department at Blackpool Victoria Hospital and on mental health inpatient beds in the Blackpool & Fylde Coast ICP, and reduce the number of OAPs, the Trust is working in partnership with Blackpool Trust to provide a highly accessible and responsive integrated acute mental health service for people experiencing acute mental health crisis, in Wesham. The service will support the flow of patients through A&E by freeing up acute beds for those who need them and will provide a solution for the cohort of patients who require longer term rehabilitation interventions. The development of this work has recently commenced and will continue into 2020/21 and beyond.

In collaboration with the Integrated Care System (ICS) and Commissioners, the Trust is working to develop enhanced learning disability and autism services, including specialist intensive support services in the community to enable unnecessary hospital admissions to be avoided. The Trust is working towards becoming the prime provider for community and hospital learning disability services across the ICS. During 2019/20, the Trust has worked hard to ensure that clinical staff across the organisation have the appropriate skills and knowledge to provide service users with a learning disability high quality care. New procedures have been implemented to enable collaborative working between mental health and learning disability teams.

The Trust is supporting the development of person centred community autism services for people who do not also have a learning disability and specialist learning disability inpatient services. The Trust is a member of the Learning Disability Improvement Board in collaboration with its partners in the Integrated Care System and Clinical Commissioning Groups to support the development of the enhanced learning disability service provisions through to 2020/21. Further detailed information on the improvements in the learning disabilities provision can be found in the Quality Account, once published.

The Community Wellbeing Network has continued to work significantly hard during 2019/20 to deliver an enhanced range of services, with lots of partnership working to improve the Trust's offer of care to the Community. The Trust has co-produced its frailty pathways through the use of 'Big Room' conversations with key partners to support admission avoidance. Work with the local government to develop a 'Homeless Health Initiative' has led to increased engagement and better patient care to the homeless. A volunteer-led support group for people suffering with persistent pain in Southport and Formby held a free community event, delivered in conjunction with health professionals from the local Community Pain Service, to raise awareness of the condition

The Central Lancashire Moving Well Service completed its first year in operation and staff celebrated its anniversary at Brockholes Nature Reserve. The teams reflected on the success of the first year and their hopes for future years. Staff wellbeing and engagement scores within the service have been really positive and encouraging. During the services' first year the teams have been shortlisted for two external awards; the NHS Improvement Award for Excellent Teamwork and the British Society for Rheumatology Award for Excellent Teamwork.

The Trust's Community Restart team have been working in partnership with people who access the service, carers, mental health specialists, employment providers, housing services, third sector agencies and sports and arts communities to provide the opportunities and community connections for individuals to improve their health and wellbeing.

The Trust commenced the Pennine Transformation Programme in September 2019 in response to the challenges identified within the mental health pathway. The programme aims to ensure that providers

are working in a more joined up way and that the required transformation work is progressed. The Trust co-produced a 'future state Clinical Pathway' with service users, carers, partners and staff to improve access to mental health services and introduce a simple referral process. All referrals will be directed through a 24/7 single point of access and will be clinically triaged.

Improving accessibility to digital systems continued as a high priority during 2019/20, ensuring staff have the most appropriate, secure and supported IT hardware as an on-going programme of work. Around 2000 laptops, PCs, Tablets and smartphones were deployed. This was accelerated as the COVID-19 lockdown commenced, to support colleagues to be able to work more flexibly. Additionally, a solution for accessing systems remotely and securely was deployed.

RiO deployment has been a key focus during the year and further deployment will continue into 2020/21 with the Trust anticipating that all mental health services will be RiO functional by the end of the year, with a range of other digital programmes to follow. The Global Digital Exemplar (GDE) Fast Follower Programme passed a major milestone in moving through funding milestone 2 when the programme was rated as 'green' by NHS Digital, releasing the majority of £3m central funding to the Trust's digital programmes. A major upgrade of the Trust's IT network was also initiated to upgrade the connectivity on sites to create better performance and supports the Trust's ability to work flexibly across multiple sites, including our neighbouring NHS and Local Authority locations.

The Trust made good progress with regional information sharing initiatives as part of the Digital Plan for the ICS for Lancashire and South Cumbria. This included further use of the Lancashire Person Record Exchange Service (LPRES) to support information sharing across the system. This helps to ensure that patients known to LSCFT will receive a more rapid and informed response if they are seen in an Emergency Department anywhere in the region.

A new Digital Strategy for 2020-2025 will be implemented during 2020/21 with a clear emphasis on better use of data and information and the provision of a range of patient facing digital services, building on the increased use of online consultations and Apps for patients. The strategy will be led by the Trust's newly appointed Director of Digital.

The Trust commenced its journey of quality improvement this year. The quality improvement approach, led by frontline staff in their own working environments, ensures that the Trust learns from experiences and continually innovates to improve the experience of our patients. This programme of work will be an area of focus for the Trust during 2020/21 and will be overseen by the Director of Compliance and Improvement.

The Trust has invested significant capital expenditure on its key improvement programmes to develop and enhance its estates, aligned to the concerns identified within the 2019 CQC inspection report, and in order to improve the experience and lives of service users, particularly within the inpatient services.

This included the refurbishment of the Avondale 'Moving-on' ward in the Section 136 Suites at Preston Royal Hospital, which included the provision of 11 en-suite bedrooms, the commencement of 'Phase 1' works to address shared bedrooms (dormitories) at Scarisbrick, which was completed in May 2020. 'Phase 2' is anticipated to be completed in July 2020. The capital works also included general refurbishments and improvement work across several of the Trust's sites and inpatient units, including visting work, improvements to outdoor space, and refurbishments to ceilings, walls, flooring and heating. An exhaustive list can be found in the Annual Governance Statement.

The Trust has achieved compliance against all NHS Improvement (NHSI) indicators, with the exception of the inappropriate out of area placements (OAPs) and data quality maturity index (DQMI) dataset score. Notably, following the challenges of 2018/19, the Trust was pleased to achieve the two week wait for early intervention into psychosis (EIS) target following recovery during Q2 – Q4 after non-achievement in Q1.

During the course of the year, the Trust has worked hard to improve compliance with mandatory training, supervision and appraisals. At the end of 2019/20, 97.4% of services reported compliance with mandatory training overall, against a target of 85%.

Mandatory training compliance for services in South Cumbria is currently reported separately. The Trust is monitoring and targeting mandatory training in these services to increase compliance. The Trust undertook its own assessment post transfer to ensure the accuracy of compliance reporting and set an achievement trajectory.

In addition, the CQC raised concerns around the way the Trust was safely managing medicines and drugs. The Trust has developed its medicines management module to ensure that all clinicians are aware of the consent to treatment and capacity to consent requirements. A robust auditing system has also been implemented to ensure the regular and consistent review of medicines and drugs is undertaken across all inpatient units, including labelling and expiry dates.

The Trust has improved its provision of Physical Health training to upskill staff on physical health needs and has provided enhanced training to multi-disciplinary professionals in enhanced life support, care of the deteriorating patient, use of National Early Warning System 2 (NEWS 2) and associated escalation parameters. This work will continue into 2020/21, where the Trust has an enhanced training programme for delivery to inpatient staff which will include the scheduling of a 'physical health in mental health' days to provide knowledge and training on key physical health matters.

Safer staffing and enhanced staffing initiatives has been a key focus of the Board during the year. The Executive Director of Nursing and Quality has led on a safer staffing review of all adult acute inpatient areas which has resulted in a number of recommendations and initiatives to progress safer staffing, which will continue into 2020/21.

This includes a review of nursing skill mix and additional nursing roles, to include the provision of Peer Support Workers and Nursing Associates. The Trust is advertising on a rolling basis and holding 'one stop shop' events, attending recruitment fairs across the UK and internationally, for registered nurses, Health Care Assistants and Allied Health Professionals, and promoting the organisation as a positive place to work and develop a career.

Once again, LSCFT has reached a high place amongst other NHS Trusts that are demonstrating a diverse and inclusive workplace, being ranked in the UK's Top 50 Employers. This is the fourth year in a row that the Trust has been listed, this time moving up another place and ranking 19 out of 50 organisations in the UK for outstanding efforts and commitment to attracting and retaining a truly diverse workforce. Whilst this is really positive, we are very committed to listening and improving our culture continuously.



Support for BAME staff during COVID-19

The Trust is committed to supporting staff health and wellbeing and, in particular, we are keen to address the concerns about Covid-19 disproportionately affecting black and minority ethnic (BAME) colleagues.

At a national level an inquiry has been launched to understand why people from BAME backgrounds appear to be disproportionately affected by coronavirus. While we await these findings we will be writing to reiterate the practical steps BAME (and all) colleagues can take to ensure they are properly and effectively protected.

These include:

- Ensuring staff are up to date with all personal protection equipment (PPE) guidelines and how to properly follow them
- Ensure that everyone working across all Trust settings are observing social distancing measures as laid out by the Government
- Reiterating the guidelines around underlying health conditions and encouraging staff to check if they would fall into one of these categories
- Writing to all BAME staff to promote the measures in place and encourage colleagues to feel confident discussing any concerns about COVID-19
- BAME staff in at risk groups please speak to your line manager to complete a risk assessment
- Supporting all managers to support our BAME staff with consistent advice and guidance

Whilst we await the findings and advice from the national inquiry we have written to all BAME staff to reiterate the commitment of the leadership team to keep staff safe, supported and valued at work. The letter also outlined the practical steps colleagues can take to ensure they are properly and effectively protected, including ensuring robust risk assessments are carried out.

In addition all BAME staff have been invited to attend two online forums hosted by the Chief Executive, Medical Director and Executive Director of People, alongside Non-Executive Director, staff side representatives and our inclusion group lead to hear and respond to concerns and further suggestions. We are constantly updating and sharing the latest information about our processes and details of our risk assessment processes in our daily briefings to staff.

LSCFT Strategy, Vision and Priorities

In recognition of a number of significant changes, both internally and externally, the Trust commenced a refresh of its strategy during 2019/20. The timing of this strategy refresh has been set to coincide and align with a number of key developments:

- The NHS Long Term Plan (LTP), published in January 2019, which set out a 10-year practical programme of phased improvements to NHS services and outcomes
- The Lancashire and South Cumbria Integrated Care System 5-year strategy, developed in collaboration with partners to describe how together we will deliver the first phase ambitions of the LTP
- Cumbria Northumberland Tyne and Wear (CNTW) NHS Foundation Trust's report of the urgent mental health pathway review, with work already underway to address the urgent actions required and
- The outcomes of the Trust's latest CQC inspection, the results of which were published in September

The refresh of the Trust's strategy will include the creation of a new Clinical Services Strategy, and LSCFT clinical staff will be fundamental in its development. This Clinical Services Strategy is central to the organisation's future direction and a range of 'enabler' strategies are also being developed as illustrated below. The Trust expects the strategies to be completed in 2020/21.

Trust Strategy									
Clinical Services Strategy									
Estates	People and Culture	Continuous Improvement	Service User and Carer	Quality	Digital	Finance	Partnership	Communications	Risk Management

As part of the work so far, the Trust has developed its overarching Trust vision and strategic priorities. Alongside this, the organisation's commitment to collaboration and partnership working remains, so that together the Trust can ensure services remain sustainable for the people who need them, regardless of who provides them.

Our Refreshed Strategic Priorities

- We will deliver safe care, ensuring we learn lessons and continually improve and innovate
- Service users will be at the heart of everything we do, supporting effective care, recovery and wellbeing

- We will collaborate effectively with system partners
- We will strive for the highest standards of quality across all of our services
- Staff will be attracted to the Trust as our culture makes it an inclusive and supportive place to work
- We will be sustainable and deliver real value in everything we do

Key Achievements Against Strategic Priorities During 2019/20

Whilst the Trust was undertaking a refresh of its strategy, a number of key achievements against the Trust's previous Strategic Priorities were delivered during the year. These are displayed below:

Strategic priority	Achievements
To provide high quality services	<ul style="list-style-type: none"> • We have redefined our overarching quality priorities as: <ul style="list-style-type: none"> - Safe care delivered every time - Personalised, recovery focused care delivered with you - Accessible care delivered in local communities • We have refreshed our governance arrangements, in particular increased reporting from the Quality Committee to the Board • We have appointed an Associate Director of Nursing and a Patient Experience and Engagement to lead the development of an engagement strategy and co-production with quality priorities on an annual basis with service users and carers • We have strengthened our focus on quality through the appointment of a new Executive Director of Improvement and Compliance • We have appointed a new Freedom to Speak Up Guardian to protect patient safety and the quality of care, improve the experience of our staff, and to promote learning and improvement • We have established an Improvement Board to oversee and track progress in a number of key areas, including clinical pathway redesign, quality improvement, our CQC Action Plan, and implementing improvement ideas suggested by our staff via Listening into Action • We have significantly progressed our planning to commence provision of specialist mental health rehabilitation beds in 2020/21 • We are continuing to reduce the number of mental health patients needing to be treated 'out of area' • Our Mental Health Liaison Teams (MHLTs), working within Accident and Emergency Departments, have delivered improved patient care and reduced waiting times (reduction in 12 hour and Section 136 breaches) • We have invested heavily in a number of areas to improve mental health care, including 24/7 Crisis Teams, Home-based Treatment Teams, Frequent Attender Teams, and an expanded Mental Health Advice line

Strategic priority	Achievements
To deliver sustainable services that meet the needs of local people	<ul style="list-style-type: none"> • The Trust remains an active partner across the Lancashire and South Cumbria Integrated Care System (ICS) • We are focusing our work with partners across the ICS to deliver effective care across the mental health urgent care pathway and in learning disability and autism services • We have consulted widely in order to redesign our clinical services delivery model, aligning our services to localities across the ICS • The Trust is involved in a number of Lead Provider Collaboratives, which aim to improve continuity in patient pathways with a focus on high quality and clinical effective outcomes: <ul style="list-style-type: none"> - We have successfully bid to be Lead Provider for the Lancashire and South Cumbria Provider Collaborative for Adult Secure Services and Child and Adolescent Mental Health (Tier 4) including Children's Specialist Eating Disorder Services - We are part of the bid for adult Eating Disorder bid across the North West providers • We established a number of significant partnerships: <ul style="list-style-type: none"> - Richmond Fellowship are partnering with the Trust to provide two crisis houses in Burnley and Chorley, with a third property in Blackpool due to be operational in early 2020/21; a crisis café is also being provided in Blackpool - Calico are providing peer support workers and Recovery Liaison Workers • We extended a pilot in Blackpool for 'Psynergy', a collaboration between the Trust, NWAS and Lancashire Constabulary, to respond to people experiencing mental health crisis • We commenced working more closely with Police in relation to s136 detentions
To become recognised for excellence	<ul style="list-style-type: none"> • We have established a strategic partnership with CNTW Solutions, a wholly owned subsidiary of Cumbria Northumberland Tyne and Wear NHS Foundation Trust, to support LSCFT across a range of improvement areas • We have increased our engagement with service users, their families and carers; 'Open Space' events have taken place with people who use our services to understand better how they would like Trust services to engage with them • The Trust has appointed an Associate Director of Nursing, Patient Experience and Engagement to embed the work above in 2020/21 • The appointment of a new Executive Director of Communications has strengthened our messaging with patients, staff and wider stakeholders

Strategic priority	Achievements
To employ the best people	<ul style="list-style-type: none"> • We have invested in Listening into Action (LiA) throughout 2019/20, based on principles that change is led from the front line, and that our workforce is engaged and empowered to deliver the results that matter • We have significantly increased our Specialty Higher Trainees and many of our Speciality and Associate Specialist (SAS) doctors have applied for entry on to the CESR register in order to become consultants • The Safer Staffing group oversees the developments and implementation of safer staffing work • We have adopted 'Just Culture' principles for the review of incidents to ensure staff are treated fairly • Feedback from a Trust Leadership Health Survey has been used to inform the structure of the organisation, develop the Trust's values and behaviours, and inform our leadership and development programmes, all of which are contributing to our emerging People and Culture Strategy • A Recruitment and Retention Group has been established within the Trust to proactively address vacancies across different staff groups • Work is ongoing to develop a number of new roles, including Trainee Nurse Associates, Physician Associates, and Assistant Practitioners • The Trust has invested heavily in apprentice roles, including a nurse apprenticeship programme, and a higher level apprenticeship pathway to support the development of Mental Health Assistant Practitioners • Return to Practice schemes are in place for learning disability and mental health nursing • An international recruitment programme is continuing
To provide financially sustainable services	<ul style="list-style-type: none"> • The Trust achieved the financial targets set by its regulator • We secured additional revenue funding nationally and from local commissioners to support a number of important developments to its mental health services • The Trust was successfully awarded capital from the ICS for our proposed mental health rehabilitation unit in Wesham and mental health service development as part of A&E at Blackpool Victoria Hospital • The Trust has met its cost improvement targets, reducing waste and making services more efficient for the people who need them
To innovate and exploit technology to transform care	<ul style="list-style-type: none"> • The Trust accelerated the programme to deploy its new electronic patient record RiO to all clinical services • As part of the Global Digital Exemplar (GDE) programme, the Trust continued to introduce a number of digital solutions, such as digital dictation, releasing time for direct clinical work across a range of teams and professions • Our Health Informatics function ensured that the continued support and maintenance of existing digital IT infrastructure was appropriately prioritised and that it remained fit for purpose

Key Issues, Opportunities and Risks

The Trust faces a number of risks to the delivery of its strategy. A full analysis of the Trust's principal strategic risks, together with the controls and mitigation, is included in the Trust's Board Assurance Framework. The Trust's principal risks within the Board Assurance Framework are set out within the Annual Governance Statement.

Going Concern Disclosure

The Trust has achieved its planned out-turn for 2019/20 and has a credible plan to achieve its control total in 2020/21. Sustainability will be managed through the Mental Health Investment Standard and Sustainability and Transformation Plans in line with overall 5 year forward view for the NHS and the long term plan for the NHS.

At the date of approval of this report, the Board had not completed the annual planning process for the 2020-2021 year, following the instruction from NHS England/ Improvement to cease planning activities during the COVID-19 emergency period. Provisionally, the Board has agreed the financial trajectory target of breakeven and that the Trust could anticipate a full-year deficit of £1.3m, net of central support from the Provider Sustainability Fund, the Financial Recovery Fund and Marginal Rate Emergency Tariff support.

For the period from April to the end of July 2020, the Trust has been funded under special and specific arrangements related to the COVID-19 emergency period, approved at national level and designed to ensure that all appropriate Trust expenditure in the period is refunded in full, with the intention to ensure that all Trusts 'break even' on their operations in the period. In the view of the Board, there is a reasonable likelihood that the COVID-19 emergency period, and the related specific funding regime, will continue beyond that date. The Board is also of the view that, given the significant disruption to other services, and the need to ensure in the public interest that the variety of other services are resumed in a safe and controlled manner, it is likely that there will be supportive funding arrangements for the remainder of 2020-2021, which may run into the following financial year, to ensure that services can be provided to the community.

The Trust finished the year with £31.5m cash balance to support the ongoing revenue position. As part of the new cash regime, Trusts have received two months payments in April. At the end of April the Trust had a cash balance of £56.1m. If the monthly revenue costs / loss of non-NHS income exceed the block and top-up payments then the Trust can apply for additional funding.

Providers have been told by DHSC to continue to expect NHS funding to flow at similar levels to that previously provided where services are reasonably still expected to be commissioned. While mechanisms for contracting and payment are not definitively in place, it is clear that NHS services will continue to be funded, and government funding is in place for this. As with any Trust placing reliance on the DHSC for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Any Important Events since the End of the Financial Year Affecting the Trust

There are no material events after the reporting period requiring disclosure.

Details of any Overseas Operations

The Trust does not undertake any overseas operations.

Care Quality Commission Inspection and Monitoring Improvements in Quality of Care

The Care Quality Commission (CQC) inspected the Trust in May 2019 and in September 2019, the CQC published its inspection report with an overall rating of Requires Improvement. The CQC rated the Trust as Requires Improvement across the safe, effective, responsive and well-led domains, with the caring domain being rated as 'Good' overall.

The outcome of the inspection was disappointing for the Trust but not unanticipated as the findings echo the outcome of the Cumbria, Northumberland, Tyne and Wear (CNTW) review of the Lancashire and South Cumbria mental health acute pathway.

The five core services inspected were:

- Acute wards for adults and psychiatric intensive care units, rated 'inadequate' overall
- Child and adolescent mental health wards, rated 'good' overall
- Mental health crisis services and health based places of safety, rated 'inadequate' overall
- Community based mental health services for adults of working age, rated 'requires improvement' overall
- Community dental services, rated 'good' overall

The Trust also provides an additional nine core services which were not inspected.

The key challenges were a result of a lack of investment in community services, a lack of specialist beds and a substantial need to focus on cultural improvements across the organisation, including engaging staff, service users and partners in a pro-active and systematic way.

Following the inspection, the Trust received two Warning Notices issued under S29A of the Health and Social Care Act. The notices were against two core services; acute wards and psychiatric intensive care units and crisis services and health based places of safety. In response, the Trust closed all of its mental health decision units and made significant improvements in its acute and PICU wards, and at the time of writing this report, both warning notices had been lifted.

Significant national and local investment in community services has taken place during 2019/20 to support the improvements, together with the work undertaken to develop an inpatient beds capital plan and a focus on strengthening the organisational culture.

Following the outcome of the CQC inspection, the Trust appointed an Executive Director of Improvement and Compliance who has led on the development, embedding and monitoring of a robust governance process to manage the CQC action plan, together with the Executive Director of

Nursing and Quality and Executive Medical Director. This included the implementation of an effective quality assurance validation process of completed actions, and an independent review of the process undertaken by the Trust's Internal Auditors, MIAA.

Further detailed information in relation to the outcome of the 2019 CQC inspection and of the Trust's compliance with the CQC registration requirements can be seen in the Quality Account, which will be published in December 2020.

South Cumbria Mobilisation

The transfer of South Cumbria mental health and learning disability services from CPFT to LSCFT took place on 1 October, 2019. Services that transferred included adult and older adult mental health inpatient services, children's and adults learning disabilities services, CAMHS, IAPT (first steps) and eating disorders.

An on-boarding and induction day took place on 1 October, 2019 for all staff that joined LSCFT. The transfer element of the mobilisation is now complete and the focus remains on the design and embedding of increased quality of services and performance and addressing recruitment gaps. The Trust has a dedicated leadership team in place to support engagement with staff and operational delivery. Since transition, the Trust has held several recruitment events to promote the services and has been successful in securing a variety of nursing and student posts.

Reporting of South Cumbria performance metrics is now integrated into the governance structure and additional scrutiny is provided through the South Cumbria Assurance Committee, chaired by one of the Trust's Non-Executive Directors. There is also an external South Cumbria Mobilisation Board, which is chaired by the ICS Regional Director to further strengthen post transfer governance.

Locality Model Re-design

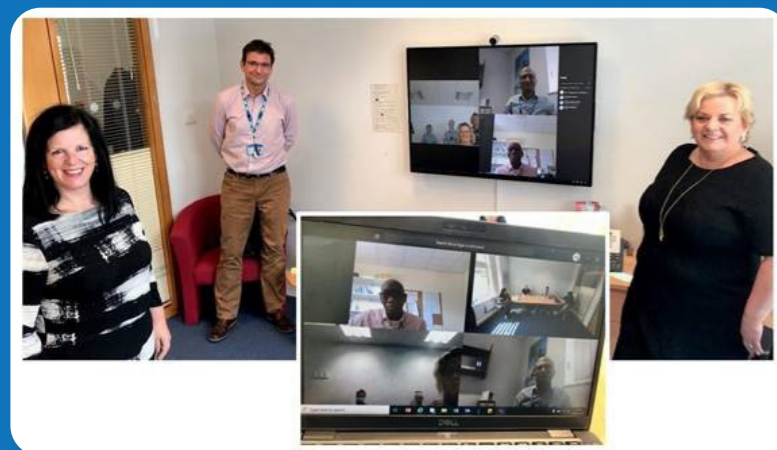
To ensure that the Trust can fully and actively participate in both ICP and ICS strategy development and to allow the Trust to re-design and re-model the organisation to meet the needs of patients, service users and their families/carers, the Trust proposed and agreed to implement a new locality based structure for its clinical services. The locality model re-design has been led by the Executive Director of Operations.

The Trust's Listening into Action (LiA) methodology facilitated the process of engagement with staff throughout the project in an inclusive and transparent way. Engagement events were open to all staff during 2019/20 with additional sessions targeted at those directly affected by the proposals. The process of engagement has been supported by an overarching communication plan. The Trust Board has been updated on a monthly basis and emerging models for structure and leadership have been discussed at Executive and Board level throughout the process to date.

Whilst initial plans were to implement the locality model by September 2020, the impact of the Covid-19 situation has delayed this plan. The Trust anticipates that the locality model will be embedded later in 2020/21.



Working together across the system



Chief Executive Caroline Donovan engaging with staff

Trust Response to the Covid-19 Pandemic

In March 2020, the Trust launched a gold command response to the outbreak of the Covid-19 pandemic. The Trust was required to make rapid decisions about service provision to ensure that its patients were safely cared for during the challenging period.

A number of service changes were implemented during the pandemic including:

- The opening of five mental health urgent assessment centres (MHUACs) across each of the ICP locality areas. This was something that the Trust was already working towards and the pandemic provided the opportunity to accelerate these plans. The purpose of the centres is to reduce admissions to A&E
- Child and Adolescent Mental Health Services (CAMHS) extended their service provision, providing urgent phone triage and face to face assessments to support managing increased demand for services
- The Trust ensured the provision of a 24/7 Crisis line and 24/7 mental health support line for vulnerable service users
- Five additional beds were opened at Longridge Hospital to care for patients at the end of life who have not tested positive for Covid-19. This decision was made to support discharges from acute hospitals
- Training on physical health and end of life care was provided to staff across the organisation to ensure that staff were skilled in this area
- 7 day working across the Trust's clinical services was implemented to ensure that service users were receiving the care they needed and to reduce pressure on the system

The Trust reviewed all of its inpatient facilities to ensure best practice in infection, prevention and control. Across the three inpatient facilities that are dormitories, the following actions were taken:

- Scarisbrick Inpatient Unit (Ormskirk) – re-design of dormitories to provide single bedrooms
- Hurstwood Ward (Pendleview, Blackburn) – reduction in the number of beds 18 to 10 to ensure safety
- Kentmere Ward (South Cumbria) – This ward was closed to admissions and used as a Covid-19 ward

The Trust worked extremely hard to ensure that staff were well equipped, skilled and supported to deal with the challenges faced during the Covid-19 pandemic. This included the recruitment and upskilling of staff to enable them to be redeployed to areas of greatest need and ensuring that staff felt safe and supported. Some examples of the work undertaken include:

- Regular broadcasts by the Chief Executive providing digital updates for colleagues
- A comprehensive daily update for all staff



- A schedule of visits by the Chief Executive and other Executive Directors to check in with front line teams and seek feedback
- A dedicated area on the Trust's intranet providing a 'one stop shop' for information, guidance and resources relating to Covid
- New medicines management eLearning modules have been included on the Trust's training tracker for redeployed nursing staff required to administer medications
- A review of all Human Resource and Workforce related issues, including sick-pay, working from home arrangements (with a focus on ensuring essential services continued to support front line teams), annual leave, and clarity on pay for staff who return to work

The Covid-19 pandemic required the Trust to respond to a changing situation on a daily basis to address local issues and national circumstances. The Trust reported service changes through its internal governance arrangements which were overseen by the Trust Board. All service changes were agreed by the appropriate Executive Director and endorsed by the Gold Command procedure.

At the time of reporting this report, the Trust is now moving into the 'restore, retain and recover' phase, to restore services that were stood down, ensure the retention of the significant innovation that has been introduced and to prepare for any surge in demand for our services.

2.0

Accountability Report

The Accountability Report has been prepared under direction issued by NHS Improvement, the independent regulator for Foundation Trusts. The Accountability Report comprises the following individual reports:

Caroline Donovan
Chief Executive
22 June 2020

3.0

Directors' Report

The Directors' Report has been prepared under direction issued by NHS Improvement, the independent regulator for foundation trusts, as required by Schedule 7 paragraph 26 of the NHS Act 2006 and in accordance with:

- Sections 415, 416 and 418 of the Companies Act 2006 (section 415(4) and (5) and section 418(5) and (6) do not apply to NHS Foundation Trusts);
- Regulation 10 and Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("the Regulations");
- Additional disclosures required by the FReM;
- The NHS Foundation Trust Annual Reporting Manual 2019/20 (FT ARM); and
- Additional disclosures required by NHS Improvement

Further details of the areas included in this statement can be found on the Trust's website: www.lscft.nhs.uk

Foundation Trust Directors

The names of individuals who were Directors of the Trust during the financial year can be found on page 67 onwards, alongside the name of the Trust Chair, Deputy Chair and Chief Executive. Further information about the Board of Directors can also be found from page 67.

Register of Interests, Company Directorships & Significant Interests of Directors and Governors

The Trust has a Standards of Business Conduct procedure in place, in line with national guidance, which requires all staff, Band 8d and above, including Directors and Governors, to declare details of any company directorships or any other significant interests. The register of interests can be viewed on the Trust website here. <https://www.lscft.nhs.uk/corporate-registers>

Statement of Compliance with the Cost Allocation and Charging Guidance issued by HM Treasury

The Trust remains compliant with cost allocations and charging requirements laid down by HM Treasury and the Office of Public Sector Information Guidance.

Details of Any Political Donations

During the year 2019/20 the Trust neither gave nor received any political donations.

Better Payment Practice Code Statement and Late Payment of Commercial Debts (interest) Act 1998

The Better Payment Practice Code represents best practice and requires the Trust to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later. The Trust has achieved the following compliance rates:

BPPC	Total	Non-NHS	NHS
Number	95%	95%	94%
Value	96%	89%	97%

Legislation is in force which requires Trusts to pay interest to small companies if payment is not made within 30 days (Late Payment of Commercial Debts (interest) Act 1996).

The Trust has not made any payments under the Late Payment of Commercial Debts (interest) Act 1998 during 2019/20.

3.1 Patient Care

Details of how the Trust has addressed feedback received from service users, carers, stakeholders and regulators to make necessary improvements to its services can be found in the Quality Account, which will be published in December 2020.

The Trust has appointed a new Associate Director of Nursing, Patient Experience and Engagement to support work to improve patient care into 2020/21 and beyond.

New or Significantly Revised Services

In response to the CNTW review of the Trust's mental health pathway, a robust system wide improvement plan was developed which is led and scrutinised by the Integrated Care System (ICS) and focuses on immediate and long term improvements required for the acute care pathway.

A summary of the initiatives contained within the improvement plan for each locality are as follows:

Blackpool, Fylde and Wyre

- The Psynergy Street Pilot responds to individuals in the community who are in mental health crisis and who may have previously been automatically taken to Accident & Emergency (A&E) services or placed on a Section 136 of the Mental Health Act. The team offers immediate response and is able to assess individuals to explore alternative ways to provide support. This vehicle has enabled a number of people to be cared for in the community instead of A&E
- The mental health liaison team liaise three times a day with triage and Fylde Coast Medical Services to communicate effectively and reduce 12-hour mental health breaches
- The Calico Group provide 18 Peer Support Workers within community mental health teams (CMHTs) across the Fylde Coast and five Recovery Liaison workers within the Blackpool Mental Health Liaison Team. The Peer Support Workers specifically support people referred to Blackpool, Fylde, and Wyre CMHTs. The intention is to improve engagement, overcome barriers to recovery, and offer hope through their own lived experience
- The Trust has received additional resource to provide a Crisis House in Blackpool, operational from June 2020
- The Trust is opening specialist rehabilitation mental health beds, with a site identified for development in Wesham. This will improve flow from acute mental health inpatient wards, creating capacity for admission and ensuring people get the specialist support they need to recover
- The Trust is working with commissioners in the Integrated Care System to develop specialist learning disability beds for this patient group. Additionally, the Trust is developing intensive support services for people with learning disabilities and services tailored to meet the needs of people who have autism, and not a learning disability

East Lancashire

- 24/7 Crisis Team service provision has been implemented, with additional staffing for the team in Pennine Lancashire in place
- A&E liaison staff are now proactively supporting A&E staff to ease patient flow to support improvement in 4-hour assessments

- A Frequent Attenders Service has been established to support those service users with high levels of attendance and ensure that their needs can be met by working in partnership and having care plans in place. This initiative intends to reduce A&E attendance

Central Lancashire

- In June 2019, the Trust opened the Foxton Centre 24/7 Rough Sleepers Hub which works with vulnerable individuals to enable them to access appropriate mental health support and physical health screening
- In August 2019, the Haven Crisis Centre opened and offers mental health support sessions provided by other local agencies to deliver a multi-agency holistic approach to service users
- The Trust is developing specialist rehabilitation mental health beds, with a site identified for development in Preston, operational from summer 2020. This intends to improve flow from acute mental health inpatient wards, creating capacity for admission

The Bay

- The Trust introduced Richmond Fellowship teams into the urgent care pathway, to provide peer support and recovery focused practitioners to work with service users referred by A&E, Crisis and Liaison and Home Treatment Teams
- The A&E and Liaison pathways have been redesigned to provide extended liaison into A&E and core wards

South Cumbria services transferred from Cumbria Partnership NHS Trust in October 2019. Since then, the Trust and staff in this locality have been working hard to develop services and provide high quality care to the service users in this area including:

- The development of a new all age eating disorder service that has been rolled out across the whole of the Integrated Care Partnership (ICP) and commenced on 1 April, 2020
- Autism pathways for children across the Bay ICP The recruitment of four new psychiatrists to ensure the delivery of clinically led services
- Responding to the COVID19 pandemic and ensuring that patients were adequately supported during this challenging time

Service Improvements Involving Other Local Services/Agencies and Involvement in Local Initiatives

During 2019/20, the Trust has implemented a number of service improvements that have been introduced in response to the CNTW review and associated, mental health improvement plan, the 2019 CQC inspection and feedback gathered from service user surveys and engagement events. Key challenges had been identified in the Trust's mental health urgent care pathway and service provision. In response to these concerns, several improvement initiatives have been implemented. Examples of these are included below.

• Mental Health Access Line

In September 2019, the Trust invested into the Mental Health Access Line (MHAL) which has enabled

the provision of a more timely and responsive service to the North West Ambulance Service (NWAS) and the police. The enhanced service ensures that NWAS and the police are able to speak to a qualified mental health practitioner to ascertain if there is a care plan in place to inform decision making and avoid a 136 detention or transfer to A&E.

• **Development of Mental Health Rehabilitation Facilities**

The Trust is pursuing plans to develop two rehabilitation facilities, in Preston and the Fylde Coast, with a total of 35 beds across the two facilities. This follows a bed evaluation undertaken in collaboration with Niche who have reviewed the number and type of beds in the Trust to ensure stability during demand.

• **Establishment of a Frequent Attender Service**

In collaboration with the police, NWAS, third sector and community services, the Frequent Attender Service has been established across each locality to support people who frequently attend A&E. The service has received positive feedback from partner agencies and service users, providing outreach work, visiting service users in their homes and using a holistic approach to meet individual needs and encourage engagement with services.

• **Development of a Recovery College**

The Trust hosts a 'Recovery College' which works with a number of partner organisations to provide a range of courses that support wellbeing. The aim is to offer people skills and tools to empower them to take control of their health and wellbeing with a view to building resilient communities.

• **The Triangle of Care (ToC)**

The Trust has completed Phase 1 of the ToC and was awarded a star in July 2019 for its carer inclusive and supportive commitment. The ToC is a therapeutic partnership between carers, people who use services and professionals based on engagement, information sharing and support. It aims to promote safety, recovery and to sustain wellbeing in mental health by including and supporting carers.

Public and Patient Involvement Activities and Consultation with Local Groups

The Trust has placed a large focus on co-production, listening and responding to the people who use its services and members of the public. During 2019/20, two 'Open Space' events took place led by the Executive Director of Nursing and Quality to understand the needs of service users to improve patient experience and agree how the Trust will work to co-produce future services. The events were also informed the development of the Service User and Carer Strategy, which will come into effect during 2020/21.

People who use the Trust's services were engaged with as part of the process to agree the new name for the organisation (Lancashire and South Cumbria Foundation Trust) and the decision was announced at the Annual Members' Meeting in September 2019. Additionally, service users and carers are an integral part of our recruitment and selection process, and took part in the recent interviews for the Executive Director of Nursing and Associate Director of Patient Experience and Engagement.

The Trust's Patient Led Assessments of the Care Environment (PLACE) are undertaken with service users, their families and carers, public governors and local Health Watch volunteers. The visits attend Trust sites to assess the non-clinical aspects of the patient environment, including patients' privacy and dignity and its suitability for patients with specific needs. This supports informing the Trust's improvement activity. The Trust has recently established inpatient experience meetings held in Blackpool, Chorley and Blackburn to provide a forum to improve engagement with service users and receive feedback on services.

The Recovery College collaborative, as briefly described above, collaborative brings together a number of partner organisations. The aim is to upskill and empower people to take control of their health and wellbeing to increase their personal resilience. Co-production is at the heart of the Recovery College and regular advisory groups and curriculum development groups take place in each locality to co-develop to the service, engage with partners and create new opportunities, aligned to the community need. The college also offers workshops and in-depth courses, developed and delivered by people with lived experience, mental health professionals, peer-support workers, volunteers and students. Curriculum content is discussed within the group and individuals are empowered to make decisions that will benefit their local community. The college is open to anyone over 18 who is living or working in Lancashire and South Cumbria.

Extensive engagement has also taken place in relation to the locality re-design work that has been on-going. Public engagement events have provided an opportunity for people to feedback on how the Trust's services should be structured in the future.

The Trust has appointed an Associate Director of Nursing, Patient Experience and Engagement to work collaboratively with stakeholders, local groups, the public and service users in the development of services, models and strategies. This includes further development of the Recovery College and application of Change Talks across the organisation.

In year, stakeholders have been involved in the development of the Trust's Clinical Strategy through participation in several 'Clinical Strategy Workshops', led by the Medical Director and senior clinicians across the networks.

Compliments and Complaints

A complaints function is one of the regulated corporate functions required of NHS organisations under the Health and Social Care Act 2008 (regulated Activities) Regulations 2014. Comments, compliments and complaints are valuable learning tools and provide information to the Trust that enables service improvements.

The Trust's Executive Team has given a particular focus on improving processes and frameworks that will enable patient and carer experience. During the year, the Trust commissioned an independent review of the internal complaints management framework, involving staff from the Complaints team and across the organisation. A number of improvements were identified and a subsequent 'Complaints and Patient Advice and Liaison Service (PALS) PALS action plan' was developed to drive forward the recommendations within the report. This is monitored at the Trust's Quality Committee.

we are your

PALS

Patient Advice & Liaison Service

NHS
Lancashire & South Cumbria
NHS Foundation Trust

"PALS were so understanding. I finally felt like someone understood my situation."
Aiza

We are your PALS

PALS is a free and confidential service for service users, families, carers and friends.

Available Monday to Friday, 9am to 5pm.
Or you can leave a confidential message on our answer machine and you will be contacted as soon as possible.

0800 234 6088
pals@lancashirecare.nhs.uk
www.lscft.nhs.uk/PALS

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Patients, service users and carers are actively encouraged to provide feedback about their experiences of services in LSCFT. People can contact the Complaints team to raise a concern, or compliment, via a range of different methods, including direct contact over email and telephone or completion of a complaints/compliment form. All concerns received by the team are triaged and acknowledged within three working days. The Trust has a robust triage process for acknowledging and responding to complaints. Any delays in response are communicated with the complainant together with the reason for the delay. Any concerns relating to practice of clinicians, prescribing, safeguarding or information governance are immediately escalated to the Trust's Executive Director of Nursing and Quality and Executive Medical Director as appropriate. All complaints and compliments are logged on the Trust's Datix system, a widely used tool to support complaints management. Should complainants remain dissatisfied with the complaint outcome, this is internally reviewed and reopened where necessary.

The table below details the number of compliments, complaints and comments received during the year. There has been a reduction in the number of complaints over the past twelve months.

	2019/20	2018/19
Number of Compliments	6179	7,965
Number of Complaints	1052	1,146
Number of Comments	39	71
Enquiries from General Practitioners	10	12
Enquiries from Members of Parliament	148	136

Top themes arising from complaints were:

- Communications (190)
- Access to treatment or drugs (148)
- Appointment including delays and cancellations (134)
- Clinical Treatment (130)

3.2 Stakeholder Relations

The Trust works in partnership with a wide range of organisations to plan, provide and develop services that meet the needs of patients. These partnerships include other NHS organisations, volunteer groups, charities and local councils. The Trust develops services involving stakeholders at a local level and has been part of a number of partnership initiatives focusing on delivering high quality care to patients.

Some of the key partnerships that the Trust has been involved in this year include:

- CNTW Partnership – providing support with the mental health urgent care pathway
- Blackpool Teaching Hospitals – Enhancing A&E Liaison in Blackpool

We are LSCft



Case Study: Mental Health Hour

Sam Tyrer is the Trust's award-winning Engagement and Prevention Lead and is a passionate advocate for delivering mental health awareness sessions and helping people understand and cope with the conditions they live with. Sam is a nurse by background and set up 'Change Talks' - a social enterprise delivering educational talks, workshops and events focusing on mental health. The aim is to reduce the stigma, increase awareness and promote coping strategies, leading to a healthier and happier mind. He has done a significant amount of work with young people and their families and has delivered talks in schools and colleges to talk about mental health problems which are affecting our community. He focusses

on social and emotional learning and engages young people to think differently.

Through the COVID-19 pandemic, Sam is offering great support to our communities by providing a weekly webinar every Tuesday at 10am. Each week Sam focusses on a different topic and theme. It is aimed at offering support to families with their health and wellbeing and Sam has been overwhelmed with the amount of people who have joined in with the sessions, so far he has reached thousands of families and his videos are available on YouTube for people to access at any time. The sessions are suitable for all ages and are a good resource for families to watch together.

- Richmond Fellowship - Additional crisis house development in Blackpool
- Calico Group – Peer Support Programme
- MyPlace – Access to Ecotherapy
- Change Talks – Resilience development with young people
- Beacon Counselling Trust – Support to individuals and families affected by gambling
- Chorley Council – Health and wellbeing in the community
- The Calico Group – Peer support workers in community mental health and A&E liaison teams
- The Police – providing education to the police on mental health service users they may come into contact with, including frequent attenders
- NWAS Psynergy Pilot- a collaboration between the Trust, NWAS and Lancashire Constabulary, to respond to people experiencing mental health crisis

The MyPlace project has received recognition at the North West Coast Research and Innovation Awards for work to help young people from the age of 11 that experience mental health problems such as anxiety and depression.

Cumbria, Northumberland, Tyne and Wear NHS Foundation Trust Partnership

A key partnership was forged between the Trust and CNTW in 2019/20 and will continue to support the Trust's improvement ambitions. CNTW is working with the Trust to transform its mental health urgent care services which includes the following developments:

- A new bed management model
- New care pathways and services (including rehabilitation, learning disabilities and autism)
- A full review and transformation of the Pennine Lancashire mental health pathway to improve access to services and the overall care experience
- Delivery and on-going development of the mental health improvement plan.

The Mental Health Improvement Plan (MHIP) was created following the independent review of acute mental health services undertaken by Northumberland, Tyne and Wear (NTW) earlier in the year. The plan is led and scrutinised by the Integrated Care System (ICS) and focuses on immediate and long term improvements required for the acute care pathway across the system. The plan is reviewed on a monthly basis by the ICS Mental Health Improvement Board, attended by commissioners, health and social care providers and the Lancashire Police. The MHIP is also reported internally to the Trust Board to monitor progression and ensure oversight.

3.3 NHS Improvements Well-Led Framework

The Trust's Annual Governance Statement 2019/20 outlines how the Trust considers NHS Improvement's Well-Led framework. This provides guidance for evaluating the Trust's performance, internal control and Board assurance.

The CQC undertook an inspection of the Trust in 2019 and assigned a rating of 'Requires Improvement' in the well-led domain.

Following the CQC inspection, the Trust commissioned an independent review by AQuA, of the Trust's

governance and well-led arrangements. The review intended to identify the areas of leadership and governance that would benefit from further targeted development work to secure and sustain future performance. There were a number of areas for improvement identified across the key lines of enquiry (KLOE) domains which the Trust is addressing through an action plan that is being monitored by the Trust Board.

In summary, the recommendation themes are:

- Leadership, capacity and capability, which was addressed following the completion of recruitment to the Trust Board
- Completion of the Trust's vision and strategy
- Functionality of the committees of the Board and consistency within the network governance structures
- Information and data reporting
- Strengthening of the risk assurance framework
- External communication and engagement
- Learning and improvement culture across the organisation

Information relating to the Trust's patient care activities is outlined within this Annual Report, the performance report, in the Quality Account and Annual Governance Statement.

The Trust concludes that there are no material inconsistencies identified between the Annual Governance Statement, the annual and quarterly Board statements, the Corporate Governance Statement and Annual Report, or reports arising from Care Quality Commission reviews of the Trust and subsequent action plans.

3.4 Statement as to Disclosure to Auditors

Each of the individuals who are Directors at the date of approval of this report confirms that:

- They consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for stakeholders to assess the NHS Foundation Trust's performance, business model and strategy
- So far as the Director is aware, there is no relevant audit information of which the NHS Foundation Trust's auditor is unaware
- The Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the NHS Foundation Trust's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the UK Corporate Governance Code 2012, para. C.1.1.

This confirmation is given and should be interpreted in accordance with the provisions of s415-s418 of the Companies Act 2006

For and on behalf of the Board:



David Eva
Chair
22 June 2020



Caroline Donovan
Chief Executive
22 June 2020

3.5 Income Disclosures as Required by Section 43(2A) of the NHS Act 2006

The Trust confirms that the income it receives for the provision of goods and services for the purposes of the health service in England exceeds its income from the provision of goods and services for any other purposes.

Income from activities accounts for c93.3% of the Trust's income. The remainder is all classed as operating income, split between income received for the purposes of education, training, research and development and income received for non-patient care services. This other operating income compliments the Trust's overarching objective to provide goods and services for the purposes of the health service in England.

The Trust has no fees and charges income that meets HM Treasury's criteria for disclosure.

3.6 Statement of Directors' Responsibility in Preparing the Financial Statements

Each of the people who are Directors at the date of approval of this report confirm that they consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for stakeholders to assess the NHS Foundation Trust's performance, business model and strategy.

This confirmation is given and should be interpreted in accordance with the UK Corporate Governance Code 2014, para. C.1.1.

For and on behalf of the Board:



David Eva
Chair
22 June 2020



Caroline Donovan
Chief Executive
22 June 2020

4.0

Remuneration Report

The Trust has prepared this report in compliance with:

- Sections 420 to 422 of the Companies Act 2006 (section 420(2) and (3), section 421(3) and (4) and section 422(2) and (3) do not apply to NHS Foundation Trusts);
- Regulation 11 and parts 3 and 5 of Schedule 812 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) ("the Regulations");
- Parts 2 and 4 of Schedule 8 of the Regulations as adopted by NHS Improvement in its NHS Foundation Trust Annual Reporting Manual; and
- Elements of the NHS Foundation Trust Code of Governance.

12 Schedule 8 as substituted by The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (SI 2013/1981)



Caroline Donovan
Chief Executive
22 June 2020

4.1 Annual Statement on Remuneration

The Board of Directors Nomination & Remuneration Committee is made up of Non-Executive Directors and is responsible for agreeing Executive Director Remuneration packages on an individual basis.

For 2019/20, the Nomination & Remuneration Committee confirmed it was satisfied with steps taken to test that remuneration above £150,000 was reasonable. These steps are set out in the Trust's Senior Manager's Remuneration Policy. During the year, an additional Workforce Remuneration Policy was developed that provided guidance on the annual individual salary and performance review for senior managers and external benchmarking.

During the year, the Trust Chief Executive led a refresh of the Trust's Executive Team and the Nomination & Remuneration Committee approved the appointment of a number of Executive Directors of the Board, including interim and substantive positions:

- The Executive Director of Nursing & Quality
- The Interim Executive Director of Partnerships & Strategy
- The Executive Director of Improvement and Compliance
- The Interim Executive Director of Human Resources
- The Executive Director of Communications
- The Executive Director of People and Organisational Development (due to commence 20 April, 2020)
- The Executive Director of Digital (due to commence on the 1 May, 2020)
- The Executive Director of Finance and Deputy Chief Executive (due to commence on the 1 May, 2020)
- The Chief Operating Officer and Deputy Chief Executive (due to commence on the 1 July, 2020)

In light of the above recruitment, following the end of the 2019/20 financial year, a number of Executive Directors left the organisation; the Interim Director of Operations, the Chief Finance Officer and the Interim Director of Human Resources.

In line with the General Data Protection Regulation (GDPR), all named individuals included within the Remuneration Report have been informed of the disclosure of their information and have confirmed their satisfaction with the information detailed within the report.

4.2 Senior Managers' Remuneration Policy

Executive Directors

The Trust has both a Senior Manager Remuneration Policy & Workforce Remuneration Policy which applies to all members of the Board, including non-voting members. For the purposes of this Remuneration Report the disclosure of salary and pension entitlements of senior managers will apply to all directors.

Component of senior manager remuneration packages	Description of each component
Salary & Fees	<p>In addition to specific operational management responsibility amongst director portfolios, senior managers have annual objectives which are aligned to Trust strategic priorities and operational plan. Fulfilment of objectives supports the salary component of the remuneration packages.</p> <p>Monthly performance reviews are held between the Chief Executive and senior managers to formally review progress and delivery of objectives.</p> <p>The maximum remuneration which could be paid in respect of this component is the full salary as agreed by the Board of Directors Nomination Remuneration Committee.</p>
Taxable Benefits	Taxable benefits paid to senior managers relate to reimbursement of travel expenses and an allowance, or contribution, to a lease car as part of the remuneration package. These benefits are optional.
Annual Performance Related Bonuses	The Trust does not provide Annual Performance Related Bonuses.
Long Term Performance Related Bonuses	The Trust does not provide Long Term Performance Related Bonuses.
All pension related benefits	<p>Pensions related benefits are reported in detail on page 43.</p> <p>Appointments are superannuable under the terms of the NHS Pension Scheme as contained in the 'NHS National Handbook of Terms and Conditions'.</p> <p>Senior managers are entitled to join or continue as a member of the NHS Pension Scheme subject to its terms and rules, which may be amended.</p>
Salary Threshold 'Reasonableness' Check	<p>Executive Director salary is weighted against achievement of objectives and the individual director's portfolio.</p> <p>The policy requires external salary benchmarking reviews to take place every five years in order to ascertain senior manager remuneration is reasonable and appropriate. Individual salary review takes place on an annual basis as part of the appraisal process to consider performance</p>

Non-Executive Directors

Remuneration for Non-Executive Directors is set by the Council of Governors through their Nomination Remuneration Committee and is informed by external benchmarking data and thorough the appraisals process (though this is not performance weighted). The Chair and Non- Executive Directors are not employees of the Trust, they are appointed by the Council of Governors to provide leadership, strategic direction and independent scrutiny. Non-Executive Director Remuneration consists of the allowance agreed by the Council of Governors plus travel expenses. There are no other fees or benefits payable to Non-Executive Directors. Full details of the remuneration paid during the year can be seen on page 41. All payments are made through the Trust's payroll arrangements.

Service Contracts

The Trust has employment contracts in place for all senior managers which include an obligatory notice period of six months. These contracts make specific provision for compliance with the Fit and Proper Persons Requirements.

There are no additional obligations contained in senior managers' service contracts that have not previously been disclosed and no obligations which could give rise to, or impact on, remuneration payments or payments for loss of office. Senior manager contracts also contain a general provision for the recovery or withholding of sums paid.

Policy on Payment for Loss of Office

The setting of notice periods for senior manager contracts is subject to discussion and approval by the Board of Director's Nomination Remuneration Committee. Discretionary payments for loss of office are considered on an individual basis by the Committee and take account of the circumstances surrounding the loss of office and the senior manager's performance. All termination payments are made strictly in accordance with contractual conditions. Payments for loss of office do not apply to Non-Executive Directors.

Consideration of Employment Conditions Elsewhere in the Foundation Trust

The employment conditions of all other Trust employees are determined nationally through the Agenda for Change policy agreements on pay and conditions of service for NHS staff. Agenda for Change does not apply to very senior managers, medical and dental staff and any individuals who have transferred into the organisation and have their terms and conditions protected under the TUPE regulations. Terms and conditions for medical staff are set nationally and the Nomination and Remuneration Committee are responsible for senior managers' remuneration packages.

The Trust does not currently consult with employees in setting the senior managers' remuneration policy but considers the scrutiny applied by independent Non-Executive Directors through the Nomination and Remuneration Committee to be an appropriate approach. The Trust also undertakes a benchmarking exercise on the appointment of new senior managers' against other local organisation to support the setting of remuneration.

Policy on Diversity and Inclusion used by the Remuneration Committee

The Trust's Equality and Diversity Statement 2015-20 and the Trust Equality in Employment policy both apply to all activity undertaken by the Trust, including recruitment, and include all Committees of the Board, including the Remuneration Committee.

The Equality and Diversity Lead for the Trust provides advice to the remuneration Committee on leadership recruitment, when requested to do so. This has included the creation of stakeholder/service user and carer panels, additional recruitment training for Governors, briefing employment agencies and reviewing interview questions which include specific questions about inclusion.

4.3 Annual Report on Remuneration

Remuneration Committee

The Trust has a joint Board of Directors Nomination & Remuneration Committee which also covers recruitment and appointment of Executive Directors. The membership is made up of all Non-Executive Directors. The Chief Executive, although not a formal member of the Committee, has a standing invitation to attend. The current membership of the Nomination & Remuneration Committee and each member's attendance is shown in the table.

The board directs the operations of the trust and is appointed as follows. The Chairman and the Non-Executive Directors are appointed by the council of Governors' Nominations Committee. Remuneration, allowances and terms and conditions of office of the Chairman and Non-Executive Directors is directed by the Governor's Council Remuneration Committee.

The Chairman, and Executive Directors appoint the Chief Executive. The Chairman, Non-Executive Directors, Executive Directors and the Chief Executive appoint the other Executive Directors. Executive Directors positions are on substantive contracts.

Remuneration, allowances and terms and conditions of all executive directors, including the Chief Executive, is directed by the trusts Remuneration Committee. Posts are advertised in relevant media and interviews are undertaken by a panel comprising members of the trusts Remuneration Committee and external assessors.

Non-Executive Directors positions, including the Chairman, are terminable by the Governors' Council Remuneration Committee. Executive Director positions are terminable by the Remuneration Committee. In the case of directors other than the Chief Executive, the Chief Executive would also take part in the decision.

Board Member	Attendance (actual/max)
David Eva (Chair)	14/14
David Curtis	14/14
Louise Dickinson	13/14
Isla Wilson	13/14
Mohammed Shazad Sarwar	12/14
Deborah Francis	11/14
Paul Farrimond	1/1
Peter Williams	1/1

No advice or services have been provided to the Nomination Remuneration Committee during the reporting period that materially assisted the Committee in their consideration of any matter.

Service Contracts

For each senior manager who has served during the year, the date of their service contract and any unexpired term can be found within the table from page 40. The notice period for Executive Directors is six months.

4.4 Expenses and Remuneration Payments

As required by section 156 (1) of the Health and Social Care Act 2012, the following expenses were remunerated to Directors and Governors during 2019/20:

Reporting Group	2019/20			2018/19		
	Total Number in group	Number in receipt of expenses	Travel expenses	Total Number in group	Number in receipt of expenses	Travel expenses
			£'00			£'00
Executive Directors	13	10	403	9	8	43
Chair & Non-Executive Directors	9	9	160	8	6	145
Council of Governors	30	8	35	31	8	23

Salary Entitlements: Executive Directors

(The tables below have been subject to audit review)

Reporting Group	Period 1 April 2019 - 31 March 2020						Period 1 April 2018 - 31 March 2019					
	Salary (bands of £5,000)	All Taxable Benefits (nearest £100)	Annual Performance Related Bonus (bands of £5,000)	Long Term Performance Related Bonus (bands of £5,000)	Pension Related Benefits Increase (bands of £2,500)	Total (bands £5,000)	Salary (bands of £5,000)	All Taxable Benefits (nearest £100)	Annual Performance Related Bonus (bands of £5,000)	Long Term Performance Related Bonus (bands of £5,000)	Pension Related Benefits Increase (bands of £2,500)	Total (bands £5,000)
Caroline Donovan, Chief Executive (01/04/2019 – 31/03/2020)	190 - 195	5,000	0	0	370 - 372.5	590 - 595	0	0	0	0	0	0
Richard Morgan, Medical Director (01/04/2019 – 31/03/2020)	165 - 170	5,600	0	0	362.5 - 365	555 - 560	0	0	0	0	0	0
William Gregory, Chief Finance Officer (01/04/2019 – 31/03/2020)	155 - 160	-	0	0	0	155 - 160	150 - 155	200	0	0	10 - 12.5	150 - 155
Paul Lumsdon, Interim Director of Nursing and Quality (01/04/2019 – 02/09/2019)	70 - 75	-	0	0	0	70 - 75	130 - 135	0	0	0	0	130 - 135
Nicky Ingham, Interim Director of Workforce & Organisational Development (28/08/2019 – 31/03/2020)	40 - 45	-	0	0	0	40 - 45	0	0	0	0	0	0
Joanne Moore, Director of Partnerships & Strategy (01/04/2019 – 31/01/2020)	175 - 180	4,700	0	0	65 - 67.5	260 - 265	75 - 80	2,500	0	0	0	75 - 80
Russell Patton, Director of Operations (13/05/2019 – 31/03/2020)	120 - 125	-	0	0	0	120 - 125	0	0	0	0	0	0
Phil Evans, Director of Partnerships & Strategy (07/01/2020 – 31/03/2020)	45 - 50	-	0	0	0	45 - 50	0	0	0	0	0	0
Josephine Maria Nelligan, Director of Nursing & Quality (02/09/2019 – 31/03/2020)	75 - 80	2,900	0	0	0	75 - 80	0	0	0	0	0	0
Ursula Martin, Director of Improvement & Compliance (01/10/2019 – 31/03/2020)	60 - 65	2,500	0	0	72.5 - 75	145 - 150	0	0	0	0	0	0
Sue Moore, Director of Strategic Developments (01/04/2019 – 31/10/2019)	95 - 100	1,900	0	0	0	95 - 100	135 - 140	5,200	0	0	62.5 - 65	200 - 205
Damian Gallagher, Director of Human Resources (01/04/2019 – 04/11/2019)	65 - 70	2,900	0	0	62.5 - 65	145 - 150	85 - 90	3000	0	0	0	85 - 90
Shelley Wright, Director of Communications (06/01/2020 – 31/03/2020)	20 - 25	1,200	0	0	5 - 7.5	30 - 35	0	0	0	0	0	0

¹Pensions related benefits is a calculation of the increase to the total sum of the individuals accrued pension and lump sum entitlements taking into account an additional year of service and multiplying by a factor of 20 as per the prescribed HMRC method.

²Benefits in kind relate to provision of a lease car or taxable mileage benefits or salary sacrifice arrangements.

³Taxable benefits relate to lease car or car allowance arrangements.

⁴The element of the Medical Director's remuneration that relates to their clinical role is £110k - £115k.

⁵Lack of prior year comparator renders the accurate calculation of this figure impossible for these individuals.

⁶Joanne Moore's salary figure includes a contractual payment under the Mutually Agreed Resignation Scheme (MARS) in line with national guidance. Further detail can be found in the exit package disclosure note.

⁷Russell Patton was on secondment during the reporting period and his gross salary recharged to LSCFT.

Salary Entitlements: Non-Executive Directors[^]

(The tables below have been subject to audit review)

Appointees Name and Title	Period 1 April 2019 - 31 March 2020						Period 1 April 2018 - 31 March 2019					
	Salary (bands of £5,000)	All Taxable Benefits (nearest £100)	Annual Performance Related Bonus (bands of £5,000)	Long Term Performance Related Bonus (bands of £5,000)	Pension Related Benefits Increase (bands of £2,500)	Total (bands £5,000)	Salary (bands of £5,000)	All Taxable Benefits (nearest £100)	Annual Performance Related Bonus (bands of £5,000)	Long Term Performance Related Bonus (bands of £5,000)	Pension Related Benefits Increase (bands of £2,500)	Total (bands £5,000)
David Eva - Chairman (01/04/2019 – 31/03/2020)	45 - 50	-	0	0	0	45 - 50	45 - 50	3000	0	0	0	45 - 50
Caroline (Louise) Dickinson Non-Executive Director (01/04/2019 – 31/03/2020)	15 - 20	-	0	0	0	15 - 20	20 - 25	2,700	0	0	0	20 - 25
David Curtis, Non-Executive Director (01/04/2019 – 31/03/2020)	15 - 20	-	0	0	0	15 - 20	15 - 20	2000	0	0	0	15 - 20
Isla Wilson, Non-Executive Director (01/04/2019 – 31/03/2020)	15 - 20	-	0	0	0	15 - 20	15 - 20	1,700	0	0	0	15 - 20
Julia Possener, Non-Executive Director (01/04/2019 – 31/01/2020)	10 - 15	-	0	0	0	10 - 15	15 - 20	1,800	0	0	0	15 - 20
Mohammed Sarwar, Non-Executive Director (01/04/2019 – 31/03/2020)	15 - 20	-	0	0	0	15 - 20	5 - 10	0	0	0	0	5 - 10
Deborah Francis, Non-Executive Director (01/04/2019 – 31/03/2020)	15 - 20	-	0	0	0	15 - 20	0 - 5	0	0	0	0	0 - 5
Paul Farrimond Non-Executive Director (01/01/2020 – 31/03/2020)	0 - 5	-	0	0	0	0 - 5	0	0	0	0	0	0
Peter Williams Non-Executive Director (01/01/2020 – 31/03/2020)	0 - 5	-	0	0	0	0 - 5	0	0	0	0	0	0

[^] The Chair and non-executive directors are not employees of the Trust, they are appointed by the Council of Governors to provide leadership, strategic direction and independent scrutiny. In this context, 'salary' relates to the amounts paid as remuneration for this provision.

⁷Lack of prior year comparator renders the accurate calculation of this figure impossible for these individuals.

Pension Entitlements: Executive Directors

As required under the Companies Act Regulations the details of pension entitlements for Executive Directors are provided below.

Name and Title of Senior Manager	Real Increase in Pension at pension age (Bands of £2,500)	Real Increase in Pension Lump Sum at pension age (Bands of £2,500)	Total Accrued Pension at pension age at 31 March 2020 (Bands of £5,000)	Lump Sum at pension age related to accrued pension at 31 March 2020 (Bands of £5,000)	CETV at 31 March 2020 (Rounded to nearest £1,000)	Real Increase in CETV as funded by employer (Rounded to nearest £1,000)	CETV at 31 March 2019 (Rounded to nearest £1,000)	Employers contribution to stakeholder pension
Caroline Donovan, Chief Executive	17.5 - 20	42.5 - 45	80 - 85	210 - 215	1,725	371	1,297	0
Richard Morgan, Medical Director	15 - 17.5	50 - 52.5	70 - 75	215 - 220	1,624	385	1,188	0
Maria Nelligan, Director of Nursing & Quality	0	0	45 - 50	145 - 150	1,165	2	1,116	0
Damian Gallagher, Director of Human Resources	2.5 - 5	2.5 - 5	45 - 50	105 - 110	891	47	792	0
Joanne Moore, Director of Partnerships and Strategy	2.5 - 5	95 - 97.5	45 - 50	110 - 115	901	741	801	0
Ursula Martin, Director of Improvement and Compliance	0 - 2.5	2.5 - 5	30 - 35	55 - 60	435	20	366	0
Shelley Wright, Director of Communications	0 - 2.5	0	0 - 5	0	5	0	0	0

⁸The lack of a prior year comparator renders the calculation of elements of pension's information impossible, as such they have not been disclosed.

Note: As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

Cash Equivalent Transfer Value

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 pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries. Real Increase in CETV - This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Fair Pay

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. The calculation is based on full-time equivalent staff of the Trust at the 31 March 2020 on an annual basis.

Other Remuneration Disclosure	2019/20 £'000	Attendance 2018/19 £'000
The highest paid senior manager in the organisation is the Chief Executive, being:	195	214
The median salary of full time Trust staff is:	26	27
The ratio therefore of the highest and the median salary is:	7.5	7.9

⁹The calculation is based on full-time equivalent staff of the trust at the 31 March 2019 on an annualised basis.

During 2019/20 no employees received remuneration in excess of the highest paid director (2018/19 zero individuals). Remuneration ranged from £7k to £195k (2018/19 £7k to £214k). Remuneration includes salary, other allowances and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Payments for Loss of Office

There have been no payments to individuals who were a senior manager in the current or in a previous financial year, for loss of office during the financial year.

Payments to Past Senior Managers

There have been no payments of money or other assets to any other individual who was not a senior manager during the financial year but has previously, or who has previously been a senior manager at any time.

5.0 Staff Report

Analysis of Staff - Staff Costs 2019/2

Staff Costs	2019/20			2018/19
	Permanent	Other	Total	Total
	£000	£000	£000	£000
Salaries and wages	212,058	624	212,682	205,376
Social security costs	19,215	-	19,215	18,261
Apprenticeship Levy	1,020	-	1,020	985
Employer's contributions to NHS pensions	36,993	-	36,993	24,886
Pension cost (other)	-	-	-	-
Other post-employment benefits	-	-	-	-
Other employment benefits	-	-	-	-
Termination benefits	-	-	-	-
Temporary staff	-	8,571	8,571	7,805
NHS Charitable funds staff	-	-	-	-
Total gross staff costs	269,286	9,195	278,481	257,313
Recoveries in respect of seconded staff	-	-	-	-
Total staff costs	269,286	9,195	278,481	257,313
Of which costs capitalised as part of assets	-	-	-	-

Average Staff Numbers 2019/20

Staff Group	Permanent Number	Other Number	2019/20	2018/19
Medical & dental	291	25	316	318
Ambulance staff				
Administration & estates	1,264	68	1,332	1,289
Healthcare assistants and other support staff	994	444	1,438	1,287
Nursing, midwifery and health visiting staff	1,855	155	2,010	2,281
Nursing, midwifery and health visiting learners	12	-	12	14
Scientific, therapeutic and technical staff	1,080	24	1,104	1,071
Healthcare science staff				
Social care staff	87	-	87	30
Other	44	-	44	58
Total Average Number	5,627	715	6,342	6,346
Number of employees (WTE) engaged on capital projects	-	-	-	-

Employee Gender Breakdown

A breakdown of the average number of male and female employees during the course of 2019/20 is detailed in the table below.

Group	Male	Female
Executive Directors (including the Chief Executive & non-voting Directors)	3	3
Non-Executive Directors (including the Chair)	5	4
Other Senior Managers	25	24
Employees	1262	5017
Total Average Number	1295	5048

Gender Pay Gap

As per legislation introduced in March 2017, the Trust reports annually on its gender pay gap. Information on the Trust's gender pay gap and the most recent gender pay gap report can be found on the Trust website here: <https://www.lscft.nhs.uk/media/E%26D/Gender-Pay-Gap/Gender%20Pay%20Gap%20Report%202018-19%20v3.pdf>

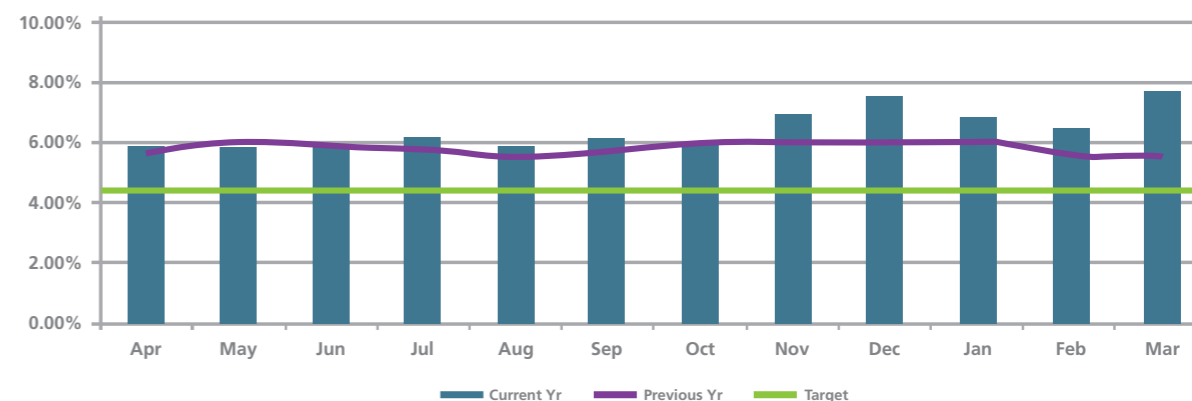
Sickness Absence Data

The sickness rate for the Trust at the end of the financial year 2019/20 was 7.64 %, and the 12 month rolling was 6.47%. A review of sickness absence performance, year on year, highlights that 2019/20 sickness absence has reported higher levels of absence month on month, when compared with the 2018/19 reported position. The Trust has seen a number of workforce population changes through the year, which have contributed to the increase in the level of sickness absence, with the TUPE out of 0-19 services at the start of the Financial year and the on-boarding of South Cumbria Mental Health Services in October 2019. The prevalence of Covid 19 related absences in the final month of the financial period also impacted on the closing position of 7.64%, which accounted for 1.4 of the 7.64% absence rate.

In 2019/20, Stress, Anxiety and Depression continued to be the highest reported reason for workforce absence, accounting for approximately a third of all absences. Absence reporting quality has improved significantly through the 2019/20 period with 99% of absences having a reason for absence recorded.

The Trust's objective is to deliver sustainable improvements in attendance and we will do this by continuing to proactively manage absence and strengthening our focus on those activities that improve the health, wellbeing and experience of our staff. The Trust will use intelligence gathered from the Annual Staff and quarterly Staff FFT surveys to measure our progress.

The graph below highlights the sickness absence data for 2019/20, compared with 2018/19, against the target.



Consulting with Staff on Trust Decisions Affecting Employee Interests

Engagement with all staff and Staff Side colleagues during organisational change is embedded within the Trust's processes. Early engagement with staff in modelling services prior to embarking on formal consultation to implement change is built into the Trust's Organisational Change policy. Regular dialogue takes place with both internal and external union representatives at both a local and Trust-wide level through network based partnership working and regular meetings. This gives the Trust the opportunity to listen to and address the needs and concerns of staff.

During 2019/20, the Trust has held engagement events titled 'big conversations' led by the Chief Executive, linked to the Listening into Action (LiA) programme. These involved staff across all disciplines and grades to share ideas on the Trust's improvement journey and the approach to delivering change.

Additionally, the Trust has held a large number of Locality Model Redesign workshops during 2019/20 with staff across all localities to engage and consult on the future structure of the Trust's services. This has ensured that staff are fully committed, engaged and involved with the process prior to implementation.

The Trust's Organisational Change policy ensures that any change, regardless of its scale, is undertaken in a way that is fair, transparent and compliant with the Trust's values as well as with employment legislation. The Trust has a duty to safeguard public monies and provide quality services and, to that end, all available alternative solutions to mitigate redundancies are considered. The Trust has an excellent working relationship with Staff Side colleagues which enables the Trust to achieve this.

The Trust's Partnership Forum meets on a bi-monthly basis to discuss important matters affecting Trust employees. Medical staff are similarly represented through the Joint Local Negotiating Committee (JLNC) and both committees have a partnership agreement in place.

The Collective Consultation Forum (CCF) meets fortnightly enabling Trust management to consult with recognised Trade Unions on proposed organisational changes where the collective consultation requirement has been triggered.



Involvement of Employees in Trust Performance

Engaging with employees and listening to their feedback continues to be a priority. In year, Listening into Action methodology has been used to connect with employees and gain insight about their experience of working here along with ideas for change and improvement. This has informed a major programme of work and the Trust will continue to listen to ensure that employees have a good experience of coming to work. The Trust's new brand, 'We are LSCFT' and refresh of the values has been developed and delivered with the involvement of employees and will serve to ensure that LSCFT people feel engaged and connected with the Trust as their employer.

Staff Policies & Actions Applied During the Year

During 2019/20, to support ensuring that policies are up to date and in line with national guidance and Trust activity, a number of key HR policies have undergone a formal review:

- Organisational Change Policy
- Job Planning Policy
- Appraisal & Revalidation for Medical Staffing Policy
- Allocation of Staff Grade Optional Points Policy

Social Media

The Trust and its employees continues to be very active on social media as a means of connecting, sharing and celebrating with each other. Channels are also used to engage with people who use the Trust's services, partner organisations and the wider public. The main channels utilised in the Trust are Face Book, Twitter, Instagram and YouTube. The profile names have been updated in year to reflect the Trust's new name and support engagement with new audiences in the Trust's extended footprint. Looking ahead, the Trust will continue to use these channels to engage and interact and will adopt new channels that are supportive of its overall engagement strategy.

Internal Communications

The Listening into Action pulse check provided valuable feedback from employees which is informing the refresh and re-launch of the Trust's internal communication channels. An analysis of the feedback received highlighted a number of themes including some staff feeling overwhelmed by the amount of information that is cascaded, wanting to feel listened to and appreciated, over reliance on electronic communication and the need to improve how teams and different departments communicate with each other at an operational level.

All of the Trust's existing channels are being refreshed to streamline the amount of information that is being shared and work has been undertaken to reduce the amount of emails and enable people and teams to connect in other ways. A refresh of the Trust's intranet and website is also being progressed to improve the quality of information that is available, navigation and search functionality. The improved platforms will be central to and underpin the improved internal communication offer.

The visibility of senior leaders was also highlighted as something that is important to employees. Since joining the Trust in April 2019, the Chief Executive has championed employee engagement and continues to lead engagement across the Trust. This includes personally writing to teams and



individuals to give thanks and recognition, visits to frontline teams with the wider executive team, live chats inviting questions from staff and a bi-monthly Engage event to brief senior leaders on priority areas and invite dialogue. The format and content of these events has been refreshed in year with a focus on being more interactive following feedback from attendees. Going forwards, increasing engagement and levels of interaction will continue to be a priority and new channels such as Face Book workplace are being introduced to support this.

It is important that the Trust continues to do all it can to ensure that people feel appreciated and valued. The 'Shining Stars' and 'Thank You Thursday' schemes have continued in year to recognise and reward staff and work has been progressed to launch a new Trust wide incentive scheme that links giving thanks and recognition to the Trust's refreshed values and annual staff awards event.

Equality, Diversity and Inclusion

The Trust's is committed to inclusive employment and the provision of accessible healthcare for all, recognising that adjustments are often necessary to ensure equality of opportunity.

The Equality and Diversity Statement of Intent 2015-20 has been in place for five years and outlines the Trust's commitment and approach to diversity and inclusion. The statement takes account of the Human Rights Act and the FREDA principles (fairness, respect, equality, dignity and autonomy). A refreshed strategic approach will be articulated in 2020 and this will underpin the operational plans, which are implemented to ensure the diversity and inclusion agenda is central to all activity which impacts on people.

Equality and diversity training is mandatory for all staff, provided on induction and then every three years, either online or face to face. In addition to this, bespoke sessions are provided to meet organisational needs. In 2019/20, these have included Disability and Transgender Awareness, Equality Impact Assessment and Accessible Information Standards Masterclasses, Inclusive Recruitment training as well as additional training for Preceptors and Associate Managers.

The Trust has an Equality and Diversity team which provides strategic and operational guidance at organisational, team and individual levels and is supported by over 140 equality and diversity champions who work in a range of roles across all networks.

The Trust currently stands at 19th place on the 'Inclusive Employers Top 50' list, has retained Disability Confident and Mindful Employer accreditations, was shortlisted for an Employers Network for Equality and Inclusion award and was the first NHS organisation to have been awarded a City of Sanctuary Award for Health for its project supporting staff to work more effectively with those seeking refuge and asylum. Despite this, we recognise that there is more to do.

Recruiting and Supporting Disabled People in Work

The Trust's 'Disability Confident Employer accreditation' demonstrates that inclusive recruitment and workplace practices are firmly embedded. In line with the Trust's Equality in Employment policy and Recruitment and Selection procedures, applicants for job vacancies are asked whether they need any additional support and people are encouraged to be open about their needs to help the Trust provide

an inclusive experience. Those who declare a disability and meet the minimum criteria for a role are entitled to a guaranteed interview.

Recent additions to recruitment and selection guidance encourage recruiting managers to provide interview questions in advance, proactively ask candidates if they need help at all stages of the process and assess attitudes to inclusion and diversity for all roles. Candidates are all now sent advice about how to succeed at interview, including explicit encouragement to ask for any required adjustments.

Adjustments are regularly made throughout the recruitment pathway, such as providing a choice of paper colours for applicants with dyslexia, ensuring that those with mobility difficulties can access pre-employment checks and induction training in a location and environment which meets their needs or making adjustments to support the successful applicant when they begin in post. Specialist software and equipment is made available for those who need it and employees are encouraged to make use of support from Access to Work and the Trust's occupational health provider.

The Trust works proactively to celebrate difference and participates in a number of campaigns and events designed to reduce stigma and promote the benefits of employing people with disabilities.

Trust policies and processes mandate the use of 'reasonable adjustments' and Equality Impact Assessments (EIAs) are completed for policies, service changes and other activities which impact people, so that specific needs can be identified and action taken.

In 2019 a small project group made up of some of the Trust's Equality and Diversity Champions designed a survey which was sent to all employees to gain greater intelligence about their experiences when they have a disability or need for additional workplace support. Responses demonstrated inconsistent approaches to supporting employees and suggested that workplace adjustments take too long or are not made at all. Employees reported a reluctance to ask for help and a desire for increased flexible working opportunities. Where good support is in place, employees are more engaged and positive about work.

Following staff survey and in recognition that a high proportion of the workforce is made up of women over 50, provision has been put in place for dealing with the effects of the menopause.

Access audits are carried out on new buildings and refurbishments to ensure suitable access and usability for service users, carers, other visitors and staff. The Trust also works collaboratively with patients, service users and members of the public to ensure that new buildings are designed with the needs of the people who will be using them in mind. The Trust works with AccessAble to assess the accessibility of Trust sites. Information on approximately 160 of the Trust's sites is published online so that people can plan their visits and make requests for additional support in advance.

The Trust is an active member of the North West Dyslexia Network and continues to improve guidance for staff and managers about neurodiversity. Social media promotion has increased staff and manager awareness of how to get support with dyslexia and dyspraxia. A dyslexia network group has recently been established and members have shared their personal lived experience, including posting a blog



Dear colleagues,

We had our monthly meeting of the Trust Board today, using Microsoft Teams and the majority of Executive Directors assembling in the Board room whilst observing social distancing.

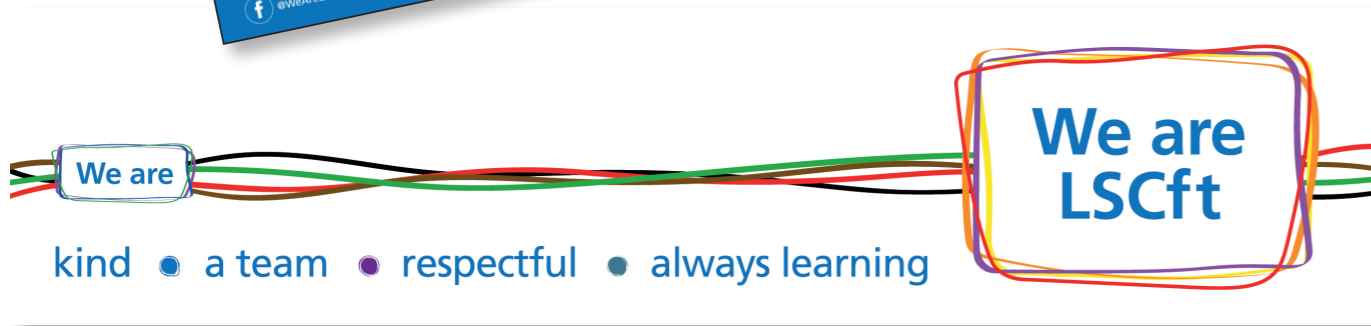
The majority of the meeting was focused on updating and providing assurance around the significant amount of activity related to our response to Covid-19.

It was great to be able to share so much good practice and innovation you are delivering each day to ensure we are keeping our services running effectively. The Non-Executive Directors were really keen to pass on their thanks to everyone working so hard across the Trust. They were really impressed. If you want to read the Board papers you can do so [here](#).

We are conscious that everyone who works in clinical services that are usually open seven days will remain open as normal on the Bank Holiday tomorrow. We are grateful to you all for supporting this to ensure services are provided where they are needed by our communities. In particular we would like to thank everyone who recently worked Bank Holidays over Easter and will be on duty again – it is appreciated.

If you are not working tomorrow please do enjoy the Bank Holiday weekend.

We know this continues to be a busy time for everyone but please do keep checking these updates and Trustnet for the latest information and keep sharing them with your teams.



during Dyslexia Awareness Week. In 2020, the Trust is investing in training a number of employees to undertake workplace dyslexia assessments.

The Trust continues to work toward NHS England's Employing People with Learning Disabilities pledge. A more inclusive recruitment process for those with Learning Disabilities in place.

Career Development and Promotion of Disabled Employees

The Trust still has limited data in relation to the progression and career development of employees with disabilities, mainly due to the small numbers of employees who formally disclose a disability. Around 5% of employees disclose a disability on the staff record system although 21% of those employees completing the anonymous staff survey declare a disability. The Trust is considering how to improve disclosure rates and increase employee confidence in sharing their status and asking for the adjustments required.

Feedback from the 2019 survey about disability and workplace support, included a number of comments from staff who would like to progress their careers but are reluctant to leave a team where they are well supported. Work is underway to proactively encourage those with disabilities to access development and progression opportunities and equality impact assessments have been undertaken of leadership development programmes with a pilot project planned to address under representation on these courses. Improvements to the recruitment processes will also have a positive impact.

The Trust's People and Culture strategy maintains a focus on diversity and inclusion and will continue to influence the design and delivery of talent management and career development opportunities for all staff, including those with disabilities. Leadership and development opportunities, both within and outside of the organisation, are promoted via Equality and Diversity and Health and Wellbeing Champions with the aim of encouraging participants from a wide range of backgrounds. Improvements are also being made to the recording systems for non-mandatory training and development activity to enable reporting on the different groups of people taking up opportunities.

Information on Health & Safety Performance and Occupational Health

The Trust offers health and wellbeing support through an Occupational Health service provided by Well-being Partners. Staff can access the service either through a self-referral or a referral made by their manager, and will be seen by a qualified Occupational Health Nurse or Consultant Occupational Health Physician. Further psychological and physical support services are available to staff including counselling, CBT and physiotherapy. In addition the Trust offers an Employee Assistant Programme, delivered by Health Assured. As part of this offer, staff and their families can access support for a range of circumstances including financial advice, legal advice and emotional support through a telephone counselling service.

Countering-Fraud and Corruption

The Trust has an Anti-Fraud, Bribery and Corruption Policy which is available to all staff on the intranet site. The policy was recently updated and ratified in January 2020, with the next review scheduled for December 2021. The policy is completed in conjunction with anti-fraud specialist auditors, MIAA. No issues have been identified in the Trust.



Expenditure on Consultancy

Management consultancy services were commissioned during 2019/20 in response to business need. This assistance was required to fill gaps outside of the business as usual environment where in-house skills were unavailable and were project specific.

5.1 Staff Survey

Approach to Staff Engagement & Learning from Staff Feedback

On-going engagement with staff enables the Trust to learn from feedback and improve experiences for employees to make LSCFT a great and safe place to work. The national annual staff survey explores and assesses staff engagement by asking questions about:

- Advocacy - how positive staff are about the organisation as a place to work/receive treatment
- Motivation - how staff feel about their job and how they feel about doing it – influences their enthusiasm to come to work
- Involvement - how staff feel about their role in decisions and changes that affect them in the place they work

The scores across these three dimensions are converted into an overall staff engagement score out of 10, which is an index of staff engagement for the organisation. This score is used by the Care Quality Commission as part of on-going monitoring of registration compliance.

In addition to the annual staff survey, LSCFT also asks these questions within the quarterly Staff Friends and Family Test survey to gain regular insight about levels of staff engagement in the organisation.

The Trust utilises a number of regular internal communications to engage staff and promote a positive culture:

- Weekly update – increased to daily in quarter 4
- Monthly interactive Chat with Caroline – increased to weekly in quarter 4
- Weekly update from Trust Executives – incorporated into the daily update in quarter 4
- Listening into Action newsletter
- Workplace – hosted by Facebook but secure to the organisation
- TrustNet – intranet site
- Engage – bimonthly leadership forum increased to monthly in quarter 1 2020/21

Staff are encouraged to participate through the following structures:

- The Council of Governors, which includes Staff Governors;
- Annual Appraisal conversation
- Continued investment in leadership programmes
- Local staff engagement sessions
- Schwartz rounds

- LiA crowdsourcing App
- Workplace

There is strong evidence that increased levels of staff engagement has a direct and indirect impact on patient care. The size of the Trust, both in terms of geography and staff numbers, presents a challenge in achieving meaningful engagement with the whole staff work group. However engagement with the workforce continues to be a priority and has been a key objective in the delivery of the 2019/20 operational plan.

The overall score for staff engagement has improved slightly from 6.7 in 2018 to 6.8 in 2019. Whilst this reflects a slight overall improvement, improvements in the engagement scores at clinical network level have been achieved and there has been a significant improvement in the score for the percentage of staff stating that that they would recommend the Trust as a place to work.

As described earlier, during 2019/20 the Trust has experienced significant leadership change. The Trust has used learning from other organisations and has initiated the LiA programme to involve staff in making transformational changes that improve both patient and staff experience.

Looking forward into 2020/21, the Trust will utilise its newly established People and Culture Committee, led by the recently appointed Director of People and Organisational Development and a Non-Executive Director, to monitor and scrutinise the Trust's delivery of the people priorities, activity to improve the culture, workforce performance indicators and workforce strategies. This will include the monitoring of staff survey results, action plans and targeted work undertaken to improve the wellbeing and experience of staff.

Our People priorities are focused on creating a great and safe place to work for all of our staff by:

- Creating a culture that is open, transparent and encourages staff to speak up safely
- Ensuring we consider the diversity of our workforce, respecting their views and treating people according to their needs
- Attracting, recruiting and retaining talented people who are representative of the community we serve
- Building good practice in health and wellbeing initiatives that create the conditions for our staff to thrive and flourish
- Supporting our staff to deliver high quality, safe care through excellent learning and education
- Developing leaders and managers who live our values and work collaboratively to drive improvements in patient care and experience

NHS Staff Survey 2019

The National Annual Staff Survey is an assessment of the overall culture of the organisation, it seeks the views from our staff about their place of work. The staff survey results are used nationally by NHS England to assess:

- The organisation's performance against the NHS constitution's staff pledges

- The effectiveness of national NHS staff policies, such as training and flexible working policies and to inform future developments in these areas.

The staff survey is the Trust's primary method for measuring organisational culture, providing an annual snapshot of what it feels like to work at the Trust, how well led staff are and whether they feel sufficiently supported to enable them to fulfil their potential. This can be best described as staff experience. We therefore use the results to inform improvements in working conditions and practices.

The survey is conducted annually between October and the end of November and asks staff questions in respect of their:

- Job
- Managers
- Health, well-being and safety at work
- Personal development
- Organisation

This is the first year that the Trust sent the survey to all employees and it achieved a response rate of 48%, an increase of 5% from the 2018 staff survey.

The 2019 results are based on staff in post prior to the transfer of services from South Cumbria. Survey results for South Cumbria colleagues were reported nationally under Cumbria Partnership Foundation Trust (CPFT).

From 2018 onwards, for national reporting purposes, the results from questions are grouped into summary indicators referred to as themes. The key themes have been created from responses to certain individual survey questions. All themes are scores on a scale from 0 (worst) to 10 (best).

A summary of the scores for the Trust over the past 3 years for each indicator is provided in the table with the survey benchmarking group.

	2019/20		2018/19		2017/18	
	Trust	Benchmarking Group	Trust	Benchmarking Group	Trust	Benchmarking Group
Equality, diversity and inclusion	9.1	9.1	9.0	9.2	8.9	9.2
Health and wellbeing	5.6	6.1	5.6	6.1	5.4	6.1
Immediate managers	7.1	7.2	6.9	7.2	6.7	7.1
Morale	6.1	6.3	6.0	6.2	*	*
Quality of appraisal	5.1	5.7	4.9	5.5	4.9	5.4
Quality of care	7.2	7.4	7.2	7.4	7.1	7.4
Safe environment – bullying and harassment	8.0	8.2	7.9	8.2	8.0	8.3
Safe environment – violence	9.4	9.5	9.4	9.5	9.2	9.5
Safety culture	6.5	6.8	6.5	6.8	6.2	6.7
Staff Engagement	6.8	7.1	6.7	7.0	6.6	7.0
Team Working*	6.9	6.9				

¹⁰New question introduced in 2019/20

Scores have improved slightly since 2018 for six of the 11 key themes and scores are the same as the benchmarking group for two of the 11 key themes. Furthermore, the Trust performed better compared to the 2018 survey results on the following 6 questions:

- Senior managers involve staff in important decisions
- Appraisal identified training, learning and development needs
- I would recommend the organisation as a place to work
- Patient feedback is collected within my department
- I don't often think about leaving the organisation

- I am not planning on leaving the organisation

The Trust is however 0.3+ lower than the benchmarking group in four key themes; staff engagement, safety culture, quality of appraisals and health & wellbeing. The question showing the greatest percentage decline compared to 2018 is 'I am often/always enthusiastic about my job'.

A summary of the 2019 scores for South Cumbria for each indicator together with the survey benchmarking group is presented in the table.

Theme	2019/20	
	Locality	Benchmarking
Equality, Diversity and Inclusion	9.4	9.1
Health and wellbeing	5.7	6.1
Immediate managers	6.8	7.2
Morale	6.1	6.3
Quality of appraisals	5.4	5.7
Quality of care	7.8	7.4
Safe environment – bullying and harassment	7.5	8.2
Safe environment – violence	9.3	9.5
Safety culture	6.7	6.8
Staff engagement	7.0	7.1
Team Working	7.2	6.9

The South Cumbria locality scored higher than the benchmarking group for four out of 11 key themes and 0.3+ lower than the benchmarking group in five key themes; staff environment, bullying and harassment, quality of appraisals, immediate managers, health & wellbeing, equality, diversity and Inclusion.

Future Priorities and Targets to Support Improvement in Staff Survey

The Trust continues to embed actions in line with the People Plan priorities, some of which are now linked to Listening into Action work programmes:

- Improve employee wellbeing and engagement through implementation of an accredited and evidence based approach
- Embed a values based behaviour framework for all staff including a measurement of management

behaviours aligned to the leadership model

- Workforce Planning: Retention and preceptorship projects
- Introduce a full clinical leadership development programme to support clinical leaders to work in increasingly complex health systems
- Race Equality Project focusing on the lived experience of our BAME staff experiencing discrimination and barriers to progression including the role of an ally, bystander, and line manager linked to our wider compassionate culture change programme
- Wellbeing: Maximise the effectiveness of our Wellbeing Champions and Mental Health First Aiders and internal training offer
- Ensure the Trust's occupational health provision meets the needs of the organisation and develop a psychological service with trauma support
- Improve the quality of appraisals and introduce a systematic approach to talent management across the Trust supporting all staff to reach their potential
- Develop the just and learning culture, to harness and share the learning from incidents and errors and reduce the negative impact on individuals

Whilst substantial improvement work has been undertaken in 2019/20, the results from the 2019 survey reflect that the Trust is still on an improvement journey.

It is envisaged that these results will improve over time once the impact of LiA and People Plan developments are felt by staff and as the Trust's CQC rating improves from Requires Improvement to Good. The Trust will continue to work with NHS Improvement and consider good practice across from other organisations to achieve the desired culture change and associated increase in engagement. The Trust is focusing on four priority areas to make significant improvements in staff experience and organisational culture:

- Equality, diversity and inclusion – To value and embrace the diverse workforce, whilst taking action to break down barriers for colleagues from a BAME background
- Safety culture – To improve practices and ensure a supportive, compassionate and learning approach following incidents
- Health & wellbeing – to improve the health and wellbeing of our staff and ensure that leaders and managers have a positive interest in the health and wellbeing of their staff
- Quality of appraisal - To improve the quality of the appraisal conversation to ensure it is a meaningful experience that adds value

The Trust's three clinical network leadership teams have also reflected on their staff survey results and developed action plans in response to resolving issues at a local level.

In light of the Covid-19 pandemic, the Trust prioritised its response to the Government's national request for NHS organisations to support. During the pandemic the Trust was required to adhere to the interim Covid governance arrangements. Organisational culture and staff experience continued to be a priority at this time and on returning to its usual governance arrangements, the robust monitoring of the above actions continued through the Board Committees. A further update will be provided in the 2020/21 Annual Report.

Trade Union Facility Time

The total number of employees who were relevant union officials during 2019/20:

Number of employees who were relevant union officials during 2019/20	Full-time equivalent employee
36	32.62

Percentage of Time Spent on Facility Time

The number of employees who were relevant union officials employed during 2019/20 spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time.

Percentage of Time	Number of Employees
0%	6
1-50%	24
51-99%	1
100%	5

Percentage of Pay Bill Spent on Facility Time

Percentage of the Trusts total pay bill spent on paying employees who were relevant union officials for facility time during 2019/20:

	Figures
Total cost of facility time	£0.189k
Total pay bill	£278.2m
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.07%

5.2 Reporting High Paid off-Payroll Arrangements

Arrangements and controls were in place during the year for 'highly paid' staff (as defined by the threshold used by HM Treasury). As part of these controls, the Trust has a policy for the engagement of all interim or ad hoc support including off-payroll arrangements.

Table 1

For all off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months:

Number of existing engagements as of 31 March 2020	45
Of which:	
Number that have existed for less than one year at the time of reporting	9
Number that have existed for between one and two years at the time of reporting	14
Number that have existed for between two and three years at the time of reporting	6
Number that have existed for between three and four years at the time of reporting	4
Number that have existed for four or more years at the time of reporting	12

All existing off-payroll engagements have been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax. During the year the Trust requested assurance from all the existing arrangements reported in table 1.

Table 2

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months.

Number of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	9
Of which:	
Number assessed as caught by IR35	0
Number assessed as not caught by IR35	9
Number engaged directly (via PSC contracted to 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

During the year the Trust requested assurance from all arising engagements reported in table 2.

Table 3

For any off-payroll engagements of Board members and/or senior officials with significant financial responsibility between 1 April 2019 and 31 March 2020.

Number of off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, during the financial year	0
Total number of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure must include both on payroll and off-payroll engagements	22

5.3 Exit Packages

Staff Exit Packages

Details of compulsory redundancy payments are provided for members of staff who have been compensated due to their positions being lost as a result of departmental re-organisation or clinical service transformation.

2019/20			
Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band
<£10,000	8	-	8
£10,000 - £25,000	1	-	1
£25,001 - £50,000	2	-	2
£50,001 - £100,000	2	1	3
£100,001 - £150,000	-	-	-
£150,001 - £200,000	-	-	-
>£200,000	-	-	-
Total Number of Exit Packages by Type	13	1	14
Total Resource Cost (£000)	£243,000	£80,000	£323,000

2018/19			
Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band
<£10,000	1	-	1
£10,000 - £25,000	2	2	4
£25,001 - £50,000	1	-	1
£50,001 - £100,000	4	-	4
£100,001 - £150,000	1	1	2
£150,001 - £200,000	-	-	-
>£200,000	-	-	-
Total Number of Exit Packages by Type	9	3	12
Total Resource Cost (£000)	£496,000	£159,000	£655,000

Departure Payments	£000
Highest Value Departure Payment	80
Lowest Value Departure Payment	1
Median Value Departure Payment	6

Other Exit Packages: Non-Compulsory Departure Payments

	2019/20		2018/19	
	Payments Agreed	Total Value of Agreements (£000)	Payments Agreed	Total Value of Agreements (£000)
Voluntary redundancies including early retirement contractual costs	-	-	3	159
Mutually agreed resignations (MARS) contractual costs	1	80	-	-
Early retirements in the efficiency of the service contractual costs	-	-	-	-
Contractual payments in lieu of notice	-	-	-	-
Exit payments following Employment Tribunals or court orders	-	-	-	-
Non-contractual payments requiring HMT approval	-	-	-	-
Total	1	80	3	159
Of Which				
Non-contractual payments requiring HMT approval made to individuals where the payment value was more than 12 months' of their annual salary	-	-	-	-

6.0

Disclosures set out
in the NHS Foundation
Trust Code of Governance

Statement of Compliance with the Code of Governance Provisions

Lancashire and South Cumbria NHS Foundation Trust has applied the principles of the July 2014 NHS Foundation Trust (FT) Code of Governance on a comply or explain basis. The NHS FT Code of Governance, most recently revised in July 2014, is based on the principles in the UK Corporate Governance Code which was revised in July 2018. There have been no changes to the NHS FT Code subsequently and whilst we continue to follow the principles of the NHS FT Code, work was undertaken to consider the changes to July 2018 UK Corporate Governance Code in anticipation of any changes.

The Trust conducts an annual review of compliance against the provisions of the Code of Governance and provides a detailed evidence based compliance statement to Audit Committee for assurance.

For 2019/20, the Trust can declare compliance with all provisions of the Code of Governance, including the statutory provisions, with the exception of principle B.1.1, relating to independency of the Board of Directors. This exception is as a result of Non-Executive Director, Louise Dickinson, serving on the Board for longer than six years.

The rationale for approving the extension of Louise Dickinson's term beyond 6 years has been scrutinised by the Council of Governors and thoroughly documented. This rationale centres on the Board and Governors continuing to benefit from the experience, organisational knowledge and skillset brought by Louise, in particular during the transition of South Cumbria services in October 2019 and subsequent mobilisation monitoring.

Applying the Principles of the Code of Governance

In setting its governance arrangements, the Trust has regard for the provisions of the revised UK Corporate Governance Code (2018) issued by the Financial Reporting Council, the updated Code of Governance 2014 and other relevant guidance where provisions apply to the responsibilities of the Trust. The following paragraphs together with the Annual Governance Statement and Corporate Governance Statement explain how the Trust has applied the main and supporting principles of the Code.

Lancashire and South Cumbria NHS Foundation Trust is committed to maintaining the highest standards of corporate governance. It endeavours to conduct its business in accordance with NHS values and accepted standards of behaviours in public life, which includes the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership (The Nolan Principles).

Continuous Improvement of Governance Arrangements

In 2019/20 considerable work has been undertaken focusing upon the improvement of governance arrangements. The Trust Board commissioned a well-led review, supported by Advancing Quality Alliance (AQuA), which reported in January 2020.

Overall, the report concluded that the Trust is continuing to make progress towards developing an organisational environment that meets the well-led requirements, with significant impact having been made in terms of; leadership internally and across the health system locally and a clear desire to learn and work in partnership.

Development work resulting from the recommendations of the well-led report is extensive, with progress being made at pace across a number of areas including a significant review of the Trust's governance structures 'from ward to board' which will be implemented in 2020/21.

Work was completed in 2019/20 to welcome new Governors, including the provision of a thorough induction. A review of Council of Governors' development and a refresh of Foundation Trust membership commenced, with activity extending into 2020/21. Elements of this work has been delayed due to the Covid-19 pandemic and the response to national guidance to stand down Board committees, with the exception of the Quality Committee, and to streamline reporting.

Board of Director Governance Arrangements

The Trust is led by a unitary Board of Directors comprising of ten Executive Directors and eight Non-Executive Directors including a Non-Executive Chair. Board members each contribute to the collective skill set and wide ranging experience of the Board, gained in a variety of professions and industry. More detailed information on the individuals who make up the Board of Directors can be found on page 67 onwards.

The Board of Directors is responsible for a range of matters including the operational performance of the Trust, defining and implementation of strategy and for ensuring that its obligations to regulators and stakeholders are met.

In order to discharge its specific responsibilities, the decisions reserved for the Board and the delegation of duties are set out within the suite of governance documentation comprising; the scheme of delegation, matters reserved for the Board and the decision rights framework. This forms part of the organisation's governance arrangements and ensures adequate controls are in place for the authorisation of transactions, defines financial (and other) approval limits and safeguards the assets of the Trust against loss, fraud and improper use.

Trust Governance Framework

The Board of Directors established a governance structure and has been focussed on embedding best practice governance principles within the organisation. The corporate governance arrangements have continued to mature and flex in response to the needs of the organisation. The current corporate governance structure enables the effective flow of evidence based assurance up to the Board of Directors, with the new structure commencing implementation from April 2020/21.

The Trust has well established procedures for managing all meetings within the governance structure and has made good progress in embedding and maturing consistent governance practice within the networks and corporate support functions. The organisation's governance framework is supported by a corporate governance handbook which contains guidance for staff and good practice governance principles. Following a review of the governance structure, supporting documentation will be refreshed during 2020/21.

Board Roles and Responsibilities

The Trust Board insists on comprehensive role descriptions for each of the key roles of Chair, Chief

Executive, Non-Executive Director and Senior Independent Director. All of the Directors on the Board meet the 'fit and proper' persons test as described in the Provider License and the Board is committed to supporting the CQC regulations for 'Duty of Candour' and 'Fit and Proper Persons'. This includes directors declaring any potential conflicts of interest as part of the Trust's robust declaration of interest process. All members of the Board have the same general legal responsibilities to the Trust and have a collective responsibility to act with a view to promoting the success of the organisation to maximise the benefits for the members of the Trust and for the public

In 2019/20 the Board of Directors met monthly to formally transact its business in accordance with an agreed agenda setting process and a forward plan covering the full financial year. The forward plan ensures that formal scrutiny and assurance of business is appropriately scheduled and also that sufficient time is set aside to focus on quality and appropriate strategic development. Each Board meeting includes a patient or staff story which welcomes service users and staff to share their experiences of care, demonstrate improvements to services and ensure the highest possible standard of care is provided.

Trust Board meetings are held in public unless restrictions under the Freedom of Information Act 2002 require discussions to take place privately. In response to Covid-19 and the national guidance issued, from April 2020 the Trust stood down all formal committee meetings with the exception of its Quality Committee which moved from bi-monthly meetings to monthly. Both meetings were held virtually and as such, were held privately.

Papers are issued to Board members seven days in advance of the meeting and are made available on the internet prior to each Board meeting. Notes from the Board meetings are circulated to the Council of Governors via a governor briefing as soon as practically possible following each meeting.

At the request of the Chief Executive and with the consent of the Chair, members of the Senior Management Team attend Board meetings where necessary in order to help inform debate and discussion. Governors have a standing invitation to each formal Board meeting, part one (public) only, and also Board Committees to observe the work of the Board of Directors. Similarly, Non-Executive Directors regularly attend Governor Sub-Committees to further support a transparent culture and the Governor duty to hold Non-Executive Directors to account.

Informal briefings and presentations on specific topics or services are provided outside of the formal Board meeting structure via development sessions. This enables the Board to explore complex issues in more depth in preparation for discussion at future Board meetings. The Board of Directors ensures that quality remains a focus of each Board agenda with patient or staff stories being a regular agenda item at the beginning of each meeting. The Directors also attend a programme of good practice visits to review aspects of good practice within Trust services.

In terms of performance management, the Board of Directors collectively agrees and sets the performance monitoring regime on the recommendation of the Chief Executive. Non-Executive Directors have a duty to exercise appropriate constructive challenge against the performance of the Executives in meeting agreed objectives and receive regular assurance reports including risk, strategic,

financial, operational and clinical performance and compliance to allow them to discharge that duty. The Trust Chair also leads quarterly meetings with Non-Executive Directors outside of the Board setting to focus on key issues as required.

The Board of Directors gives clear direction in relation to its information requirements necessary to facilitate proper and robust discussions to reach informed and strategic decisions. The Board of Directors also agrees and tracks actions to ensure completion and records an appropriate audit trail.

The Board of Directors report to a range of regulatory bodies as required on relevant performance and compliance matters and in the prescribed form including NHS Improvement's Single Oversight Framework. The Board of Directors is responsible for ensuring compliance with the Trust's Provider License, Constitution, mandatory guidance issued by NHS Improvement/England (NHSI/E) and other relevant statutory requirements. A robust horizon scanning process is in place to track legislative changes and changes in sector guidance as needed and this is reported within the monthly Compliance Digest alongside an assessment of the potential impact on the Trust.

The Board of Directors has overall responsibility for providing leadership of the Trust and endeavours to ensure that it represents a balanced and understandable view of the Trust's position and prospects in all of its communications and publications to regulators and stakeholders.

All members of the Board receive a comprehensive and tailored induction on joining the Trust which continues during their first 12 months. Board members are also encouraged to attend external training, briefing seminars and networking events relevant to their role.

The Council of Governors Nomination Remuneration Committee continues to oversee the succession planning of the Non-Executive Directors and in line with the plan, approved the appointment of two new Non-Executive Directors during the year. Peter Williams and Paul Farrimond joined the Trust on 1 January, 2020. All Non-Executive Directors serve for a defined term of office of three years. If eligible, Non-Executive Directors can be re-appointed for a second term of three years subject to approval by the Council of Governors.

During the year, the Council of Governors approved the extension of a Non-Executive Director, term of office for five months until 31 March, 2020. Recognising the continued assurance required in respect of South Cumbria, the additional NED capacity required during the on-going changes within the Trust and to maintain scrutiny of the Trust's finances, the Council of Governors approved a further 12 month extension of their term of office until 31 March, 2021. The terms of office of each Non-Executive Director can be found on page 42.

The Council of Governors' Governance Handbook details the accountability framework for the discharge of Council of Governors statutory duties, the procedures for the discharge of those responsibilities and the terms of reference for all Committees. The handbook includes arrangements for the appointment, evaluation and remuneration of the Chair and Non-Executive Directors and the process for appointing the Lead Governor. More information on the governance arrangements of the Council of Governors can be found in section 6.2.

Each member of the Board of Directors is required to undertake an annual performance review involving both peer review and self-assessment. The outcomes of the appraisals are reported to the Nomination Remuneration Committee in line with the Senior Manager Remuneration Policy. Objectives for each Executive Director are set as part of the performance appraisal process and a personal development plan for each director is agreed on an annual basis with mid-year reviews undertaken to monitor progress. For Non-Executive Directors, the Trust follows a formal appraisal process for the evaluation of the performance of the Chair and Non-Executive Directors and is closely aligned to the organisation's values and statutory role of the governors holding the Non-Executive Directors to account for the performance of the Board.

The Board of Directors has established a joint Nomination Remuneration Committee to determine the pay and conditions of service for the Executive Directors including the Chief Executive. In setting the level of remuneration, consideration is given to the market position of the Trust and its ability to attract and retain the calibre of individuals needed in these key leadership roles. This is achieved by reference to a range of comparator materials including internal pay scales and awards and externally commissioned market and sector benchmarking information. More information on remuneration can be found in section 4.1.

The Chair of the Board of Directors was appointed on 1 June, 2016 and meets the independence criteria set out in the Code of Governance as well as the Fit and Proper Person requirements. The Chairman also chairs the Council of Governors and provides the link between the two bodies. The responsibilities of the Chair are set out in the Constitution and a clear role description and person specification has been agreed by the Council of Governors. In the event of a vote being necessary in a Board of Directors, Council of Governors or Annual Members' Meeting, the Chair carries a casting vote.

The Board of Directors meets regularly with the Council of Governors to ensure they work together effectively, promote clear communication and understand the views of Foundation Trust members. The Chief Executive, Senior Independent Director and Company Secretary have particular roles in the management of the relationship between the two bodies and have a standing invitation to attend Council of Governor meetings.

The Council of Governors has a duty to hold the Non-Executive Directors individually and collectively to account for the performance of the Board of Directors. This includes providing feedback as part of the annual appraisal process and requires a depth of knowledge of each Non-Executive Director's portfolio. To allow governors to provide informed and valuable feedback, the Chair invites each Non-Executive Director to present on their area of expertise and individual contribution to the work of the Board of Directors.

The Chair sets and agrees the agenda for the Board of Directors and Council of Governors on the advice of the Chief Executive and the Company Secretary. Board members and governors have the opportunity to suggest agenda items through the Chair, or Lead Governor in the case of the Council of Governors. The Chair is responsible for ensuring the production of minutes of all meetings of the Board, the Council of Governors and their sub-committees which are facilitated by the Company Secretary.

The Trust also holds an Annual Members' Meeting which the majority of the Board of Directors attends. The Trust's Annual Report and Accounts are presented at the meeting along with the auditor's report and members are able to ask questions of the Board.

The Council of Governors (CoG) is a statutory part of an NHS Foundation Trust governance structure, whose role it is to hold the Non-Executive Directors of the Board to account for the performance of the Trust Board and to represent the interests and views of the Trust's members and partner organisations in the governance of the Trust. The Trust is accountable to members via the Council of Governors.

Members of the Trust are able to take part in governor elections and nominate themselves to stand as a governor candidate in order to be elected onto the Council. The Council of Governors also comprises appointed representatives from key partner organisations and stakeholders from the local area. Elections during the reporting period saw four new governors elected onto the Council and three governors re-elected.

Recognising the complexity of the role, the governor induction programme is designed to assist new governors to incrementally develop the comprehensive knowledge required over time. Further detailed information of individual governors for all constituencies can be found on the Trust website.

The Trust has demonstrated a long-standing commitment to supporting its governors and robust structures and processes have been put in place to good effect.

Healthcare Support & Infrastructure Services LLP, the Trust's wholly owned subsidiary, has Trust Board membership from a Non-Executive and Executive Director.

The Board continually reviews the effectiveness of its systems of internal control. The embedding of the governance framework also supports the provision of evidenced based assurance up to the Board.

The Board of Directors is held to account by the Council of Governors, comprising elected staff and public governors and appointed governors from partner organisations. They act as a critical friend to the Board and ensure that the views of the Trust's members are represented at a strategic level. All new developments that might affect the Trust's financial position or service performance or reputation are brought to the attention of the Council of Governors and NHSI/E as needed. More information about the Council of Governors can be found in section 6.2.

Performance Evaluations of the Board of Directors

Each member of the Board of Directors is required to undertake an annual performance review involving both peer review and self-assessment. The outcomes of the appraisals are reported to the Nomination Remuneration Committee in line with the Senior Manager Remuneration Policy. Objectives for each Executive Director are set as part of the performance appraisal process and a personal development plan for each director is agreed on an annual basis with mid-year reviews undertaken to monitor progress. For Non-Executive Directors, the Trust follows a formal appraisal process for the evaluation of the performance of the Chair and Non-Executive Directors and is closely aligned to the organisation's values and statutory role of the governors holding the Non-Executive Directors to account for the performance of the Board.

6.1 The Board of Directors

Membership of the Board of Directors at 31 March 2020 was:



Trust Chair
David Eva

David joined the Lancashire Care Trust in June 2016 from Cheshire and Wirral Partnerships (CWP) NHS Foundation Trust where he had previously held post for 15 years. He brings a wealth of experience to the Together A Healthier Future Integrated Care Partnership, having worked at Board level in the NHS as Non-Executive Director and Chair for over 20 years. David has great experience of developing partnerships and has worked for many years on workforce development. He is passionate about staff engagement, service user and carer involvement and putting patients at centre of services.

Executive Director



Chief Executive
Caroline Donovan

Caroline joined the Trust as Chief Executive in April 2019 having been the Chief Executive of North Staffordshire Combined Healthcare NHS Trust which was awarded a rating of 'Outstanding' by the CQC under Caroline's leadership. Caroline is a nurse by background and passionate about delivering high quality patient-centred services. Her experience of public health has supported her deeper understanding of partnership working across and beyond health and social care.

She strongly believes in the importance of accountability to communities and service users and carers. She has spent many years in developing leaders and organisations, is CIPD qualified and considers that positive values and behaviours are essential to providing excellent patient-centred leadership.

Executive Director



Chief Finance Officer
Bill Gregory

Bill joined the Trust in February 2015, as Chief Finance Officer. A Chartered Accountant with experience of working across the NHS and private sector, he has 20 years of experience as a director in healthcare for acute hospital, mental health and community service organisations. His responsibilities include financial management, IT, estates, planning and business development.

He is a trustee of the national Healthcare Finance Managers Association (HFMA) and member of the Finance and General Purpose Committee at the University of Lancaster.

Executive Director



Interim Executive Director of Partnerships & Strategy
Phil Evans

Phil joined the Trust in January 2020 for a period of five months as interim Director of Partnerships and Strategy to support the delivery of the Integrated Care Partnership agenda. Business intelligence, performance, strategy and business development were also within his portfolio.

Phil has previously worked within Royal Mail, where he was integral to the teams in operations and transformation, before moving into the public sector over the past 10 years where he has been very much focused on transformational change. Phil will leave the Trust in May 2020.

Executive Director



Executive Director of Nursing & Quality
Maria Nelligan

Maria is an experienced Registered Nurse and on completing her Registered Nurse training in Learning Disabilities in Ireland, and moved to Australia to extend her experience in 1987. She migrated to the UK in 1990 and worked as a Community Nurse in Merseyside where she continued to develop her skills and interest in physical health, when she became the Board Nurse in the local Primary Care Trust. Maria has held a number of operational, clinical and professional lead roles until her appointment as Deputy Director of Nursing & Therapies. Maria then went on to be appointed as Executive Director of Nursing & Quality in 2015 at North Staffordshire Combined Healthcare. During her time there, Maria played a pivotal role in the Trust achieving a CQC rating of Outstanding in 2019. Maria joined the Trust in September 2019. She is passionate about quality improvement, service user and carer involvement and continuing professional education. She is the Executive Professional Lead for Nursing, AHPs, Psychology and Social Work. Maria is the Trust Lead for Learning Disability and Autism transformation and is the Chair of the North West Learning Disability and Autism Operational Delivery Network (ODN). She has been a long standing member of the national Mental Health and Learning Disability Directors Forum where she has a role of Secretary and Editor.

Executive Director



Executive Director of Operations
Russell Patton

Russell was seconded to the Trust from Cumbria, Northumberland, Tyne & Wear NHS Foundation Trust (CNTW) as part of the organisation's strategic partnership with LSCFT and returned to the organisation in May 2020. During his time here he was responsible for a diverse range of clinical services including mental health, learning disabilities, forensics and neurological services. Russell has worked in a number of NHS settings including local and regional commissioning roles.

Russell is a keen advocate of transformational change in collaboration with service users, carers, staff and other key stakeholders and has successfully led large scale change programmes.

Executive Director



Interim Executive Director of Workforce & Organisational Development
Nicky Ingham

Nicky provided interim support to the Trust between August 2019 and April 2020 during which time she was also the Executive Director for the Healthcare People Management Association (HPMA) and Chief Executive of her own successful HR and OD Consultancy.

Nicky has over 27 years' experience working with NHS organisations in a variety of workforce roles, with over 15 years as an Executive Director of Workforce and OD.

Executive Director



Acting Executive Medical Director
Dr Richard Morgan

Dr Richard Morgan, MRCP, MRCPsych, MSc is a Consultant Psychiatrist, with a special interest in Liaison Psychiatry and Cognitive Behavioural Therapy. He joined the Trust in 2004 after completing his training in Manchester. His clinical work was based in Preston Crisis Response Home Treatment Team from 2006 to 2017, and since 2017 he has led Liaison Psychiatry Services at Lancashire Teaching Hospitals.

He has held a range of educational roles including Educational Supervisor and Locality Tutor. He became Director of Medical Education and Deputy Medical Director in 2016.

Executive Director



Executive Director of Compliance & Improvement
Ursula Martin

Ursula joined the Trust in October 2019, having had almost 20 years working in the NHS in governance and improvement roles. Ursula was previously the Executive Director of Governance & Quality at Warrington and Halton Hospitals NHS Foundation Trust, having also had senior roles in mental health and acute Trusts. Ursula is passionate about ensuring that there are robust governance frameworks to ensure ward/team to Board visibility, and that improvement strategies are in place appropriately, to ensure that staff can provide the best care that they can to our patients.

Ursula is also a big advocate of co-producing improvement and development work with patients, staff and our partners.

Executive Director



Executive Director of Communications
Shelley Wright

Shelley is a skilled and experienced strategic communications professional and previously an award winning journalist. She has held a variety of Board level roles and during her career has worked for local authorities, held the only Board level communications role in any fire and rescue service in the UK and worked to the former Health Secretary now Mayor of Greater Manchester Andy Burnham as part of the Greater Manchester Combined Authority.

Shelley has extensive experience of handling the communications response to significant incidents and events, including the Manchester Arena Attacks.

Non-Executive Director



Mohammed Shazad Sarwar

Shazad Sarwar was appointed to the Board as a Non-Executive in December 2018 for three years. Shazad is currently Lay Member of Cumbria & Lancashire Magistrates Advisory Committee and Managing Director at a niche consultancy that works with private and public sector. He is a former Non-Executive and Deputy Chair of Airedale NHS Foundation Trust where he led on patient safety and quality and Care Quality Commission inspections. He is also former Non-Executive Director of East Lancashire Hospital Trust and Former Independent Member of Lancashire Police Authority; in the latter he led on strategic planning and performance. He brings a wealth of experience of community engagement, corporate governance, performance and risk management.

He is an advocate of asset based community development and is passionate about making sure that services are informed by service users and quality and compassion sits at the heart of everything we do.

Non-Executive Director



David Curtis

David Curtis MBE, was appointed as a Non-Executive Director in November 2014. David is a registered mental health and general nurse and brings a wealth of clinical and board level experience from his 40 year career with the NHS having undertaken a range of senior clinical, teaching, community and hospital management roles. David was awarded an MBE in 2008 for his services to nursing and health care in Manchester.

David is particularly interested in meeting and working with the people who use Trust services, and supporting employees.

Non-Executive Director

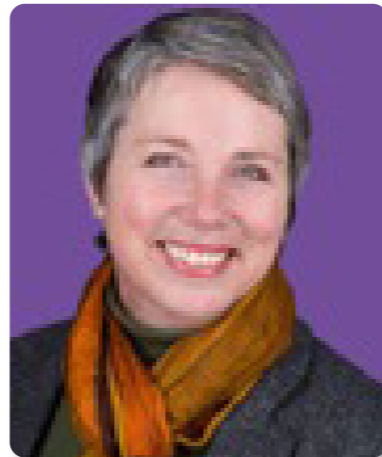


**Senior Independent Director
Louise Dickinson**

Louise was appointed to the Board as a Non-Executive in October 2013 and became Chair of the Audit Committee in July 2014. Louise is a former regional managing partner of the accountancy firm, Grant Thornton, where she specialised in providing corporate finance advice. Since leaving Grant Thornton, Louise has held a number of board level executive and advisory roles in strategy, business planning, and finance and risk management.

Louise is a Governor and Chair of the Finance Committee at a school in Manchester and was previously a Trustee and Chair of the Finance Committee of Down Syndrome Education International, a charity that works to improve educational outcomes for young people with Down syndrome through scientific research and global information and advice services. She is a Fellow of the Institute of Chartered Accountants in England & Wales.

Non-Executive Director



Debbie Francis

Debbie was appointed to the Board as a Non-Executive Director in January 2019. She is currently the Managing Director of Direct Rail Services Limited (DRS). Debbie has 30 years of experience across a range of industries from IT to infrastructure maintenance to rail. She has also gained extensive experience throughout her career both in the UK and overseas in finance, systems, commercial, operations and business development. She has a 2:1 degree in Business Studies from Liverpool Polytechnic, an MBA from Manchester Business School, is a Fellow of the Association of Chartered Certified Accountants (FCCA) and has recently commenced a PhD with leadership and team performance at the heart of the research. Debbie is Chair of the Cumbria Education Trust (CET).

Non-Executive Director



**Deputy Chair
Isla Wilson**

Isla is an experienced Board member, who has operated at Board level in a variety of private organisations and social ventures. She is currently a Non-Executive Director of a Lancashire-based housing association and has previously served on the boards of charities and social enterprises.

Isla is an advocate of generating social impact, community development and social venturing. Alongside her non-executive duties she runs her own business, specialising in organisational growth, social value and innovation.

Non-Executive Director



Peter Williams

Peter qualified as a doctor at the University of Manchester in 1978. He trained as a Consultant Physician and Nephrologist in Manchester and Liverpool. His first consultant appointment was at North Manchester General Hospital before being appointed as Consultant Nephrologist at the Royal Liverpool University Hospital. He was appointed Executive Medical Director in 2008 and remained in that role until 2019. He was also the Programme Director for the merger of the Royal Liverpool and Aintree hospitals to form Liverpool University Hospitals Foundation Trust.

Peter is the secondary care advisor to Manchester Health and Care Commissioning Board and a Non-Executive Director to the NHS Transformation Unit.

Non-Executive Director



Paul Farrimond

Paul has over forty years' experience in the NHS as a qualified general and mental health nurse and as a professionally qualified manager with an MBA. He has worked in acute, mental health, primary care, community provider, integrated health and social care, primary care trusts, commissioning and improvement partnerships. Since taking early retirement he has undertaken interim director roles for trusts and improvement partnerships, as well as individual project work. Paul has been a trustee for a mental health charity and previously was a non-executive director for a London mental health Trust where he chaired the Quality and Safety Committee and the Mental Health Law Committee. Currently Paul undertakes consultancy work and provides advice to NHS Providers on mental health issues. He is a member of several external advisory groups for the Care Quality Commission.

He also facilitates the meetings of the nine mental health Trusts in the North East and Yorkshire and Humber including organising conferences.

Attendance at Board of Director Meetings and Committees 01 April 2019 – 31 March 2020

Board Member	Term of Appointment	Trust Board	Audit Committee	Quality Committee	Finance & Performance Committee	Nomination & Remuneration Committee
		Attendance (actual/max)				

Non-Executive Directors

David Eva	01/06/2016 – 31/05/2022	20/20				14/14
Isla Wilson	01/10/2015 – 31/12/2021	18/20		2/6	4/4	13/14
David Curtis	20/11/2014 – 31/03/2020	15/20	6/6	4/6		14/14
Louise Dickinson	29/10/2013 – 31/03/2021	18/20	3/3		1/1	13/14
Debbie Francis	01/01/2019 – 31/12/2021	14/20	6/6		3/3	11/14
Shazad Sarwar	01/12/2018 – 30/11/2021	18/20		5/6	3/4	12/14
Julia Possener	05/01/2017 – 31/01/2020	10/17	3/3	5/6		10/13
Paul Farrimond	01/01/2020 – 31/12/2022	6/7		1/2		1/1
Peter Williams	01/01/2020 – 31/12/2022	4/7		0/2		1/1

Executive Directors

Caroline Donovan	(in post 01/04/2019)	18/20	2/2			
Bill Gregory	(in post 01/02/2015)	16/20	6/6		4/4	
Richard Morgan	(in post 01/04/2019)	19/20	3/3	5/6		
Joanne Moore	(in post 01/08/2018 – 31/01/2020)	12/15			2/3	
Sue Moore	(in post 10/02/2014 – 31/10/2019)	0/6			1/1	
Paul Lumsdon	(in post 11/06/2018 – 02/09/2019)	7/8	3/3	2/2		
Maria Nelligan	(in post 05/09/2019)	11/12		2/4		
Damian Gallagher	(in post 01/05/2016)	3/10				
Nicky Ingham	(in post 28/08/2019)	7/12	1/1			
Ursula Martin	(in post 01/10/2019)	10/10	1/1	3/3		
Shelley Wright	(in post 06/01/2020)	7/7				
Phil Evans	(in post 07/01/2020)	5/5			1/1	
Russell Patton	(in post 13/05/2019)	17/17		3/6	1/3	

The Trust Board attendance figures are a combination of formal Board meetings and Board development sessions.

Appointments to the Board of Directors

The Trust made two Non-Executive Director appointments in 2019/20, both bringing extensive experience in leadership and mental health and commencing on the Board of Directors in January 2020.

The Trust appointed a new Chief Executive Officer in 2019, and considerable activity has taken place recruiting sufficiently experienced and expert Executive Directors to lead the organisation moving forward. Permanent appointments have been made to the roles of Director of Nursing and Quality, Director of Improvement and Compliance, and Director of Communications, with team members commencing in their roles within 2019/20. Permanent appointments made, but commencing in 2020/21 are to the roles of Director of People and Organisational Development, Director of Digital, Chief Operating Officer, and Chief Finance Officer. The Trust is also seeking to recruit a permanent Medical Director. A review of Director portfolios has taken place in-year in order to reflect efficient working and strategic priorities. Portfolios will continue to be reviewed in early 2020/21.

A Board development schedule has been developed and commenced in January 2020, focusing upon both forming a strong strategic leadership team, and creating sufficient Board time for strategic discussion and 'deep dives' in key areas of delivery.

The Board of Directors alongside the Council of Governors Nomination Remuneration Committee continues to consider and monitor the skills and experience of the Board and clear succession planning is in place and is reviewed regularly. In reviewing the expertise and skills of each director, the Board has considered and confirmed the appropriateness, completeness and balance of the Board in relation to the requirements of the Trust.

The Chair

The Chair of the Board of Directors, David Eva, was appointed on 1 June, 2016 and meets the independence criteria set out in the Code of Governance as well as the Fit and Proper Person requirements. David also chairs the Council of Governors and provides the link between the two bodies. The responsibilities of the Chair are set out in the Constitution and a clear role description and person specification has been agreed by the Council of Governors. In the event of a vote being necessary in a Board of Directors, Council of Governors or Annual Members' Meeting, the Chair carries a casting vote.

The Board of Directors meets regularly with the Council of Governors to ensure they work together effectively, promote clear communication and understand the views of Foundation Trust members. The Chief Executive, Senior Independent Director and Company Secretary have particular roles in the management of the relationship between the two bodies and have a standing invitation to attend Council of Governor meetings. The Council of Governors has a duty to hold the Non-Executive Directors individually and collectively to account for the performance of the Board of Directors. This includes providing feedback as part of the annual appraisal process and requires a depth of knowledge of each

Non- Executive Director's portfolio. To allow governors to provide informed and valuable feedback, the Chair invites each Non-Executive Director to present on their area of expertise and individual contribution to the work of the Board of Directors.

The Trust also holds an Annual Members' Meeting which the majority of the Board of Directors attends, including the Chairman. The Trust's Annual Report and Accounts are presented at the meeting along with the auditor's report and members and Governors are able to ask questions of the Board.

Committees of the Board of Directors

In September 2019, the Trust commissioned AQuA to undertake an external review of the organisations well-led governance arrangements. AQuA released the final report to the Board in November 2019 and two board development sessions were held to discuss the findings. The overall conclusion from the review was that the Trust was continuing to develop an organisational environment to meet the well-led requirements. Reporting within the committees and the committee and Board structure was a particular focus within the review and following the outcome report, the Trust has refreshed its governance and reporting arrangements, which included a refresh of the Board Committee structure. The refreshed structure came into place in April 2020, however, due to the Trust's response to the Covid-19 pandemic, an interim Covid-19 governance structure was implemented during April 2020 and was in place until the return to business as usual arrangements. To note, AQuA has no other connection to LSCFT.

The Committees of the Board of Directors, during the reporting period 1 April, 2019 – 31 March, 2020 were as follows:

- [Nomination Remuneration Committee](#)
- [Quality Committee](#)
- [People and Culture Committee \(inaugural meeting March 2020\)](#)
- [Finance and Performance Committee](#)
- [Audit Committee](#)
- [South Cumbria Assurance Committee \(interim from July 2019\)](#)

Nomination Remuneration Committee

The Board of Director's Nomination Remuneration Committee is constituted as a formal committee of the Board of Directors and met 5 times during the reporting period. The Committee is chaired by the Trust Chair, David Eva and its membership includes all Non-Executive Directors, the attendance for whom can be seen on page 72. The committee is responsible for identifying and appointing candidates to fill Executive Director positions on the Board of Directors and for determining their remuneration and other conditions of service. The decisions made by the committee in relation to executive pay can be found within the Remuneration Report.

Quality Committee

The ultimate accountability for quality rests with the Board of Directors. During the year, the Board enhanced the remit of the Quality Committee to include oversight of workforce and organisational development. The role of the Quality Committee is to test the robustness of the assurances provided

that the organisational systems and processes in relation to quality are robust and well-embedded, and to identify and manage the risks to the quality of care which the Trust provides. Towards the end of 2019/20, the Trust made a decision to split the People element from the Quality Committee and from April 2020, now has a People and Culture Committee, and a Quality Committee. This has allowed for appropriate oversight, scrutiny of discussion of both people and quality issues. The Quality Committee receives assurance from the Mental Health Law Sub-Committee on compliance with legislation and regulatory requirements, and also receives assurance around other key regulatory areas, including health and safety, infection prevention and control and the Caldicott guardian process.

Finance and Performance Committee

The ultimate accountability for finance rests with the Board of Directors. During 2019/20, the Finance & Performance Committee provided scrutiny into financial and performance data and has oversight of the progress made against key projects within the organisation.

A role of the Finance & Performance Committee was to test the robustness of analysis and assurance provided by its feeder sub-committees. This supports effective and efficient decision making at Board meetings relating to:

- [Operational delivery and performance of the Trust](#)
- [Business growth and opportunities available to ensure the long-term sustainable development of the Trust](#)
- [Delivery of the Trust's estates strategy and capital programme,](#)
- [Delivery of the Trust's cost improvement plans \(CIPs\)](#)
- [Delivery of the Trust's health informatics strategy](#)
- [Delivery of the IT infrastructure](#)
- [To monitor the Trust's financial performance and the development of regulatory financial reporting](#)

During 2019/20, the Committee oversaw specific areas on behalf of the Board of Directors including the implications of developments within the Integrated Care Partnerships that could impact the Trust's financial or performance position, performance with CIPs and CQUINs and the refresh of the Use of Resources Plan.

The Financial Recovery Group has remained in place to provide additional scrutiny of the Trust's financial position and monitors the impact of financial recovery activities across the Trust to support the achievement of the control total.

Towards the end of 2019/20, the Board refreshed the remit of the Finance and Performance Committee and established a separate Finance Committee which came into place in April 2020. Performance is now monitored through the Trust's monthly performance meetings, led by the Executive Directors, and reported to the Trust Board.

South Cumbria Assurance Committee

The South Cumbria Assurance Committee was established by the Trust Board in July 2019 to oversee the transition of mental health and learning disabilities services from Cumbria Partnership NHS Foundation

Trust (CPFT) to the Trust. The role of the South Cumbria Assurance Committee has been to oversee the safe transition of mental health and learning disabilities services to the Trust on 01 October, 2019 and to ensure the delivery of effective implementation plans post transfer.

Examples of specific activity that the Committee has monitored include:

- Assurance on the mobilisation plan
- Assurance on the development and finalisation of the full business case
- Assurance on the process to manage outstanding risks within the due diligence and mobilisation plan
- Assurance that the commitments within the business transfer agreement are delivered
- Assurance on the integration into the locality model as this develops

Audit Committee

The Audit Committee is responsible on behalf of the Board of Directors for independently reviewing the systems of governance, control, risk management and assurance. The activity of the committee covers the whole of the organisation's governance agenda including finance, risk and clinical audit. The committee also has a duty to monitor the integrity of the financial statements and related reporting.

The Audit Committee membership consists of three independent Non-Executive Directors. In July 2019, the new Audit Committee Chair, Debbie Francis, took over this role having been in post since January 2019. This allowed for a six month transition between the outgoing and incoming chair in line with the Non-Executive Director succession planning that is overseen by the Council of Governors. Members attendance can be seen on page 72.

The Chief Finance Officer and the Company Secretary both have a standing invitation to attend each meeting and in addition, members of the executive team, senior management team, internal auditors, external auditors and anti-fraud service attend as appropriate to the agenda.

The Audit Committee is required to report annually to the Board of Directors and to the Council of Governors outlining the work it has undertaken during the year and where necessary, highlight any areas of concern. The latest Annual Report of the Audit Committee can be viewed on the Trust's website at www.lscft.nhs.uk

Throughout 2019/20 the committee reported on the nature and outcomes of its work to the Board of Directors highlighting any areas that should be brought to its attention. The mechanism for this is a Chair's Report, prepared after each meeting. Whilst there were no significant issues raised, the committee did highlight concerns to the Board of Directors in relation to limited assurance internal audit outcomes and Trust compliance with audit report turn-a-round timings.

Some of the key development themes featured at meetings during the year included:

- The review and monitoring of the Trust's internal audit plan alongside the monitoring of the Trust's response to management actions and the development of the 2020/21 Internal Audit Plan
- Plans to improve current contractual compliance monitoring and reporting

- The review and scrutiny of the refreshed CQC governance process in response to the 2019 CQC Inspection report
- Review of the refresh of the Trust's value for money process and plan
- Scrutiny of the independent review of National Reporting and Learning System reporting and recording of deaths
- Increased monitoring of the Trust's horizon scanning process
- The tendering and appointment process to the Trust's external auditors
- Review and scrutiny of the refreshed 2019/20 Board Assurance Framework and reporting schedule and
- The outcome of an investigation undertaken into an unintentional data disclosure
- Compliance with the new accounting standard; IFRS 16 leasing standards

The Audit Committee takes a holistic approach in discharging its accountability in relation to the Annual Report, Financial Statements and the Quality Account with its reach across the whole of the system of risk and internal control focusing on systems and quality alongside the traditional domains of finance and business systems.

The Audit Committee encourages frank, open and regular dialogue with the Trust's internal and external audit teams and risk and assurance is reflected in the annual audit programmes. The Committee Chair meets separately before each Audit Committee meeting with both the Internal and External auditors to allow protected time in relation to the audit programmes and any required escalation.

Throughout the year the committee received reports from the internal audit, clinical audit, anti-fraud and the external audit teams on their audit findings, their annual plans, and updates on the implementation of actions.

The Audit Committee is required to demonstrate how it has tested the robustness of the annual report and financial statements. Examples of specific activity that the Audit Committee has undertaken to facilitate an informed identification, review and assessment of significant issues to the 2019/20 annual report and accounts include:

- A review of the annual financial statements focusing particularly on accounting policies and practices, and significant adjustments resulting from audit
- A review of the ISA 260 and presentation and discussion of its content by the external auditors
- Receiving assurance on compliance with the NHS FT Code of Governance
- Receiving assurance on compliance with the policy on standards of business conduct
- Receiving assurance on the process undertaken for the development of the annual report and annual governance statement

The Committee considered the risks to the financial statements as highlighted by external audit including the areas where the Trust has applied judgements in the treatment of asset valuation, revenues and costs to ensure the annual accounts represent a true position of Trust finances.

For more information on the work undertaken by the Audit Committee during 2019/20, please see the Audit Committee Annual Report for 2019/20 on the Trust's website, which will be available later in 2020.

Clinical Audit

The Audit Committee has continued to promote the importance of the role that clinical audit plays in supporting the Trust's quality improvement activities. The Trust's current governance framework has further strengthened the contribution that clinical audit makes to providing internal assurance and the reliability and quality of the clinical auditing processes. The Quality Committee also has a separate and distinct role in considering clinical audit reporting alongside the Audit Committee.

The Audit Committee also plays an active part in overseeing the clinical audit plan for the year through receiving regular updates.

The Medical Director has a strategic oversight role in relation to the clinical audit programme and ensures that the annual programme is aligned to the Board's strategic objectives. Additionally, during 2019/20, work was undertaken to ensure that the clinical audit programme factored in issues raised in the 2019 CQC inspection report, to support the delivery of and monitoring of improvements. This will continue into the 2020/21 programme.

Internal Audit

During the reporting period, the Trust's internal audit function was provided by Mersey Internal Audit Agency (MIAA). Internal audit plays an important role in supporting the Chief Executive to ensure an effective control environment and has a clearly defined programme of work which includes advisory work in addition to audit. A 12 month extension to the current Internal Audit contract was awarded in October 2019 and in 2020/21 the Trust will therefore commence the process for appointing a new internal audit function.

Throughout the course of the year, the Audit Committee is assisted in its work by the internal audit function which undertakes detailed scrutiny of the Trust's assurance framework. The key findings of the audits are reported to Audit Committee including comments on the appropriateness of key controls in relation to the risks, the strength of the assurances provided for each risk as well as the suitability of the proposed additional risk mitigating actions. Audit Committee members receive the outcome of all internal audit reviews, with findings and recommendations scrutinised by the committee with the relevant senior management staff in attendance to support discussions. The Audit Committee pays particular scrutiny to limited assurance internal audit reports and the appropriate executive lead is requested to attend the committee for the purpose of these limited assurance reports to enable this scrutiny.

The internal audit plan is reviewed on a six month basis, of which the outcome is reported back to the Audit Committee for consideration. The committee approves the annual internal audit programme following contribution to the content during the year. An annual report on the effectiveness of the internal audit function is provided to the committee alongside a review of the internal audit service, cost and resource allocated to the function. Additionally, during 2019/20 the Trust undertook an

internal review of effectiveness of the internal auditors, led by the Company Secretary Team and Audit Committee members. Whilst there was significant areas of good practice identified, the review identified several recommendations for improvement for the remainder of the contract term.

During 2019/20, several amendments were made to the plan to increase the Trust's assurance in significant areas that required focus. These included:

- The introduction of a review of the Trust's response to the CQC enforcement letter (to replace the staff engagement review)
- The introduction of the policy framework review (to replace the risk management review)
- The introduction of the risk relapse management plan (to replace the prioritisation of patients review)

All changes were presented to and agreed by the Audit Committee.

Information about the work of internal audit is detailed in the Audit Committee Annual Report which is presented to the Council of Governors by the Chair of Audit Committee.

External Audit

The Trust's external audit contract was provided by KPMG LLP during 2019/20 following an extension to that contract for a further two years. This was approved by the Council of Governors in January 2018. The Trust is currently out to tender for its external audit provision.

There are clear policy guidelines in place for the provision of non-audit services by the external auditor. Safeguards are in place which ensures the Audit Committee is kept informed of the scope and value of additional work commissioned from the external auditors. The additional non-audit work undertaken during 2019/20 has been reported to the Audit Committee and is included in the external auditor's year-end ISA 260 report, amounting to a total of £11,250.

The external auditor attends the Council of Governors' meeting following the production of the Annual Report and financial statements to ensure governors are assured by the process undertaken to audit the accounts. They also attend the Annual Members' Meeting to share the audit opinion with Trust members and are available to offer advice to governors when selecting the locally chosen indicator within the Quality Account.

The Trust undertook an internal effectiveness review of the external auditors, led by the Company Secretary Team and Audit Committee members. Whilst there was significant areas of good practice identified, the review identified several recommendations for improvement for the remainder of the contract term.

The Audit Committee has reviewed the work of external audit and is satisfied that the external audit service is of a sufficiently high standard and that fees are appropriate and reasonable. The external audit fee for 2019/20 was £70k plus VAT with the fee for external assurance on the quality report being £1k plus VAT. External assurance on the quality report is not required this year in light of Covid-19. The

external auditors charged £1k for preliminary assurance work carried out on the quality report prior to the announcement in March 2020 to cease this work.

Anti-Fraud Service

During the reporting period, anti-fraud services were provided by MIAA.

The Trust is required to put in place and maintain appropriate anti-fraud and security management arrangements. The role of the anti-fraud service assists in creating an anti-fraud culture within the Trust to protect staff and resources from activities that would otherwise undermine their effectiveness and their ability to meet the needs of patients and professionals.

The anti-fraud team has taken a particular focus during 2019/20 on raising awareness and increasing understanding and methods to prevent fraud.

The Audit Committee is required to satisfy itself that the organisation has adequate arrangements in place to counter fraud, corruption and bribery, to review the outcomes of the anti-fraud work and the performance and effectiveness of the Trust's anti-fraud service. The Audit Committee receives regular progress reports from the anti-fraud service during the course of the year and also receives an annual report.

6.2 The Council of Governors

Overview

The Council of Governors (CoG) is a statutory part of an NHS Foundation Trust governance structure, whose role it is to hold the Non-Executive Directors of the Board to account for the performance of the Trust Board and to represent the interests and views of the Trust's members and partner organisations in the governance of the Trust. The Trust is accountable to members via the Council of Governors.

Members of the Trust are able to take part in governor elections and nominate themselves to stand as a governor candidate in order to be elected onto the council. The Council of Governors also comprises appointed representatives from key partner organisations and stakeholders from the local area. Elections during the reporting period saw seven new governors elected onto the council.

Recognising the complexity of the role, the governor induction programme is designed to assist new governors to incrementally develop the comprehensive knowledge required over time. Further detailed information of individual governors for all constituencies can be found on the Trust's website.

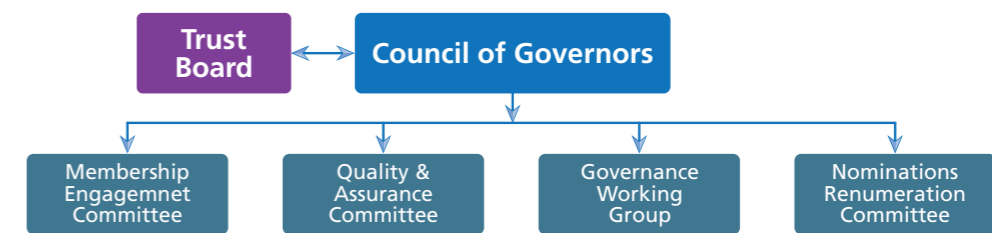
The Trust has demonstrated a long-standing commitment to supporting its governors and robust structures and processes have been put in place to good effect. The governors canvass the opinion of the Trust members and the public and these views are communicated to the Trust during the development of the Trust's strategy, vision, strategic priorities and other important matters. LSCFT has placed significant energy into co-production and during 2019/20 has ensured that the governors, and the public, have the opportunity to be involved in and feed into key Trust decision making activity, including the development of the clinical strategy and the agreement of the Trust's name change in September 2019.

Sub-Committees of the Council of Governors

The governance structure for the Council of Governors includes three Committees and a working group that comes together to review necessary governance arrangements or documentation such as changes to the Trust's constitution. Governors are asked to express their areas of interest and expertise and membership to the committees is approved by the full council. Governors periodically rotate committee membership as part of their continued development.

Committees enable the Council of Governors to delegate specific tasks to working groups of governors for more detailed review. This focused approach allows the sub-committees to receive assurance on behalf of the Council of Governors and, if required, make recommendations to the full council after more detailed consideration of specific issues.

The Committee structure for the Council of Governors is set out below:



The remit of the Quality & Assurance Committee is to retain a focus on patient experience whilst providing a more rounded view of Trust performance in terms of achieving its strategic priorities.

The remit of the Membership and Governance Committee is to concentrate on supporting the Council of Governors in fulfilling its duty to engage with and represent Trust members, including staff and the public.

The remit of the Governance Working Group is to ensure the processes which support the Governors in discharging their duties remain robust and effective.

The remit of the Nomination Remuneration Committee is to make recommendations for ratification to the Council of Governors for the appointment, removal and remuneration, allowances and other terms of office of the Trust Chair and Non-Executive Directors of the Trust.

Each committee is made up of public, appointed and staff governors, and is chaired by either a public or appointed governor to ensure independent scrutiny of reports and information. The Nomination Remuneration Committee is chaired by the Trust Chair. Each sub-committee reports directly to the full Council of Governors through a chair's report presented by each sub-committee chair. Key to this structure is ensuring that there are effective information flows between the sub-committees and the full Council of Governors. This will support all governors in having access to relevant and contextualised information and enhance the discharge of their statutory duties.

Council of Governors Meeting

Over the reporting period, the Council of Governors met formally in public ten times, with the attendance of the Trust's Board of Directors as required to facilitate meaningful engagement, listening and to exercise the responsibility to hold the Non-Executive Directors to account for the performance of the Trust.

A forward plan detailing the cycle of business for the Council of Governors is prepared in line with the Board of Director's business to ensure consistency of reporting. The decisions and matters undertaken by the Council of Governors include business such as the appointment of the external auditors, appointment of Non-Executive Directors and formal receipt of the Annual Report and Accounts. The Trust also maintains a formal policy for the resolution of disagreements between the Council of Governors and Board of Directors.

Members of the Board are able to attend the council meetings to facilitate networking with the governors which supports the appraisal process for Non-Executive Directors. Executives and non-executives regularly attend formal meetings to present papers or to provide technical sessions for governors on specialist areas such as audit. The Board attendance at Council of Governors meetings can be viewed on page 84. Governors are also able to observe non-executive directors at Board of Director meetings and the Board committees which is particularly beneficial in helping governors hold non-executive directors to account.

Governor Training

Governors are supported in discharging their responsibilities through a comprehensive training programme delivered by the Trust, with opportunities for bespoke training in specialist areas such as holding to account, assurance, accountability and challenge, engagement with members, the role of external audit and finance. Opportunities for external training and networking are also provided to governors through an approved annual training programme. Governors have been integral to embedding informal discussion meetings demonstrating the positive relationship between governors and non-executive directors which focus on holding to account. During the year, a bespoke training schedule was delivered, facilitated by NHS Providers that offered a more bespoke arrangement to training the Trust's governors as a group. Further bespoke sessions will be considered during 2020/21.

Governor Handbook and Code of Conduct

The Council of Governors are provided with a governor handbook which provides clear guidance and robust procedures to allow them to discharge their statutory duties. An easy-read version of the handbook is also provided and supports governors through their induction programme and sets out the standards of conduct and behaviour expected of all governors. The code of conduct and confidentiality agreement forms part of the framework designed to promote the highest possible standards of conduct and behaviour within the Foundation Trust. The code applies at all times when governors are representing the Trust at conferences, events and meetings and also when carrying out any Trust business.

Governor Elections

In the 2019 governor elections, the following public governors were elected:

- Central Lancashire: Phil Curwen (re-elected), Brian Gumbley and David Hargreaves
- Pennine Lancashire: Alan Ravenscroft, Chris Johnson (re-elected)
- North Lancashire and South Cumbria: Val Richards
- Fylde Coast: Lesley Davison, Kate Eggleston-Wirtz

The following staff governors were elected:

- Corporate: Emma Allen (re-elected)

Two new nominated governors have also recently been appointed:

- Shaun Turner, Councillor, Lancashire County Council
- Joanne Keeling, Deputy Head, UCLan who replaces her colleague, Debbie Wisby, Director of Business Development, UCLan

All new governors attended a Trust induction course on 27 February and both elected and nominated governors commenced their terms of office on 1 February 2020.

Attendance of Governors at Council of Governor and Sub-Committee Meetings from 1 April 2019 to 31 March 2020

Governor	End of Term	Council of Governors	Membership Engagement Committee	Quality & Assurance Committee	Nomination Remuneration Committee
		Attendance (actual/max)			

Chair

David Eva	31/05/2022	7/9		1/1	4/5
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Deputy Chair

Isla Wilson	31/12/2021	1/1			1/1
David Curtis	8/9		2/2	1/1	16/20

Pennine Lancashire

Hamad Saleem	31/12/2022	7/9	0/1		
Chris Johnson	31/01/2023	7/9	1/1		5/5
Steph Holmes	31/12/2022	5/9	1/1		
Alan Ravenscroft	31/01/2023	1/1			

Fylde Coast

Lesley Davison	31/12/2022	9/9		2/2	
Kate Eggleston-Wirtz	31/12/2022	3/9	0/1		

Out of Area

Julia Kay Horn	08/12/2019	4/8	1/1		
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Central Lancashire

Phil Curwen	31/01/2023	7/9	1/1		4/5
Lorena Dumitrache	31/12/2021	3/9	0/1		
David Hargreaves	31/01/2023	0/1			
Brian Gumbley	31/01/2023	1/1			

West Lancashire LDP Area

Ken Lowe	08/12/2019	7/9		1/2	3/5
Chris Burgess	14/10/2019	1/6		0/2	

Governor	End of Term	Council of Governors	Membership Engagement Committee	Quality & Assurance Committee	Nomination Remuneration Committee
		Attendance (actual/max)			

North Lancashire and South Cumbria

Mary Jackson	31/01/2021	8/9		2/2	4/5
John Walden	31/01/2021	6/9		2/2	
Val Richards	31/01/2023	0/1			
Kavinder Madhra	02/10/2019	1/6			

Staff Governors

Helen Scott	06/12/2021	4/9		1/2	2/5
Yvonne Guilfoyle	06/12/2021	7/9		2/2	
Emma Allen	31/03/2020	7/9	0/1		5/5
Sallyann Walker	31/01/2021	7/9	0/1		
Judy Laing	31/01/2021	6/9	1/1		
Geraldine Gasson	31/01/2021	6/9		1/2	

Appointed Governors

Joanne Keeling	NA	1/5			
Paul Howes	NA	6/9	1/1		
Vicky Shepherd	NA	6/9		1/2	
Shaun Turner	NA	2/9			

¹¹Louise Dickinson took over as Senior Independent Director on the 01 April 2020, when David Curtis completed his term of office on the 31 March 2020.

¹²David Eva, Isla Wilson and David Curtis are included in the first table, as the Chair, Deputy Chair and Senior Independent Director.

Attendance of the Board of Directors at Council of Governor Meetings

The Trust Chair is responsible for the leadership of the Board of Directors and the Council of Governors. However, the Council of Governors also have responsibility to make the arrangements work and take a lead on inviting Board members to council meetings. As part of the wider review of the council's

governance arrangements, the council agreed that their preference was to attend Board meetings and Board Committees and did not expect Board members to attend full council meetings unless they were required to as part of the agreed cycle of business. However, Non-Executive Directors have attended council sub-committee meetings during the year on a rotation basis. The Trust Chair ensures that there are opportunities for the Board and the Council of Governors to network at various points during the year.

Board Member	Attendance
Non-Executive Directors	
Julia Possener	1/1
Louise Dickinson	1/1
Shazad Sarwar	2/2
Debbie Francis	1/1
Executive Directors	
Caroline Donovan	2/2
Ursula Martin	2/2
Maria Nelligan	3/3
Shelley Wright	1/1
Joanne Moore	2/2
Richard Morgan	1/1

6.3 Foundation Trust Membership

The Trust's membership comprises public and staff members as well as affiliates or stakeholder groups. To become a public member of the Trust you must be at least 14 years of age. The age limit to become a governor is 16 years of age. This recognises that there would be difficulties to negotiate the time to attend day time meetings for anyone under this age limit. Staff members employed by the Trust are automatically opted into membership when they join as Lancashire & South Cumbria employees.

Members are encouraged to engage with Trust activities throughout the year and each member receives a bi-annual e-magazine and invitations to events and conferences. Governors also play a role in engaging with Trust members to discharge their responsibility to represent the views and interests of members. Governors take opportunities to meet with members face-to-face during elections, conferences and in their local communities as well as attending partnership meetings to engage with the Trust's stakeholders.

During 2020/21, the Trust is set to design and implement a refreshed membership strategy and

approach to engagement to ensure that members are actively engaged, based on their localities and interests.

Eligibility Requirements

Following a review of the Council of Governors and subsequent recommendations which were accepted at the Trust's Annual Members' Meeting held in October 2017, LSCFT's (Lancashire Care at that time) public governor constituencies were re-aligned from boundaries based on Clinical Commissioning Groups to Local Development Plan areas defined by the Lancashire and South Cumbria ICS. A new class of 'staff constituency' has been introduced to ensure that the voice of the Trust's administrative and clerical staff is represented at the Council of Governors. The new arrangements for public and staff governor constituencies are summarised in the tables that follow.

Public Governor Constituencies

Public Constituency	Areas covered by each Public Constituency (comprising the local government electoral wards in the following areas):	Minimum number of Members
Pennine Lancashire	Hyndburn, Ribble Valley, Burnley, Pendle and Rossendale, Blackburn with Darwen	2305
Fylde Coast	Fylde Coast, Blackpool, Fylde and Wyre	1694
Central Lancashire	Preston, Chorley, South Ribble	1994
West Lancashire	West Lancashire, Southport and Formby, St Helens	293
North Lancashire and South	North Lancashire, South Cumbria	996
Out of Area	North of England	445

Staff Governor Constituencies

Staff Constituency	Population (example disciplines/roles)
Class 1 Medical staff	Consultants, locums, SHOs dentists, associate specialists, others
Class 2 Other clinical and social care professionals and clinical support staff	OTs, psychologists, pharmacists, podiatrists, speech and language therapists, physiotherapists, healthcare scientists, social care professionals, others
Class 3 Nursing professions and support staff	All registered and unregistered nursing staff including health visitors and midwives
Class 4 Corporate staff	Senior managers, clerical staff, estates and ancillary staff and non-clinical support workers
Class 5 Administrative and clerical staff	Administrative and clerical staff at pay bands 4 or below

The minimum number of members in each class is to be 20% of the total number of employees who are eligible for membership of that class.

Membership Strategy

The objectives of the Trust's membership strategy are agreed with the Trust's Council of Governors Membership Engagement Committee which set the parameters for the business of the Committee. The agreed objectives are as follows:

- Develop a whole governor pathway;
- Establish a cohort of gold members considering how we get the voices of young people into the Council of Governors;
- Review and develop communication and ongoing engagement with governors and members;
- Review and develop the communication and promotion of our staff governors;
- Actively manage the annual election process to support the development of a profile of LSCFT governors which is representative of the Trust membership and the wider community;
- Review and change the information and training provided to governors including the content of the Governor Induction Programme.

The achievement of these objectives ensure that the profile of the Trust's membership is representative of the diversity of users of the Trust's services and that there is an increase in the proportion of the membership who are actively engaged in shaping the priorities of the Trust.

During 2019/20, the Trust commenced a review of its membership strategy, to support more effective and meaningful engagement with its members and to support the management of the above agreed objectives. The refreshed membership strategy is due to be approved by the Council of Governors and implemented during 2020/21.

Number of Members

At 31 March 2020, the Trust had 7,727 public and 6,700 staff members registered. The breakdown below indicates the number of members within each constituency eligible to vote in elections to the Council of Governors. This includes the staff that transferred from South Cumbria on the 01 October 2019.

Area	Public Member	Staff Member
Pennine Lancashire	2305	-
Fylde Coast	1694	-
Central Lancashire	1994	-
West Lancashire	293	-
North Lancashire and South	996	-
Out of Area	445	-
Medical Staff	-	209
Nursing Professions & Support Staff	-	3311
Other Clinical & Social Care Professionals and Support Staff	-	1454
Corporate Staff	-	761
Administrative and Clerical Staff	-	965

Contact Procedure for Members

Members are encouraged to contact the Trust and local governors with enquiries or questions about the running of the Trust, or to request further information on how to get involved in schemes such as volunteering, membership panel surveys, conferences and events. The contact details for queries about Trust membership are publicised on the Trust website with a dedicated inbox for member questions. The electronic application form to become a Trust member can also be found online.

Analysis of Trust Public Membership 2019/20

Gender	Membership 2019/20	%	Membership 2018/19	%
Male	2712	35.1	2710	35.1
Female	4924	63.7	4918	63.7
Not specified	91	1.2	93	1.2
Total	7727	100	7721	100
Age	Membership 2019/20	%	Membership 2018/19	%
0 – 16	15	0.2	15	0.2
17 – 21	378	4.9	378	4.9
22+	6823	88.3	6818	88.3
Not provided	511	6.6	510	6.6
Total	7727	100	7721	100
Ethnicity	Membership 2019/20	%	Membership 2018/19	%
White	6664	86.3	6725	87.1
Mixed	50	0.6	46	0.6
Asian or Asian British	474	6.1	471	6.1
Black or Black British	84	1.1	85	1.1
Chinese	7	0.1	8	0.1
Other	23	0.3	23	0.3
Undefined	314	4.1	324	4.2
Not specified	111	1.4	39	0.5
Total	7727	100	7721	100

7.0

NHS England and NHS Improvement Oversight Framework



Oversight Framework

NHS England and NHS Improvement's Single Oversight Framework is in place for overseeing providers and identifying potential support needs. The framework looks at five themes:

- Quality of care
- Finance and use of resources
- Operational performance
- Strategic change
- Leadership and improvement capability (well-led)

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

Segmentation

NHS Improvement has assessed the Trust as Segment 2; targeted support. This segmentation information is the Trust's position as at 22 June 2020. Current segmentation information for NHS Trust's and Foundation Trust's is published on NHS Improvement website. Please refer to the Annual Governance Statement for further detail of actions the Trust is taking.

Finance and Use of Resources

The finance and use of resources theme is based on the scoring of five measures from '1' to '4', where '1' reflects the strongest performance. These scores are then weighted to give an overall score. Given that finance and use of resources is only one of the five themes feeding into the NHS Oversight Framework, the segmentation of the trust disclosed above might not be the same as the overall finance score here.

2019/20	Q1 2019/20	Q2 2019/20	Q3 2019/20	Q4 2019/20	Annual Plan 2019/20	2018/19	Q1 2018/19	Q2 2018/19	Q3 2018/19	Q4 2018/19	Annual Plan 2018/19
<i>UoR - under Single Operating Framework</i>						<i>UoR - under Single Operating Framework</i>					
Capital service Cover	4	4	3	3	3	Capital service Cover	4	4	3	3	3
Liquidity	1	1	1	1	1	Liquidity	1	1	1	1	1
I&E Margin Rating	4	4	3	2	2	I&E Margin Rating	4	4	3	2	3
Variance from Plan Rating	1	1	2	1	1	Variance from Plan Rating	1	1	1	1	1
Agency*	2	3	3	3	2	Agency*	2	2	2	2	2
Use of Resources Rating	3	3	2	2	2	Use of Resources Rating	3	3	2	2	2

For 2019/20, agency figures include the acquisition of Cumbria which was not incorporated into 2019/20 targets.

8.0

Statement of Accounting Officer's Responsibilities

Statement of the Chief Executive's Responsibilities as the Accounting Officer of
Lancashire & South Cumbria NHS Foundation Trust

The NHS Act 2006 states that the chief executive is the accounting officer of the NHS foundation trust. The relevant responsibilities of the accounting officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the NHS Foundation Trust Accounting Officer Memorandum issued by NHS Improvement.

NHS Improvement, in exercise of the powers conferred on Monitor by the NHS Act 2006, has given Accounts Directions which require Lancashire and South Cumbria NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis required by those directions. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Lancashire and South Cumbria NHS Foundation Trust and of its income and expenditure, other items of comprehensive income and cash flows for the financial year. In preparing the accounts and overseeing the use of public funds, the Accounting Officer is required to comply with the requirements of the Department of Health and Social Care Group Accounting Manual and in particular to:

- Observe the Accounts Direction issued by NHS Improvement, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards as set out in the NHS Foundation Trust Annual Reporting Manual (and the Department of Health and Social Care Group Accounting Manual) have been followed, and disclose and explain any material departures in the financial statements
- Ensure that the use of public funds complies with the relevant legislation, delegated authorities and guidance
- Confirm that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS foundation trust's performance, business model and strategy and
- Prepare the financial statements on a going concern basis and disclose any material uncertainties over going concern

The accounting officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS foundation trust and to enable him/her to ensure that the accounts comply with requirements outlined in the above mentioned Act. The Accounting Officer is also responsible for safeguarding the assets of the NHS foundation trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As far as I am aware, there is no relevant audit information of which the foundation trust's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the entity's auditors are aware of that information. To the best of my knowledge and belief, I have properly discharged the responsibilities set out in the NHS Foundation Trust Accounting Officer Memorandum.



Caroline Donovan
Chief Executive
22 June 2020

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS foundation 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 foundation 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 Foundation Trust Accounting Officer Memorandum.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Lancashire and South Cumbria NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Lancashire and South Cumbria NHS Foundation Trust for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

Leadership

As Chief Executive since April 2019, I have had overall responsibility for ensuring arrangements are in place for the effective management of risk. The Board collectively and individually has a role to ensure that robust systems of internal control and management are in place. The Trust has been on a journey of significant change and improvement. This has been supported by strengthening the leadership within the organisation with a new Executive Team in place.

Aligned to the improvement agenda, the Trust has formed a strategic partnership with its colleagues at Cumbria, Northumberland, Tyne and Wear (CNTW) following their independent system review of mental health services across Lancashire in 2019. The Trust is working closely with CNTW and our system partners to transform the way the Trust delivers mental health services, which includes a full refresh of the mental health pathway and mental health service design. Whilst the Trust is already beginning to see the positive impact of this work, the full impact is expected to be seen during 2020/21 and onwards.

In year, the responsibility for leading the management of risk throughout the organisation was delegated to the Interim Director of Nursing and Quality until October 2019, when it transferred to the newly appointed Director of Compliance and Improvement. During 2019/20, the Director of Compliance and Improvement commissioned an external review of the Trust's risk management framework. In quarter four, the Trust received the outcome of the review, and is currently developing an action plan which will focus on developing a fully integrated risk and assurance framework within the organisation, supported by the implementation of a revised corporate governance structure.

Risk assurance reporting has been embedded within the Committees of the Board during the year, in accordance with the Board Assurance Framework (BAF) process. These Committees have authority to commission additional assurance where it is felt this is required and provides a further opportunity to draw assurance through the organisation, improving the effectiveness of the control environment. The Committee Chair reports that feed into the Board are reported from a risk escalation and assurance perspective. Executive and Non-Executive changes to the Board, including the Chief Executive Officer are detailed further in the Quality Account.

At the end of 2019/20 the Covid-19 global pandemic impacted the operations of the Trust, which responded robustly, following Government advice and guidance covering running sustainable services, supporting and protecting staff, and focussing organisational efforts to the front-line. NHS England and Improvement guidance in March 2020 entitled 'Reducing burden and releasing capacity at NHS providers and commissioners to manage the Covid-19 pandemic' was applied, impacting governance structures in the final three weeks of the operational year. While the changes were significant, their impact in 2019/20 was limited overall given their timing. The impact for the operational year 2020/21 will be far more significant and will be reported in the Annual Report and Accounts for that year.

Training and Support

To support review and refresh of the risk management arrangements during 2019/20, risk management training has continued to be delivered during the year, in the form of targeted and requested face to face training sessions to support staff of all levels in developing their risk and assurance knowledge and capabilities. These sessions supported the aim of providing a 'ward to board' approach to training delivery. This will continue to be strengthened going forward in 2020, with risk management training requirements aligned to the delivery of the revised Risk Management Strategy.

To ensure that the Board Assurance Framework and Strategic Risks are appropriately sighted and managed by the relevant Executive Director, a quarterly review process with each Executive Director has been applied across the year, to discuss the relevant strategic risks and support the regular update of risks prior to reporting to the Committees and the Trust Board.

The Risk and Control Framework

Risk Management is an important part of the Trusts' overall quality, governance and performance management processes. All staff have a role in considering risk and helping to ensure it does not prevent the delivery of high quality care, in the right place, at the right time, every time.

The Board of Directors ('Board') with the support of its assurance Committees has a key role in ensuring a robust risk management system is effectively maintained and to lead on a culture whereby risk management is embedded across the Trust through its policies, procedures, plans, and setting out of strategic ambitions and priorities in respect of risk management when delivering a safe, high quality service.

Within the Trust, effective day-to-day risk management is the responsibility of every member of staff. Ensuring that there is a demonstrated commitment to best practice risk management systems and processes is a key element of the Care Quality Commission ('CQC') Well Led Framework. This includes

ensuring that these systems and processes are regularly reviewed and ensuring that staff at all levels have the skills and knowledge to use those systems and processes appropriately. The outcome is a strong and effective system of internal control that in turn ensures that problems are identified and addressed quickly and openly.

In 2019/20 the Trust operated under a Risk Management Policy with supporting Plan, Standard Operating Procedure, Process and Toolkit, which was approved by the Corporate Governance and Compliance Sub-Committee and subsequently overseen and monitored by the Quality and People Committee of the Board.

However, when the CQC inspected the Trust in 2019, they found gaps in the risk management systems and processes. A detailed action plan has been put in place to address the specific concerns raised by the CQC and the wider independent review of risk management commissioned by the Director of Compliance and Improvement, which includes a revised Risk Management Strategy, supports the Trust's journey of improvement.

Risk Management

As outlined within the Trust's approved Risk Management Policy and the supporting Standard Operating Procedure and Guidance, all strategic and operational risks across the Trust are subject to the same approach of risk assessment and mitigation with strategic risks managed and overseen by the Board and Committees of the Board.

The Trust ensures that all risks are recorded in its Datix Risk Management database, ensuring that risks are recorded with a description of the risk, its potential consequence, controls to mitigate the risk, assurance that controls are effective, and that any gaps in control or assurance are subject to a supporting action. One of the priorities in 2020 will be to strengthen the Trust Datix system, as we move to the Datix Cloud IQ version of the system, which allows for more intelligent management of risk, aligned to incidents, complaints and lessons learned.

The Trust adheres to the commonly recognised 5x5 Likelihood x Consequence matrix for scoring and prioritising risks with 25 being the highest rating for a risk. Review frequencies, levels of authority to act on risks, and the escalation of risks are set against these stratified scores.

Risk Appetite

The Trust has a Risk Appetite Statement that has remained in place since 2018/19 whilst the Trust undertook a refresh of its strategy and supporting strategic risks during 2019/20. A review of the Trust's strategic objectives was undertaken by the Board in Quarter 4 of 2019/20 and the Trust is now due to agree and publish its refreshed strategic risks during 2020/21, to include a refreshed risk appetite statement agreed by the Board.

Embedding Risk Management

All new staff are guided through a range of risk topics at face to face induction sessions, mandatory e-Learning, followed up with annual refresher courses for existing staff that encompass incident reporting, information governance, moving and handling, infection control, moving and handling, life

support, equality and diversity, health & safety, fire safety, and risk assessment commensurate with their role, for example administrative or clinical roles.

All staff are able and encouraged to submit incidents via Datix. Operational managers are trained to manage and respond to incidents, and also to compile operational risk registers on the same system as a response to identified hazards and manage these.

As iterated above, the Trust is in the process of further enhancing and embedding refreshed risk management arrangements across the Trust.

Monitoring and the CQC

In September 2019, the CQC published its inspection report, following an inspection of five core services in April 2019, with an overall rating of 'Requires Improvement.' The CQC rated the Trust as 'Requires Improvement' across the safe, effective, responsive and well-led domains, with the caring domain being rated as 'Good' overall. The outcome of the inspection was disappointing for the Trust but not unanticipated as the findings concurred with the outcome of the Cumbria, Northumberland, Tyne and Wear (CNTW) review of the Trust's mental health acute pathway.

Following appointment in April 2019, the Chief Executive commenced the development of a significant Trust improvement plan, working with system partners, covering all areas identified by the CQC in their 2019 inspection report and the outcome of the CNTW review. The Trust Chief Executive has led and driven this improvement plan, which has seen real improvements in patient access and care throughout the year, particularly in the mental health urgent care pathway and working with partners. Further improvements will continue to be realised in 2020/21.

Led by the Director of Improvement and Compliance, the Trust developed a robust CQC action plan process, including an effective process for the monitoring and validation of CQC actions. The CQC action plan reporting was embedded throughout the Trust's quality governance framework, including review on a monthly basis by the Executive Directors, at the CQC Steering Group, Quality Committee, Audit Committee and Trust Board.

Additionally, following the transition of South Cumbria mental health services from the former Cumbria Partnership NHS Foundation Trust (CPFT), on the 01 October 2019, the Trust was required to incorporate the relevant CQC recommendations from the CPFT CQC report into its overarching CQC Action Plan. More detail regarding the transfer of services in South Cumbria can be found in the Trust's Annual Report.

Following the inspection in May and June 2019 and prior to the receipt of the draft CQC inspection report, the Trust received two warning notices issued under S29A of the Health and Social Care Act. The notices were in relation to two core services; Acute Wards and Psychiatric Intensive Care Units and Crisis Services and Health Based Places of Safety. To ensure the required improvements were scrutinised and monitored appropriately, the Chief Executive led a weekly review process to oversee the improvements around the enforcement actions.

The CQC revisited those services subject to warning notices during quarter three and four of 2019/20, and at the time of writing this report, both warning notices had been lifted. However, it should be noted that whilst both warning notices have been lifted, there still remains some outstanding actions to be completed, and on this basis, the Trust is not fully compliant with the registration requirements of the CQC.

A more detailed description of CQC compliance is contained in the Quality Account, including the impact upon activity of the Covid-19 pandemic, which is due to be published in December 2020.

Management of Risks to Data Security

The Health Informatics Department has been accredited with ISO270001, which is the internationally recognised standard for information security management. The standard required the Trust to undertake a rigorous external assessment on its Information Security Management System (ISMS).

An ISMS is a framework of policies and procedures that includes all legal, physical, and technical controls involved in an organisation's information risk management processes and also potential 'cyber attacks' on Trust information systems. This accreditation offers significant evidence for the Data Security and Protection Toolkit ('DSPT') and offers high levels of assurance around organisational IT Security. The certification is supported by a planned yearly schedule of audits to assess continued compliance with the standard. The DS&PT challenges the Trust to confirm compliance with a number of 'assertions'.

The Trust continues with the implementation of Information Asset Ownership and Administration (IAO/IAA), whereby delegated members of staff at all levels are trained in the secure management of information assets, mapping data flows, and identification and control of risks. We continue to operate an effective governance framework which provides assurance to the SIRO (Chief Finance Officer) and Caldicott Guardian (the Medical Director).

There was a focus upon standardisation of the Information Governance risk control and assurance environment during 2019/20. In addition, the Trust worked to better understand how well the organisation understands and complies with the principles of Data Protection and Information Governance, by undertaking staff surveys and reinforcing knowledge and behaviour where appropriate. The DSPT requires a wider range of services making direct contributions to assurances, requiring closer working with information asset owners and information asset administrators to support their understanding of the assertions, and to provide high quality evidence of compliance.

Management of Risks to Stakeholders

Potential and identified risks, which may impact on external stakeholders and key partners such as local authorities, other NHS trusts, voluntary organisations and service users are managed through structured mechanisms and forums such as the Overview and Scrutiny Committees, contract negotiation meetings, Council of Governors meetings and service user forums. In addition, engaging with patients, carers, MPs, and with external health and social care providers as part of investigations arising from incidents, complaints, and enquiries provides the Trust with an invaluable insight into areas of risk.

Significant Current Risks – BAF Strategic Risks

By the nature of the document, all strategic risks that make up the BAF are considered significant. The BAF risks were managed over the year, submitted to the Board each quarter and, as at year-end, there were six strategic risks (see table below) that the Board identified as retaining a score of 15 or higher and therefore ranked as 'Significant' in accordance with the Risk Management Policy.

Ref	Risk	Mitigations/actions
BAF 1.0	The Trust does not protect the people who use its services from avoidable harm and fails to comply with the CQCs standards for the quality and safety of services	<p>Under the leadership of the new Chief Executive and Executive team, the Trust commissioned a number of external reviews, to help support the improvements required. Details of these are shown below:</p> <ul style="list-style-type: none"> The Trust also commissioned AQuA to undertake a governance well-led review, which resulted in the development of an overall improvement action plan, monitored by the Trust Board. The Trust commissioned an external review of the Trusts complaint processes and risk management framework which also resulted in a number of improvement actions that will be implemented during 2020/21. An independent review of the Trust's safety function was commissioned by the Trust, to help shape an improvement plan ensuring that investigations and governance information help staff learn lessons and make improvements. The Trust commissioned an external review of its data reported to the national Reporting & Learning System (NRLS) by 'Niche' which resulted in nine key improvement actions for implementation, including the development of a learning from deaths policy, a review of the way the Trust records deaths and a review of governance arrangements. These are monitored by the Quality Committee. <p>Regarding CQC improvement, the Trust has implemented the following actions.</p> <ul style="list-style-type: none"> The Trust established a monthly CQC Steering Group, chaired by the Director of Improvement and Compliance, to monitor the delivery of CQC actions. Also reported to network governance groups, Executive Group, Quality Committee, Audit Committee and Board. The Trust has embedded a robust quality assurance process to monitor, deliver and validate the CQC actions on the overall CQC action plan. Quality priorities have been refreshed and are aligned to CQC action plan and Trust Mental Health Improvement Plan. The Trust has a robust annual clinical audit programme to identify gaps and areas for improvement. A Service User and Carer Strategy is under development. <p>With regard to improvement work:</p> <ul style="list-style-type: none"> The Trust is represented on the ICS Mental Health Improvement Board to monitor the Trust's and systems progression with the mental health improvement plan. An Improvement Board has been established, which is chaired by the Chief Executive Improvement priorities have been agreed and align to CNTW review and CQC. Work is underway as a result of Covid to align improvement priorities to the Trust's recovery plan.

Ref	Risk	Mitigations/actions
BAF 4.0	The Trust does not ensure safe and effective transfer of South Cumbria mental health, CAMHS and learning disability services into the Trust	<p>A South Cumbria Assurance Committee of the Board was established following the transfer of South Cumbria services and has met monthly during Q2, Q3 and Q4 and provides additional scrutiny on all South Cumbria post-transfer and additional scrutiny on improvement in services in South Cumbria.</p> <p>An external assurance group has been set up and is Chaired by NHSE, to oversee the mobilisation delivery.</p> <p>An Executive Director from CNTW was appointed on secondment, accountable to the Chief Executive, to lead South Cumbria services and the management team. This was supported by the interim appointment of a senior management to support the development of the due diligence activity and mobilisation plan.</p> <p>The Trust confirmed an interim clinical and operational management structure between 1 October, 2019 and 1 April, 2020.</p> <p>The Trust is delivering the Post Transfer Implementation Plan which was developed as part of the full business case and continues to be a live document as matters arise.</p>
BAF 6.0	The Trust does not have sufficient leadership to deliver the transformational change required to address the cultural changes, improve wellbeing and to empower staff and widen the diversity of our workforce	<p>Lots of strategic work is underway to ensure that improvements are made in this area, including the following:</p> <ul style="list-style-type: none"> The Trust is developing a People and Culture Strategy as an enabler to the overall Trust Strategy. The remaining People Plan priorities will be built into the overall Trust People and Culture strategy. The Trust is implementing the principles of the NHSI Interim People Plan and has undertaken a gap analysis to embed the principles of the Developing Workforce Safeguards guidance and is on trajectory for continued achievement. A review of inpatient staffing has been undertaken by the newly appointed Director of Nursing & Quality, which has been approved by the Board of Directors. This review ensures the right skill mix on the wards to ensure right leadership and staff are supported. The Trust is optimising the apprenticeship framework to ensure that workforce and skills gaps are effectively addressed. The Trust has entered a strategic partnership with CNTW to address challenges in the mental health urgent care pathway. The Trust has appointed a new Executive Director of Improvement and Compliance to lead on improvement works required. A new transformation and improvement strategy is being developed in 2020/21, which will include development of improvement training for all staff within the Trust, ensuring staff are empowered and skilled to make change to improve care. The Trust has embedded a Listening into Action (LiA) programme, led by the Chief Executive and a dedicated LiA team to help support cultural changes required. The Trust has embraced the Equality & Diversity agenda and in 2019/20 progressed a equality and inclusion LiA programme, which looked at development of a charter, and a framework for recruitment and inclusion. The Trust commissioned AQuA to undertake a review of the Trust's governance well-led framework, resulting in a number of improvement actions for implementation. The Trust has co-produced new values for 2020/21 in collaboration with staff and service users.

Ref	Risk	Mitigations/actions
BAF 7.0	The Trust does not achieve financial performance sufficient to maintain resilience and sustainability	<p>The following mitigations have been put in place to manage this strategic risk:</p> <ul style="list-style-type: none"> The Trust continues work to align transformation to CIP delivery. This has been overseen by the Ned led Finance & Performance Committee and also via the Executive Performance Reviews, chaired by Chief Executive. The Trust has a significant improvement plan to manage the Out of Area Placements position to reach the NHS Improvement trajectory (through the mental health improvement plan). This is monitored by the weekly Executive Directors group. The Trust has implemented a process to oversee the financial aspect of the South Cumbria transition. The Trust has secured £3.3m funding for 2019/20 as part of the request for investment as part of the Mental Health Investment Standard. The Trust has agreed an arrangement with Commissioners to support the re-charge of stranded patients to Commissioners, on a risk share basis. The Trust has received additional funding in year to support investment in mental health services, including 24/7 Crisis Care support.
BAF 8.0	The Trust does not achieve the required efficiency savings whilst delivering and improving quality	<p>The Trust has a system in place to monitor, deliver and report CIPs across the year.</p> <p>The Trust has delivered 106% of its CIPs for 2019/20.</p> <p>The Trust has commissioned an independent review of the required system changes to support the Community and Wellbeing Network with the achievement of CIP.</p>
BAF 10.0	The Trust does not identify and maximise new innovations to transform services and improve care	<p>The Trust has a dedicated Transformation team and Head of Transformation to lead on transformation of services. This portfolio is led by the new Executive Director of Improvement and Compliance.</p> <p>The Trust has recruited an Innovation Manager to deliver innovation activity and is aligned to the work of the Innovation Agency.</p> <p>The Trust commenced the Pennine Transformation Programme in September 2019 in response to the challenges identified within the mental health pathway.</p> <p>Innovation activity is reported to the Infrastructure Sub-Committee, and ultimately to the Finance and Performance Committee.</p>

Our internal planning processes ensure that all parts of the organisation have clearly articulated operational plans, business objectives, and risk mitigations which deliver our strategic priorities. This process aligns to the NHSI Single Oversight Framework. The strategy has a particular focus on the Trust's contribution to the Lancashire and South Cumbria Integrated Care System ('ICS') and the locality based Integrated Care Partnerships ('ICPs').

At the beginning of April 2019, an agreement was reached between partners to transfer adult mental health services, child and adolescent mental health services (CAMHS) and learning disability services in South Cumbria from Cumbria Partnership Foundation Trust to Lancashire Care starting from 1 October, 2019. Following transition, the Trust re-branded itself, in co-production with staff, service users and governors, as Lancashire & South Cumbria NHS Foundation Trust (LSCFT), to reflect its geographical footprint. In order to manage the transition effectively, an improvement plan was agreed between all partners involved, providing a clear road map setting out how services will be transformed. A BAF strategic risk was formulated during 2019/20 to focus upon the Board's ability to monitor controls in respect of the South Cumbria transition and mobilisation.

A key focus of work during Q3 and Q4 has been managing and monitoring the transition of the South Cumbria services, supported by the establishment of an interim Committee of the Board, the South Cumbria Assurance Committee, which specifically monitored the operational transfer of services, and focussed upon risks to strategic objectives. An NHS England/Improvement led South Cumbria Mobilisation Board was also established, which was represented by the Trust, to monitor the transition and mobilisation of South Cumbria services from a system perspective. Additionally, the Trust appointed an Executive Director of Operations, seconded from CNTW, to lead the mobilisation of South Cumbria services and the respective management team.

Significant Future Risks

At the end of 2019/20, the Trust responded to the Covid-19 pandemic and launched its Gold Command response. A review of critical services was undertaken rapidly and delivered to ensure that there was continuity of the critical services for our service users. Several changes were made to the way that staff were working, including progressing seven day services and 24/7 access lines for services users and effectively redeploying staff to some areas, to ensure a responsive approach. The Trust has embraced and introduced new technologies to support new ways of working to maintain a high level of service delivery.

At the time of writing this report, the Trust has moved into the recovery phase of Covid-19 and will be focussing on development of a recovery plan, which carefully examines the services and processes we need to restore, retain and what we need to put in place for recovery. The Trust is also preparing for the predicted substantial increase in demand for mental health services and pressure on the Trust and system, as a result of the pandemic and associated anxieties of our service users, the public and staff. To mitigate and support this risk, the Trust Board is placing significant focus on preparing for this surge, which includes a robust recovery plan. The Trust is establishing a psychological resilience hub to support individuals who have been affected by Covid-19, including NHS and social care staff, patients and the public. The Trust is also enhancing its workplace trauma support for staff to provide peer support.

Capacity and Flow Risk

During 2019/20, the mental health urgent care pathway has continued to experience significant pressures. At the beginning of the year this saw a volume of patients waiting for admission into in-patient beds which, in turn, has led to a higher number of Accident and Emergency 12-hour breaches and Section 136 Mental Health Act 24 hour breaches. The consequence of the challenges in capacity and flow resulted in an early increase in out of area placements during 2019/20. In response to this, the

Trust has led the development of a system-wide improvement plan, overseen by the ICS Mental Health Improvement Board and reported into the Trust Board on a monthly basis.

This work has made significant improvements to Trust operational activity and improved patient experience. There has been a reduction in:

- Breaches of detentions under section 136 of the Mental Health Act;
- 12 hour breaches;
- With a clear downward trend in inappropriate out of area placements

The Trust has achieved the above through the receipt of significant funding for community capacity, by strengthening the Trust's overall performance and as a result of the expansion of beds provided by the Trust's Capital Programme.

Well-Led External Review and Improvement Activity

The NHS Improvement Single Oversight Framework states that NHS Foundation Trusts should carry out an external review of their governance every three years. In accordance with this guidance, and to support development, the Board commissioned a governance well-led review, supported by Advancing Quality Alliance (AQuA), which was reported to the Trust Board in December 2019 and is supporting the Trust's overall improvement programme which will continue into 2020/21.

Overall, the report concluded that the Trust is continuing to make progress toward developing an organisational environment to meet the well-led requirements, with significant impact having been made in terms of leadership internally and across the health system locally and a clear desire to learn and work in partnership.

Development work resulting from the recommendations of the well-led report is extensive, with progress being made at pace across a number of areas including a significant review of the Trust's governance structures 'from ward to board' which will be implemented in 2020/21. Further detail of the outputs of the AQuA governance well-led review and of the revised Committee and governance structure for 2020/21 can be found in the Trust's annual report.

In 2019/20 the Trust also commenced a considerable programme of improvement including; strategy review and development, Listening into Action ('LiA'), investment in quality, reviewing operational locality structures, and the appointments of the various Executive Directors, including the Director of Digital, Director of Communications, Director of Improvement and Compliance, Chief Operating Officer and Director of Finance. The work is well progressed with robust governance structures in place and will be re-commenced as soon as it is possible to do so.

In February 2020 the Trust Board approved six new strategic priorities. These priorities will underpin all of the activity of the Trust in 2020/21.

The priorities are:

SERVICE USERS
will be at the heart of everything we do, supporting effective care, recovery and wellbeing

STAFF
will be attracted to the Trust as our culture makes it an inclusive and supportive place to work

We will strive for the highest **STANDARDS** of quality across all of our services

We will collaborate effectively with **SYSTEM** partners

We will deliver **SAFE** care, ensuring we learn lessons and continually improve and innovate

We will be **SUSTAINABLE** and deliver real value in everything we do

Compliance with NHS Provider Licence

The Trust completes a Provider Licence schedule of compliance which is submitted to NHS Improvement on an annual basis. For 2019/20 the Trust will report full compliance.

Throughout the year the Audit Committee has operated as the key standing committee of the Board with the responsibility for assuring the Board that effective process and systems are in place across the organisation to ensure effective internal control, governance and risk management that support the achievement of the organisations objectives. Additionally, the Audit Committee assesses the process undertaken across the year to ensure there has been a robust review of the Provider License conditions, Code of Governance schedule and Corporate Governance Statement, including any NHS Improvement declarations. During 2019/20, the review of these documents was delegated to the Executive Directors Group, and assurance reported to the Audit Committee and Trust Board. As such, the Audit Committee then provides assurance on this activity to the Board of Directors and the Council of Governors at the end of each year.

As referenced above, the Trust commissioned a governance well-led developmental review in 2019/20 which has resulted in a significant improvement plan, which has included the review of the governance committee structure, approved by the Board in March 2020, for implementation from April 2020. As part of this work, a full review of standardised governance documentation is underway with committees and the Board considering and approving the required documentation during 2020/21. The implementation of this structure has been delayed as a result of the Covid-19 pandemic and will be implemented as part of a phased approach during 2020/21.

Each of the Board Committees is chaired by a Non-Executive Director and has Executive Director membership to support scrutiny and assurance. After each Committee meeting, the Board receives a chairs report of the Committee outlining the activity undertaken and any assurance and risks identified during the meeting. The Board also receives a monthly Quality and Performance Report (QPR) which collates performance related data and key performance indicators for all domains across the organisation of performance. For more information on each of the committee's portfolios, the reporting arrangements and changes to the Board during the year, please refer to the Annual Report.

In March 2020, NHS England/Improvement issued guidance 'Reducing burden and releasing capacity at NHS providers and commissioners to manage the COVID-19 pandemic' and set out the steps that Trusts could take in order to free up resources and management capacity. The guidance suggested streamlining Board meetings and postponing all but essential committee business other than Quality and in part, Audit Committees. The guidance advised against face-to-face Council of Governor meetings, suggesting that alternative methods be used to keep Governors updated.

In response to the above and the impact of Covid-19, the Trust has implemented an interim governance framework which incorporates the following interim corporate meeting structure;

- Monthly virtual 'slimmed down' Board meetings
- Weekly virtual Non-Executive Director update meetings (Covid-19 focussed)
- Monthly virtual Quality Committee meetings

- Audit Committee virtual meetings in order to scrutinise the Annual Report and Accounts
- Daily Executive team meetings
- Monthly virtual senior leadership team meetings
- Weekly virtual sessions and/or written information to keep Governors updated
- Virtual 'Engage' conferences
- A live 'Question and Answer' with the Chief Executive
- Daily communications out to the organisation on Covid-19 data and information

Register of Interests

The Foundation Trust has published on its website an up-to-date register of interest, including gifts and hospitality, for decision-making staff (as defined by the Trust as staff banded 8d and above, in the Standards of Business Conduct Policy) within the past twelve months as required by the Managing Conflicts of Interest in the NHS guidance.

www.england.nhs.uk/publication/managing-conflicts-of-interest-in-the-nhs-guidance-for-staff-and-organisations/

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.

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

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

Workforce and People

Developing Workforce Safeguards

Since publication in 2018, the Trust has been working to deliver compliance against the developing workforce safeguards recommendations issued by NHS Improvement. This has remained a key focus across the year with reporting made to the Trust Board. The Trust is implementing the principles of the NHSI Interim People Plan and has undertaken a gap analysis to embed the principles of the Developing Workforce Safeguards guidance and is on trajectory for continued achievement.

All workforce strategies developed and implemented are in line with the NHSI Developing Workforce Safeguards (October 2018) recommendations, however, the Trust recognises that there is still work to be done to further embed its People and Culture strategy, of which a key focus for 2020/21, is to continue the embedding of each of the Developing Workforce Safeguards recommendations.

This action has remained an action on the Trust's Board Assurance Framework across 2019/20 and will continue into 2020/21 as the Trust continues to progress.

Workforce Strategies

The Trust is currently developing a new People and Culture Strategy following engagement with a wide range of staff and stakeholders. This is a core strand of our overarching strategy.

'STAFF will be attracted to the Trust as our culture makes it an inclusive and supportive place to work.' The current themes within the strategy are:

- Attract recruit and retain our workforce
- Open and transparent culture
- Effective leadership, engagement, talent management and accountability
- Caring for the health and wellbeing of our staff
- Providing high quality, education, learning and development
- Diversity and inclusion

Workforce shortages remains a significant challenge for the Trust, this is in line with the national position for Trusts with mental health, learning disabilities and community responsibilities. Our current vacancies mainly relate to registered nursing and senior medical roles. During the year, we have undertaken a safer nurse staffing review commissioned by the Executive Director of Nursing and Quality.

We have reviewed and revised our recruitment processes, adopting a more centralised approach with a number of one stop shop events which have been successful. In addition we are now working to attract registered nurses to come to the Trust and have been successful in the Return to Practice scheme for learning disability and mental health nursing.

In addition, the Trust has worked with colleagues at Cumbria, Northumberland and Tyne and Wear NHS Foundation Trust to explore their successful approach with international nursing and will be exploring options to take the same approach, for example by supporting international recruits with orientation and peer networks. We have been successful in the recruitment of 3rd year students with over 60 due to qualify March to September 2020. In addition to this, the Trust has worked hard to develop innovative workforce models and to attract staff via an appealing education offer.

The Trust is recognised as a Disability Confident Employer and retains Gold Standard Accreditation for the quality of our work experience programme which acknowledges our dedication to providing great quality programmes.

We have continued to work with Step into Health programme, supporting the Armed Forces, all service leavers, reservists and veterans, supporting them to gain employment in the NHS.

We have a large number of NHS apprenticeships, which have increased year on year. This has seen the introduction of new roles and apprenticeship standards. Alongside apprenticeships we have developed Advanced Clinical Practitioners and peer support workers.

We have introduced fast track to substantive employment for our bank workers, and are exploring a range of recruitment and retention options to support our strategy going forward.

Key Performance Indicators in relation to workforce are reported to the Board of Directors monthly; performance over the last 12 months is outlined within the annual report.

Safer Nurse Staffing Review

The 2019 annual review of ward nursing staffing establishments has been completed. This is a programme of work commissioned and led by the Director of Nursing and Quality and completed in December 2019 in line with NHS England and National Quality Board (NQB) requirements. This review focussed on the adult acute and PICUs within the Lancashire footprint and will be followed by a comprehensive review of secure and older adult services. A number of recommendations have been made following this review to ensure that safe staffing is maintained within a sustainable model which supports high quality care, patient safety and serves to ensure that experience is improved as well as staff experience and well-being. Recommendations include strengthening skill mix by increasing Band 4 Registered Nursing Associates and Band 6 Senior Staff Nurses whilst reducing hard-to-fill Band 5 Staff Nurse posts, in line with the national shortage of Registered Nurses. These proposals will also see the development of a 'Nursing Career Pathway' - from Band 2 entry level through to Consultant Nurse, improving the quality of care and retention within in-patient services.

Workforce Reporting and Monitoring

The Trust has developed a 'Workforce' Board Report providing key performance information and is reported directly to the Board on a regular basis. In addition, a new People and Culture Committee has been established, and will be fully implemented in 2020/21 to oversee the implementation of the emergent strategy with a particular focus on the workforce shortages and plans to reduce.

The Trust has deployed Allocate Health Roster across the Trust and 100% of our clinical workforce is live. Health Roster enables units to publish advance rotas via a roster that is then visible to staff via their mobile device, providing our workforce with clear and timely information about their working pattern.

The Trust meets the national Unify reporting requirements, having a monthly Staffing for Safety and Quality meeting with representation from Nursing and Allied Health Professionals across the networks together with the Director and Deputy Director of Nursing and Quality. There is monthly reporting via the Quality and People Committee upward to the Board of Directors, which receives a monthly safe staffing report.

Staff Engagement

Since the appointment of the Chief Executive in 2019, there has been significant focus on co-production and staff engagement with the aim to improving the organisational culture and to listen to staff concerns. Keen to ensure colleagues were at the centre of the Trust's transformation plans, the Chief Executive launched Listening into Action (LiA), a hugely successful staff engagement programme which has enabled the organisation to listen to staff concerns, ideas and suggestions for key focus areas to support addressing barriers across the organisation.

As the Trust prepares to move to a locality leadership model in 2020/21, which aligns to our geographical footprint, a number of locality model re-design sessions have been held across each of the Trust localities to discuss and consult on the changes to be made to support the implementation of the structure during and ensure that staff are involved in all of the decisions and changes made prior to implementation.

The Trust has also held several 'big conversations' engagement sessions led by the Chief Executive, which are linked to the LiA and involve staff of all grades sharing ideas on the Trust's improvement journey, new models of care, service changes and the approach to delivering change.

Further information on the Trust's approach to staff engagement and consultation on Trust matters can be found in the Annual Report.

Equality and Diversity

Control measures are in place to ensure that all of the organisation's obligations under equality, diversity and human rights legislation are complied with. In line with the Trust quality governance framework, equality and diversity assurance is the responsibility of the Quality and People Committee. Both the Quality and Safety sub-committee and the People sub-committee provide the Quality Committee with assurance and serve as escalation points for risks identified by the Executive Director of Workforce and Organisational Development, equality and diversity lead, and network and service line leads. As the refreshed Committee structure comes into place during 2020/21, this will also be reported to the People and Culture Committee.

For the fourth year in a row, the Trust has been ranked in the top 50 employers in the UK for being 'inclusive' and has gone up a place in 2019/20 to be ranked 19. This provides the Trust with the encouragement and appraisal for its hard work committing to recruiting an equal and inclusive workforce.

The Trust has a specific LiA workstream dedicated to Equality, Diversity and Inclusion with three key priorities for improvement:

- Inclusive recruitment process
- Inclusive behaviours with zero tolerance
- More opportunities for career progression

Review of Economy, Efficiency and Effectiveness of the Use of Resources

The Trust Board has delegated responsibility for monitoring achievement of economic, efficient and effective use of resources to the Audit Committee and the Finance and Performance Committee. The 2019/20 plan was approved on 19 July, 2019 and regular updates with regards to progress were presented. The plan addresses the five published key lines of enquiry, key elements of the plan this year were:

- Out of area patients reduction linked to the Mental Health Improvement Plan
- Implementation of automatic scheduling software to bring about efficiencies in job planning for peripatetic community services

- NHS Digital Global Digital Exemplars benefits tracking system
- Procurement initiatives in respect of contract negotiation and spend
- Provision of a new wide area network to provide faster and more effective clinical systems.
- Use of e-rostering
- Consultant job planning
- Standardising the use of 'Care Hour per Patient Day' as a measure of effectiveness
- Increased clarity and standardisation on contracted services
- Implementation testing, training and roll out of Usercost (Patient level information and costing systems) dashboards
- Ensuring benefit realisation from technology deployment
- Effective use of community hospital facilities
- Updating of plans around 'Getting it Right First Time (GIRFT)' once released for mental health

Financial governance arrangements are supported by internal and external audit to ensure economic, efficient and effective use of resources.

Network and corporate departments are responsible for the delivery of financial and other performance targets via a performance management framework, incorporating service reviews with the Executive Team for key areas and compliance with the Trust's Financial Accountability Framework.

Networks play an active role in ongoing reviews of financial performance including Cost Improvement Requirements/Quality Innovation, Productivity and Prevention (QIPP) delivery.

Assurance is provided by the Trust's internal and external auditors. The Trust's external auditors helped develop elements of this year's plan to ensure it would support their work in providing the audit opinion on the use of resources.

The Trust achieved its planned delivery of Use of Resources Rating ('UOR') of 2 (1 being the highest and 4 the lowest ratings).

The Trust is meeting NHSI's reporting and monitoring requirements on an ongoing basis.

The Trust has developed and submitted a draft operational plan for 2020/21, however, the national planning process remains suspended due to the impact of ongoing Covid-19 pandemic. The Trust will follow national guidance, as and when it is issued.

The Trust also receives independent review of its Use of Resources (Value for Money) approach from its external auditors, on an annual basis, which supports the development of the annual Use of Resources plan.

The Trust continues to develop systems and processes to help deliver an improvement in the financial performance which includes the following:

- Approval of the operational plan submission by the Board
- Approval of the annual budgets by the Board

- Monthly reporting to the Board on key performance indicators covering finance and activity; quality and safety; and human resource targets
- Regular meetings of the Finance & Performance Committee whose purpose is to test the robustness of analysis and assurance provided by its feeder sub-committees to support effective and efficient decision making at Board meetings relating to the operational delivery and performance of the Trust
- The Trust has continued to utilise its Programme Management Office ('PMO') to increase focus on areas requiring support and intervention
- The Networks play an active part in ongoing review of financial performance including CIP requirements and Quality, Innovation, Productivity and Prevention ('QIPP') delivery

The Trust also relies on the value for money element of the Trust's Internal Audit programme, the outcomes of which provide assurance against the strategic financial risks that the organisation manages. No significant issues have been identified as a result of their work.

Sustainability

To note, the carbon reduction figures for 2019/20 are not available until November 2020, as data is submitted 12 months in arrears, and therefore the data is only reported up until 2018/19.

As one of the largest employers and purchasers of goods and services in the Lancashire and South Cumbria area, the Trust plays a key role in reducing carbon emissions, improving sustainable outcomes and adapting to the impacts of climate change. LSCFT is actively engaged in actions to reduce carbon emissions and for the fourth year in a row, has reduced its associated carbon emissions. The Trust reports its previous year's carbon footprint data annually. The 2018/19 carbon targets have been exceeded, with the confirmed figures, from the Sustainable Development Unit highlighting that the Trust is only 1% off from achieving the 2020 target a year in advance.

During 2020, additional sites will receive the installation of energy efficient LED lighting and improved Building Energy Management Systems ('BEMs').

In late 2019, the Government declared a climate emergency, this was followed by the NHS England CEO Sir Simon Stevens announcing that the NHS and its staff will step up action to tackle the climate "health emergency" this year, ultimately helping prevent illness, reducing pressure on A&Es, and saving tens of thousands of lives. The initiative follows the launch of the Climate Assembly UK, which is discussing how the country can get to 'net zero' carbon emission. To ensure compliance with the net zero target the Trust will have to set a net zero carbon reduction target and provide additional resources to further reduce carbon and increase energy generation technologies throughout the estate.

Capital Developments and Environmental Work

During 2019/20, the Trust invested significant capital expenditure on key projects and developments across the organisation, as part of the Trust's Capital programme, approved by the Board of Directors. This was aligned to statutory requirements and also emerging issues from the Trust's CQC inspection.

The 2019/20 Capital programme included the following:

- Avondale 'Moving-on ward': the refurbishment of the ward to include 11 en-suite bedrooms and two Section 136 suites on the Royal Preston site. This is due to open in July 2020
- Scarisbrick dormitory works: the removal of shared bedrooms replaced with single bedroom and en-suites. Phase one of this work was completed in May 2020. Phase two of this work is due to be completed in July 2020
- Pendleview: new pharmacy area established and refurbishment of kitchen
- Chorley Mental Health Unit works; significant improvements made to the outdoor space for service users
- Vistamatics were fitted across the Chorley and Blackburn Wards, following identification of concerns by the CQC. This is due to be rolled out across all other sites during 2020/21
- Improvement work undertaken to the Section 136 Suite showering and bathroom area in Preston
- Rooftop anti climb work was undertaken to reduce access to roof areas at inpatient sites and mitigate such risks

The Capital Programme for 2020/21 is currently in its final stages prior to approval by the Board of Directors.

Energy Management

The reduction in carbon emissions has been achieved in part by optimising the accommodation strategy and installing SMART energy meters at all sites. These actions have reduced the amount of buildings requiring utilities and provided highly accurate energy consumption and carbon emissions data and eliminated estimated energy bills.

Progress to reduce carbon emissions has been enhanced by the recently approved and endorsed Sustainable Development Management Plan (SDMP). The SDMP is the strategic organisational plan, setting out the Trust's ambitions for sustainable development. This is a mechanism for the Trust to take a co-ordinated, strategic and action-orientated approach to embed sustainable development throughout the organisation, reduce carbon emissions, and increase resilience/adaptation to climate change throughout Lancashire and South Cumbria.

Water and Waste

Working in partnership with its utility supplier, the Trust is actively consolidating the water billing process. Consolidation will allow the Trust to deploy resources and optimise actions to reduce costs and improve efficiencies in this area. Throughout 2018/19 there have been several initiatives to reduce, reuse and recycle waste. These actions have resulted in a reduction in waste generation.

Procurement and Travel

Procurement is the largest contribution to the Trust's carbon footprint and is difficult to control or reduce in terms of carbon emissions. The purchase of goods and services has far reaching global consequences. However, there is progress being made in the area to increase the sustainable content of goods purchased via the NHS supply chain. Working in partnership with the Procurement Department, actions are being taken to engage with suppliers to identify potential sustainable alternatives, to reduce packing and to optimise delivery schedules.

Travel accounts for 20% of the Trust's total carbon footprint due to the scale of its geographical footprint and staff travel to undertake their roles. Public transport in the North West has its limitations as an alternative means of transport. However, the Trust has explored the potential for car sharing, cycling to work and supports the provision and use of electronic vehicles as more sustainable means of transport.

Information Governance

The Trust continues to operate in accordance with Data Protection Law working in partnership with both clinical and corporate colleagues to ensure compliance.

Each year an annual Information Governance (IG) work plan is developed in order to identify activities that will bring about improvements in the working practices of operational services, with a view to achieving increased compliance and assurance. Progress reports have been submitted to the established IG meetings, for example the Clinical Records and IG Group and the Joint SIRO and Caldicott Guardian Steering Group that have convened over the year to ensure that delivery and progress is monitored.

The role of the Trust Data Protection Officer (DPO) has grown during the year with the organisation recognising the responsibilities of the statutory position and using the role to help guide compliance. Inclusion of the role at a strategic and operational level has increased with the DPO being present at key events requiring consultation and advice. It is recognised that there is still work to be done on education and raising more awareness of the role in the coming year to ensure that the organisation utilises specialist knowledge appropriately.

There has been a significant decrease in the number of Serious Incidents (SIs) reported to the Information Commissioners Office (ICO) during 2019/20 from the previous year, with three incidents advised. This is a reduction of approximately 62% on the previous year. The Trust also received three complaints from the ICO which is a similar figure to that in 2018/19. In all cases the ICO has concluded that the root cause of the incidents has been human error and has taken no enforcement action against the Trust. The ICO also concluded that the Trust dealt with the complaints in a satisfactory manner and all of the referred cases have been closed. The Trust continues to learn from these events and the DPO and the IG team work closely with all services to promote improved understanding of responsibilities and data protection compliance.

In 2018 a serious data incident occurred in the Trust's Human Resources department, as a result of a Freedom of Information Act response containing personal and sensitive data. Following a subsequent related data incident, the Trust's external auditors, KPMG, were engaged in 2019 to undertake a review of both incidents including a review of the overall data management process and application of the Incident Policy. This resulted in a number of recommendations issued to the Trust for implementation and to support lessons learned. Assurance in respect of the progress has been reported to the Joint SIRO and Caldicott Guardian Steering Group during this period. As per the Terms of Reference, this breach was also reported to the Audit Committee over the course of the year as part of a private meeting, to provide an overview of the process undertaken to address and mitigate the breach. The Audit Committee then provided assurance to the Board on the matter. The Trust has also worked with

legal advisors where a number of affected data subjects have claimed distress resulting from the 2018 data incident. These claims are on-going.

Information Asset Ownership and Administration ('IAO/IAA') structure remains in place, along with a record of processing activities ('ROPA') in the form of an information asset register and data flow map register hosted on SharePoint. It has become apparent that the existing SharePoint arrangement has reduced capacity and capability, as the ROPA has developed. A new solution is being considered that will technically support both the new Trust service delivery structure and improve ease of use and recording. This will be part of the IG work plan in 2020/21. Senior IAOs continue to provide risk reports within the IG governance and assurance framework to ensure that the SIRO receives assurance that the networks and corporate areas are compliant with the law.

A new Data Security and Protection Toolkit (DSPT) was introduced in 2018/19 to replace the previous IG Toolkit. The Trust is required to provide an assurance statement and evidence where applicable against the ten assertions. These assertions assess the Trust's compliance against both the current data protection law and the National Data Guardian (NDG) standards, taking account of information security, cyber security and observance of privacy and confidentiality rights. The DSPT uses an attainment of either 'standards met, partially met or not met'.

In light of the Covid-19 pandemic NHS Digital has recognised that many organisations may be unable to complete the required Information Governance Assessment Report due to reduced capacity and resources being prioritised for patient care and staff safety. In response, NHS Digital has extended LSCFT's submission until September 2020. Compliance will continue to be monitored. At April 2020, the Trust was compliant with all items with the exception of the mandatory Information Governance target of 95%, with a current compliance rate of 91%. The Trust aims to achieve 'standards met' for the 2019/20 submission in September 2020.

The Trust's internal auditors assessed three assertions in December 2019. These assertions included training, continuity planning and unsupported systems. The assessment report has advised a 'substantial' assurance rating based on knowledge of work being undertaken or planned at the time of the assessment.

The Health Informatics Department was accredited with ISO270001 in 2018, which is the internationally recognised standard for information security management. An external annual assessment of the certification was undertaken in October 2019 and this resulted in the continued accreditation. The scope of the certificate is fully audited across the year on a monthly frequency to ensure that the organisation is monitoring practices and identifying opportunities to update and improve where practicable and legally required. The Information Security Forum (ISF) oversees and monitors the work undertaken in respect of the standard and this is reported to the Infrastructure Sub Committee. The accreditation offers significant evidence for the DSPT and this has been acknowledged by NHS Digital who have applied a range of exemptions to the DSPT this year. This means that NHS Digital are satisfied that the Trust has already demonstrated compliance with the security principle in Data Protection law, NDG standards and cyber security standards. This is significant assurance against such a risk for the Trust.

Across the Trust, Work has continued to promote a healthy information management and security culture. In the coming year there will be a further focus on standardisation of the information governance risk, control and assurance environment. This will lead to improved visibility of information assets, owners and data flows, aggregation of risk and greater clarity on gaps in controls and assurance across networks and corporate services.

In addition, efforts will be made to gain insight into how well the organisation understands and complies with the principles of Data Protection and Information Governance by undertaking staff surveys and reinforcing knowledge and behaviours where appropriate. The DSPT will require that more of the Trust's services make direct contributions to assurances and as such there will be closer working with IAOs and IAAs to develop a deeper understanding of the assertions and support them to provide high quality evidence of compliance.

The South Cumbria transfer of services into the Trust required collaborative working across organisations to ensure the safe and secure transfer of all patient records. The work is now complete and all records are accounted for.

The Subject Access Request (SAR) Team has seen a large increase in the number of SARs being received. This has brought increased demand on capacity in both the SAR team and on clinicians. There are a number of technical solutions being introduced to the SAR Team in early 2020/21 to support this and it is hoped that clinicians will also see the benefit e.g. electronic redactions.

The clinical coding function continues to operate at a high level of service and has, again, received 'significant assurance' from internal auditors during 2019/20, endorsing compliance with data quality standards in records management.

In accordance with national requirements, the Trust has prepared for the National Data Opt Out which is planned for implementation by the end of March 2020. The IG team has liaised with NHS Digital and collaborated with the Business Intelligence, Health Records, Clinical Audit and Research and Planning teams in readiness for the deadline. This will ensure that a patient's instruction for their data not to be included for the purpose of research and planning is upheld and excluded from the dataset. A process has been established between Business Intelligence and NHS Digital which ensures that a lawful and useable dataset is provided securely.

LSCFT continues to work in collaboration with partners across Lancashire and South Cumbria using the Lancashire Patient Record Exchange Service Programme and have enabled access to patient information through our key clinical systems.

The RIO, Electronic Patient Record (EPR) continues to be rolled out across the Trust and this has further improved the accessibility and security of clinical information. In addition to the deployment to a number of clinical areas, the RIO system has now been deployed to all relevant services such as the Patient Administration System, creating standardised management of patient identities, referrals, clinics and other key aspects of the Trust's operations. The EPR programme is bringing about improved IG compliance.

The Trust has procured a hybrid mail system which will enable the outsourcing of clinical letter production to an off-site printing facility whereby letters can be produced without the need for human intervention. This will, when fully deployed, remove human error from much of the process and give high levels of assurance that correspondence is fully compliant with the Data Protection Act and Trust Policy. Further to this, the Trust now has the capability to communicate with service users and carers via email, which will maintain security and offer significant savings and environmental benefits.

Furthermore, the Trust's electronic document management system is in the process of being upgraded to provide improved retrieval of records by ensuring that the capture and storage of digitised records is better aligned with operational need.

Data Quality and Governance

As mentioned previously, the Trust has undertaken a significant refresh of the Executive and Non-Executive team, whilst this supports ensuring that the Trust has the appropriate skillset to manage and address the various challenges across the organisation, it also ensures that the Trust has increased focus on data quality, with sufficient levels of experience and knowledge of data quality across the Board. This has been significantly strengthened with the appointment of a Director of Digital, who has the performance and business intelligence functions as part of their portfolio.

The Trust presents monthly performance within the context of data for the last rolling 12 months to the Board. Seasonal activity planning across community services was implemented during 2017/18, which has enabled a greater depth of understanding of changes in activity trends. Additional analysis has been applied in 2019/20 to review patterns within the Adult Mental Health Acute Care pathway, in particular relation to seasonal demand and weekly demand patterns and variation in demand across each day. This data will be utilised in 2020/21 as a basis both for operational planning and working with system partners to understand demand drivers and, where possible, intervene earlier to support people who may need our services.

Systems and Processes

During 2019/20, the Trust has established Statistical Process Control (SPC) as a core methodology for understanding fluctuations in the Trust's performance data and, increasingly, clinical quality data. SPC use with clinical quality data will be expanded in 2020/21. SPC allows the identification of natural variation in performance compared to a change (intended or unintended) in the system which impacts on performance. This provides assurance that performance is on track, whilst highlighting areas requiring attention.

Monthly Executive performance reviews are also in place, which reviews data on a granular level to ward and team level, which ensures that areas of good or decreasing performance can be highlighted and addressed, as appropriate.

Data Use and Reporting

The Trust measures and monitors performance against operational indicators, quality and safety, workforce and finance, which are collated into a Quality and Performance Report, reported to the Board on a monthly basis. Detailed exception reports are included for those measures that have not

performed to the required standard for three months or more. Service waiting times are reported through this process for mandated services, both for Referral to Assessment and Referral to Treatment as appropriate. The process is subject to monthly scrutiny of data for validation purposes by the Performance Team and service leads. To improve the Trust's ability to provide and scrutinise accurate real time data, currently under development is a revised reporting format which aims to improve governance and reporting arrangements to enable triangulated performance reporting for the Board and will support the Trust's move to a locality based model during 2020. Additionally, the Trust will continue to expand its use of Statistical Process Control (SPC) data reporting to support clinical quality data and enable the Trust to more easily identify areas of low performance across the organisation.

Maintaining Systems of Internal Control

The Board is ultimately responsible for the delivery and quality of care that is delivered across all of the services that the Trust provides, and any risks to those. This is achieved through governance arrangements which are in place delegating responsibility to operational levels of the organisation, in particular the Audit Committee in relation to the monitoring and scrutiny of governance, risk and internal systems of control. The quality governance arrangements support the Board in exercising this responsibility and complement and fully integrate with the wider governance framework in place.

Internal Audit

The organisation has a risk-based approach to planning for internal audit on an annual basis. Audits are reported through to the Audit Committee on a quarterly basis, and the full plan is reviewed half-way through the year to ensure the initial areas identified on the plan remain a priority. A rigorous process is in place that records progress of the audit plan and collates evidence to demonstrate the implementation of audit recommendations.

Head of Internal Audit Opinion

The purpose of the Head of Internal Audit Opinion is to contribute to the assurances available to the Accountable Officer and the Board which underpin the Board's own assessment of the effectiveness of the organisation's system of internal control. The opinion assists the Board in the completion of its Annual Governance Statement, along with considerations of organisational performance, regulatory compliance, the wider operating environment and health and social care transformation. The opinion is provided in the context that LSCFT, like other organisations across the NHS, is facing a number of challenging issues and wider organisational factors.

The basis for the Head of Internal Audit Opinion is;

1. An assessment of the design and operation of the Trust's underpinning Assurance Framework and supporting processes.
2. An assessment of the range of individual assurances arising from risk-based internal audit assignments that have been reported throughout 2019/20. This assessment has taken account of the relative materiality of systems reviewed and management's progress in respect of addressing control weaknesses identified.
3. An assessment of the Trust's response to Internal Audit recommendations, and the extent to which they have been implemented.

Overall Opinion for the period 1 April 2019 to 31 March 2020

Moderate Assurance can be provided, in that there is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some of the organisation's objectives at risk.

The 2019/20 Internal Audit Plan has been delivered in accordance with the schedule agreed with the Audit Committee at the start of the financial year, including approved plan variations. This position has been reported within the progress reports across the financial year with the final report concluding completion of the Internal Audit Plan. This is with the exception of learning from incidents and safe staffing/rostering reviews for which, draft reports have been issued for management review. The review of policy framework was ongoing at the time of production of the Opinion report. In addition, the review of Effectiveness of Discharge Planning has been deferred due to the ongoing Covid-19 pandemic.

Review coverage has been across governance and leadership, compliance and performance, financial performance and sustainability, quality, people and information and technology. Internal Audit raised 35 recommendations in relation to the finalised reviews undertaken during 2019/20. All recommendations raised were accepted by management. In addition, Internal Auditors continued to undertake follow up reviews during the course of year.

Internal Auditors reported that the Trust can be satisfied that its Assurance Framework meets requirements, and that the follow up of recommendations demonstrates that we maintain a good response to audits.

The Internal Audit function issued a total of 12 formal reports (three, reviewing CQC Action Plan, Assurance Framework and Conflicts of Interest not requiring a formal assurance opinion) during 2019/20 (as below), raising 7 high risk recommendations in relation to reviews of;

- Healthcare Support and Infrastructure Services (HSIS) LLP Governance, and
- HR key performance indicators and sickness management

It should be noted that there may be other high risk recommendations relating to safe staffing and learning from incidents that will be reported as part of the 2020/21 financial year.

During the course of the year the Trust was subject to follow up reviews, and Internal Audit concluded that the organisation had made good progress with regard to the implementation of recommendations.

Review	Assurance Opinion	Recommendations raised					
		Critical	High	Mod	Low	Total	
1	Assurance Framework	N/A	N/A	N/A	N/A	N/A	
2	Conflicts of Interest	N/A	0	0	5	0	5
3	HSIS Governance	Moderate	0	1	6	2	9
4	CQC Action Plan	N/A	N/A	N/A	N/A	N/A	N/A
5	Financial Systems	High	0	0	0	1	1
6	HR KPIs	Moderate/Limited	0	2	1	0	3
7	Risk Relapse Plans*	Limited	0	0	0	0	0
8	Sickness Management	Limited	0	4	3	0	7
9	EPR Gateway	Substantial	0	0	3	0	3
10	DPST	Substantial	0	0	0	0	0
11	Safe Staffing**	Moderate	0	1	1	1	3
12	Learning from Incidents**	Limited	0	3	1	0	4
Total			0	11	20	4	35

*No recommendations were made as Internal Audit propose repeating the exercise as part of the 2020/21 audit plan to assess progress in this area

**These reports were draft at the time of preparation of the Head of Internal Audit Opinion report.

Clinical Audit

The focus on Clinical Audit has remained a priority for the Trust during 2019/20, using clinical audit as a function to provide assurance and support the Trust's Board Assurance Framework. The Trust has participated in a number of national audits from the National Clinical Audit and Patient Outcomes Programme (NCAPOP) and has seen an increase in engagement within the national audit programmes during the year.

Progress of 2019/20 network priority clinical audit programme and national audit programme has been reported to Audit Committee and the Quality and People Committee throughout the year to provide assurance of the timeliness and expected standards of the processes undertaken, and support the management of the Trust's strategic risks. There is more detailed information contained in the 2019/20 Quality Account relating to Clinical Audit.

Handling Gaps in Internal Control

Significant risks or gaps in internal control are handled consistently within the BAF. For example, any recommendations arising from Internal Audit reviews which are acknowledged to pose a risk to the Trust's strategic objectives are recognised in the BAF (if they have not been previously recognised there). Issues arising via other means are assessed and treated likewise, and receive the required focus and resource in order to mitigate risk and close gaps in control. An example of this in 2019/20 has been CQC inspection activity and subsequent serving of warning notices. The improvement action plans

implemented in-year and governance put in place to provide internal control mechanisms around this activity have been reported to Board and to the Quality and People Committee on a monthly basis for assurance. Additionally, the Board and the Quality and People Committee have monitored BAF risks relating to the issues raised by CQC.

In addition, the Executive Directors have commissioned independent external reviews on areas that require focus or improvement, to support ensuring that there is appropriate scrutiny, oversight and management of gaps in the control systems. The detail of these independent reviews have been described throughout this report.

The Board recognises that focussed work is required in 2020/21 in order to embed the progress made in areas where weaknesses and risks have been identified via Internal Audit activity, CQC inspection and Trust-commissioned external reviews.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS foundation trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the audit committee and quality committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Conclusion

I can confirm that there have been no significant control issues in the Trust in 2019/20. Where control issues have been identified, for example in relation to the significant and sustained increase to demand for our services within the emergency mental health pathway, they have been reported and appropriate robust management response put in place, as described within this statement. There is an acknowledgement that the Trust has embarked on a journey of improvement and plans are in place through this improvement to strengthen our controls and assurance systems even further. This statement has been developed from an evidence based assurance perspective and takes account of the Head of Internal Audit Opinion.

My review confirms that Lancashire and South Cumbria NHS Foundation Trust has a generally sound system of internal control that supports the achievement of its policies, aims and objectives. The Trust continues to identify opportunities to strengthen the internal control environment into 2020/21.

Signed: 

Caroline Donovan
Chief Executive Officer
Date: 22 June 2020

10.0

Statement of the Modern Slavery Act 2016

Slavery & Human Trafficking Statement 2020

As an NHS organisation, LSCFT does not engage in profit-making activities which could trigger the reporting requirement within the Modern Slavery Act 2015. In recognition of the importance of eliminating modern slavery, the Board of Directors have prepared a voluntary statement in response to the Act.

LSCFT is committed to maintaining and improving systems, processes and policies to avoid complicity in human rights violation.

We realise that slavery and human trafficking can occur in many forms, such as forced labour, domestic servitude, sex trafficking and workplace abuse.

The Trust is fully aware of the responsibilities it bears towards patients, employees and the local community and as such, we have a strict set of values that we use as guidance with regard to our activities. We therefore would expect that all suppliers to the Trust adhere to the same principles.

The Trust already exercises due diligence and checks on suppliers in line with both our internal Standing Financial Instructions and in compliance with the Public Contract Regulations and it is a mandatory criteria of selection and indeed exclusion if any supplier is not compliant with the reporting requirements of the Act. Indeed, as the Trust primary supplier of goods and consumables, NHS Supply Chain already uses a Supplier Code of Conduct with every supplier who is approved to sell its products via the NHS catalogue.

The Trust's Procurement Procedures and the NHS standard terms and conditions of contract take into account the Act.



Lancashire &
South Cumbria
NHS Foundation Trust

We are
LSCft



Lancashire and South Cumbria NHS Foundation Trust

Annual accounts for the year ended 31 March 2020

Foreword to the accounts

Lancashire and South Cumbria NHS Foundation Trust

These accounts, for the year ended 31 March 2020, have been prepared by Lancashire and South Cumbria NHS Foundation Trust in accordance with paragraphs 24 & 25 of Schedule 7 within the National Health Service Act 2006.

Signed



Name

Caroline Donovan

Job title

Chief Executive

Date

22 June 2020

Consolidated Statement of Comprehensive Income

	Note	Group	
		2019/20	2018/19
		£000	£000
Operating income from patient care activities	3	353,326	326,005
Other operating income	4	25,429	26,160
Operating expenses	7, 9	(372,932)	(359,772)
Operating surplus/(deficit) from continuing operations		5,823	(7,607)
Finance income	12	254	180
Finance expenses	13	(1,712)	(1,819)
PDC dividends payable		(4,829)	(5,245)
Net finance costs		(6,287)	(6,884)
Other gains	14	835	603
Share of profit / (losses) of associates / joint arrangements	22	-	(63)
Gains / (losses) arising from transfers by absorption	44	8,434	-
Surplus / (deficit) for the year		8,805	(13,951)
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	8	(778)	(7,095)
Revaluations	20	9,255	50
Total comprehensive income / (expense) for the period		17,282	(20,996)
Surplus/ (deficit) for the period attributable to:			
Lancashire and South Cumbria NHS Foundation Trust		8,805	(13,951)
TOTAL		8,805	(13,951)
Total comprehensive income/ (expense) for the period attributable to:			
Lancashire and South Cumbria NHS Foundation Trust		17,282	(20,996)
TOTAL		17,282	(20,996)

The Trust's 2019/20 operating profit is declared after taking into account an absorption gain on the transfer of assets from Cumbria Partnership NHS Foundation Trust.

The Trust's 2018/19 operating deficit was declared after taking into account impairments resulting from Trust asset valuation assurance processes.

The Group SOCI consolidates the performance of its wholly owned subsidiary, Healthcare Support & Infrastructure Services Ltd. This being:

	2019/20	2018/19
	£000	£000
Income	1,928	1,700
Expenditure	(1,544)	(1,482)
Surplus for the year	384	218

Statements of Financial Position

	Note	Group		Trust	
		31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Non-current assets					
Intangible assets	16,17	2,808	3,101	2,808	3,101
Property, plant and equipment	18,19	228,491	207,371	228,491	207,371
Investments in associates and joint ventures	22	47	187	47	187
Receivables	27	125	-	125	-
Total non-current assets		231,471	210,659	231,471	210,659
Current assets					
Inventories	26	97	67	97	67
Receivables	27	27,703	27,062	27,703	28,326
Non-current assets held for sale	28	500	1,540	500	1,540
Cash and cash equivalents	29	31,515	30,344	31,100	28,300
Total current assets		59,815	59,013	59,400	58,233
Current liabilities					
Trade and other payables	30	(38,240)	(34,199)	(38,445)	(33,655)
Borrowings	32	(3,013)	(3,071)	(3,013)	(3,071)
Provisions	34	(1,486)	(1,268)	(1,486)	(1,268)
Other liabilities	31	(6,382)	(7,416)	(6,382)	(7,416)
Total current liabilities		(49,121)	(45,954)	(49,326)	(45,410)
Total assets less current liabilities		242,165	223,718	241,545	223,482
Non-current liabilities					
Borrowings	32	(46,516)	(49,373)	(46,516)	(49,373)
Provisions	34	(1,277)	(1,655)	(1,277)	(1,655)
Total non-current liabilities		(47,793)	(51,028)	(47,793)	(51,028)
Total assets employed		194,372	172,690	193,752	172,454
Financed by					
Public dividend capital		117,314	112,914	117,314	112,914
Revaluation reserve		73,125	64,702	73,125	64,702
Income and expenditure reserve		3,933	(4,926)	3,313	(5,162)
Total taxpayers' equity		194,372	172,690	193,752	172,454

The notes on pages 10 to 74 form part of these accounts.

Name
Position
Date

Caroline Donovan
Chief Executive
22 June 2020



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

Group	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2019 - brought forward	112,914	64,702	(4,926)	172,690
Surplus/(deficit) for the year	-	-	8,805	8,805
Transfers by absorption: transfers between reserves	-	1,423	(1,423)	-
Impairments	-	(778)	-	(778)
Revaluations	-	9,255	-	9,255
Public dividend capital received	4,400	-	-	4,400
Other reserve movements	-	(1,477)	1,477	-
Taxpayers' and others' equity at 31 March 2020	117,314	73,125	3,933	194,372

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

Group	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2018 - brought forward	105,360	73,556	7,215	186,131
Surplus/(deficit) for the year	-	-	(13,951)	(13,951)
Impairments	-	(7,095)	-	(7,095)
Revaluations	-	50	-	50
Transfer to retained earnings on disposal of assets	-	(107)	107	-
Public dividend capital received	7,554	-	-	7,554
Other reserve movements	-	(1,702)	1,702	-
Taxpayers' and others' equity at 31 March 2019	112,914	64,702	(4,926)	172,689

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

Trust	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2019 - brought forward	112,914	64,702	(5,398)	172,218
Surplus/(deficit) for the year	-	-	8,421	8,421
Transfers by absorption: transfers between reserves	-	1,423	(1,423)	-
Impairments	-	(778)	-	(778)
Revaluations	-	9,255	-	9,255
Public dividend capital received	4,400	-	-	4,400
Other reserve movements	-	(1,477)	1,477	-
Taxpayers' and others' equity at 31 March 2020	117,314	73,125	3,077	193,516

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

Trust	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2018 - brought forward	105,360	73,556	7,215	186,131
Surplus/(deficit) for the year	-	-	(14,187)	(14,187)
Impairments	-	(7,095)	-	(7,095)
Revaluations	-	50	-	50
Transfer to retained earnings on disposal of assets	-	(107)	107	-
Public dividend capital received	7,554	-	-	7,554
Other reserve movements	-	(1,702)	1,702	0
Taxpayers' and others' equity at 31 March 2019	112,914	64,702	(5,162)	172,454

Information on reserves

Public dividend capital

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

Revaluation reserve

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

Income and expenditure reserve

The balance of this reserve is the accumulated surpluses and deficits of the Trust.

Statements of Cash Flows

	Note	Group		Trust	
		2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Cash flows from operating activities					
Operating surplus / (deficit)		5,823	(7,607)	5,439	(7,843)
Non-cash income and expense:					
Depreciation and amortisation	7.1	8,849	9,294	8,849	9,294
Net impairments	8	1,366	14,825	1,366	14,825
(Increase) / decrease in receivables and other assets		(1,000)	(2,810)	266	(4,076)
(Increase) / decrease in inventories		(30)	(15)	(30)	(15)
Increase / (decrease) in payables and other liabilities		(673)	12,119	74	11,577
Increase / (decrease) in provisions		(160)	618	(160)	618
Other movements in operating cash flows		28	(13)	28	(13)
Net cash flows from / (used in) operating activities		14,203	26,411	15,832	24,367
Cash flows from investing activities					
Interest received		254	180	254	180
Purchase of intangible assets		(682)	(1,792)	(682)	(1,792)
Purchase of PPE and investment property		(9,769)	(14,328)	(9,769)	(14,328)
Sales of PPE and investment property		1,875	3,332	1,875	3,332
Cash from acquisitions / disposals of subsidiaries		138	-	138	-
Net cash flows from / (used in) investing activities		(8,184)	(12,608)	(8,184)	(12,608)
Cash flows from financing activities					
Public dividend capital received		4,400	7,554	4,400	7,554
Movement on loans from DHSC		(2,571)	(2,571)	(2,571)	(2,571)
Capital element of PFI, LIFT and other service concession payments		(335)	(292)	(335)	(292)
Interest on loans		(1,534)	(1,577)	(1,534)	(1,577)
Interest paid on PFI, LIFT and other service concession obligations		(213)	(206)	(213)	(206)
PDC dividend (paid) / refunded		(4,595)	(5,556)	(4,595)	(5,556)
Cash flows from (used in) other financing activities		-	(39)	-	(39)
Net cash flows from / (used in) financing activities		(4,848)	(2,687)	(4,848)	(2,687)
Increase / (decrease) in cash and cash equivalents		1,171		2,800	9,072
Cash and cash equivalents at 1 April - brought forward		19,228	19,228	28,300	19,228
Cash and cash equivalents at 31 March	29	20,399	19,228	31,100	28,300

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

NHS Improvement, in exercising the statutory functions conferred on Monitor, has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2019/20 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts

Accounting convention

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

Note 1.2 Going concern

The Trust has achieved its planned out-turn for 2019/20 and has a credible plan to achieve its control total in 2020/21. Sustainability will be managed through the Mental Health Investment Standard and Sustainability and Transformation Plans in line with overall 5 year forward view for the NHS and the long term plan for the NHS.

At the date of approval of this report, the Board had not completed the annual planning process for the 2020-2021 year, following the instruction from NHS England/ Improvement to cease planning activities during the COVID-19 emergency period. Provisionally, the Board has agreed the financial trajectory target of breakeven and that the Trust could anticipate a full-year deficit of £1.3m, net of central support from the Provider Sustainability Fund, the Financial Recovery Fund and Marginal Rate Emergency Tariff support.

For the period from April to the end of July 2020, the Trust has been funded under special and specific arrangements related to the COVID-19 emergency period, approved at national level and designed to ensure that all appropriate Trust expenditure in the period is refunded in full, with the intention to ensure that all Trusts 'break even' on their operations in the period. In the view of the Board, there is a reasonable likelihood that the COVID-19 emergency period, and the related specific funding regime, will continue beyond that date. The Board is also of the view that, given the significant disruption to other services, and the need to ensure in the public interest that the variety of other services are resumed in a safe and controlled manner, it is likely that there will be supportive funding arrangements for the remainder of 2020-2021, which may run into the following financial year, to ensure that services can be provided to the community.

The Trust finished the year with £31.5m cash balance to support the ongoing revenue position. As part of the new cash regime, Trusts have received two months payments in April. At the end of April the Trust had a cash balance of £56.1m. If the monthly revenue costs / loss of non-NHS income exceed the block and top-up payments then the Trust can apply for additional funding.

Providers have been told by DHSC to continue to expect NHS funding to flow at similar levels to that previously provided where services are reasonably still expected to be commissioned. While mechanisms for contracting and payment are not definitively in place, it is clear that NHS services will continue to be funded, and government funding is in place for this. As with any Trust placing reliance on the DHSC for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Note 1.3 Consolidation

NHS Charitable Funds

The Trust is the corporate trustee to Lancashire & South Cumbria NHS Foundation Trust Charity and Other Related Charities. The Trust has assessed its relationship to the charitable fund and determined it to be a subsidiary because the Trust is exposed to, or has rights to, variable returns and other benefits for itself, patients and staff from its involvement with the charitable fund and has the ability to affect those returns and other benefits through its power over the fund.

The charitable fund's statutory accounts are prepared to 31 March in accordance with the UK Charities Statement of Recommended Practice (SORP) which is based on UK Financial Reporting Standard (FRS) 102.

Under IFRS 10 NHS bodies are required to consolidate their charitable funds with their own statements where they are considered to be under common control, however, consideration is given to the materiality of the funds held. As with prior year the Trust's charitable funds are not considered material and so their results have not been consolidated. The statements of the Trust's charitable fund are available upon request.

Other subsidiaries

Subsidiary entities are those over which the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The income, expenses, assets, liabilities, equity and reserves of subsidiaries are consolidated in full into the appropriate financial statement lines. Capital and reserves attributable to minority interests are included as a separate item in the Statement of Financial Position.

The amounts consolidated are drawn from the published financial statements of the subsidiaries for the year (except where a subsidiary's financial year end is before 1 January or after 1 July in which case the actual amounts for each month of the Trust's financial year are obtained from the subsidiary and consolidated).

Where subsidiaries' accounting policies are not aligned with those of the Trust (including where they report under UK FRS 102) then amounts are adjusted during consolidation where the differences are material. Inter-entity balances, transactions and gains/losses are eliminated in full on consolidation.

Subsidiaries which are classified as held for sale are measured at the lower of their carrying amount and 'fair value less costs to sell'.

Joint ventures

Joint ventures are arrangements in which the Trust has joint control with one or more other parties, and where it has the rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method.

Limited Liability Partnership

These are arrangements in which the Trust has joint control with one or more other parties and has the rights to the assets, and obligations for the liabilities, relating to the arrangement. The Trust consolidates its share of the assets, liabilities, income and expenses within its financial statements.

Note 1.4 Revenue from contracts with customers

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

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

Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners for health care services. A performance obligation relating to delivery of a spell of health care is generally satisfied over time as healthcare is received and consumed simultaneously by the customer as the Trust performs it. The customer in such a contract is the commissioner, but the customer benefits as services are provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligns with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that are substantially the same and have a similar pattern of transfer. At the year end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete. This accrual is disclosed as a contract receivable as entitlement to payment for work completed is usually only dependent on the passage of time.

The Trust receives income from commissioners under Commissioning for Quality and Innovation (CQUIN) schemes. The Trust agrees schemes with its commissioner but they affect how care is provided to patients. That is, the CQUIN payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the contract.

Revenue from research contracts

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

Provider sustainability fund (PSF) and Financial recovery fund (FRF)

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

Note 1.5 Other forms of income

Grants and donations

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

Apprenticeship service income

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

Proceeds from sale of non-current assets

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

Note 1.6 Expenditure on employee benefits

Short-term employee benefits

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

Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as though it is a defined contribution scheme.

Employer's pension cost contributions are charged to operating expenses as and when they become due.

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

Note 1.7 Expenditure on other goods and services

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

Note 1.8 Discontinued operations

Discontinued operations occur where activities either cease without transfer to another entity, or transfer to an entity outside of the boundary of Whole of Government Accounts, such as private or voluntary sectors. Such activities are accounted for in accordance with IFRS 5. Activities that are transferred to other bodies within the boundary of Whole of Government Accounts are 'machinery of government changes' and treated as continuing operations.

Note 1.9 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised where:

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

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

Subsequent expenditure

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

Measurement

Valuation

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

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

All land and buildings are revalued using professional valuations in accordance with IFRS every five years. Interim desktop valuations are also carried out in all other years of the valuation cycle to ensure that carrying values are not materially different from those that would be recognised at the statement of financial position date.

The valuation exercise was carried out during January and February 2020 with a valuation date of 31 March 2020. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuer has declared a 'material valuation uncertainty' in the valuation report. This is on the basis of uncertainties in markets caused by COVID-19. The values in the report have been used to inform the measurement of property assets at valuation in these financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust.

IFRS guidance is followed in valuing its assets.

Land

Status

Operational
Non-operational

Valuation methodology

Existing use value
Open market/fair value

Buildings

Status

Operational

Non-operational but retained for future operational purposes

Surplus

Valuation methodology

Depreciated Replacement
Cost (including Modern
Equivalent Asset
consideration)

Depreciated Replacement
Cost (including Modern
Equivalent Asset
consideration)

Open market/fair value

For specialised assets, current value in existing use is interpreted as the present value of the asset's remaining service potential, which is assumed to be at least equal to the cost of replacing that service potential. Specialised assets are therefore valued at their depreciated replacement cost (DRC) on a modern equivalent asset (MEA) basis. An MEA basis assumes that the asset will be replaced with a modern asset of equivalent capacity and meeting the location requirements of the services being provided.

Assets under construction

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

Equipment

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

Asset lives

As part of their valuation of our buildings the valuers assign useful economic lives to individual properties. The range of lives is 5 - 50 years

Non property assets are valued using the following asset lives:

	<u>Years</u>
Medical equipment and engineering plant and equipment	5 - 15
Furniture	5 - 10
Mainframe information technology installations	5 - 8
Soft furnishings	7
Office and information technology equipment	5
Set-up costs in new buildings	10
Vehicles	7

Finance-leased assets (including land) are depreciated over the shorter of the useful life or the lease term, unless the Trust expects to acquire the asset at the end of the lease term in which case the assets are depreciated in the same manner as owned assets above.

Depreciation

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

Property, plant and equipment which has been reclassified as 'held for sale' ceases to be depreciated upon the reclassification. Assets in the course of construction and residual interests in off-Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to the Trust, respectively. Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as assessed by the NHS foundation trust's professional valuers. Leaseholds are depreciated over the primary lease term. Equipment is depreciated on current cost evenly over the estimated life.

Revaluation gains and losses

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

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

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

Carrying values are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Impairments

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

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

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

De-recognition

Assets intended for disposal are reclassified as 'held for sale' once 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 i.e.:
 - management are committed to a plan to sell the asset
 - an active programme has begun to find a buyer and complete the sale
 - the asset is being actively marketed at a reasonable price
 - the sale is expected to be completed within 12 months of the date of classification as 'held for sale' and
 - the actions needed to complete the plan indicate it is unlikely that the plan will be abandoned or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged. Assets are de-recognised when all material sale contract conditions have been met.

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

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

PFI and LIFT transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-Statement of Financial Position' by the Trust. In accordance with IAS 17, the underlying assets are recognised as property, plant and equipment, together with an equivalent finance lease liability. Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services.

The service charge is recognised in operating expenses and the finance cost is charged to finance costs in the Statement of Comprehensive Income.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the fair value of services received;
- b) Payment for the PFI asset, including finance costs; and
- c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

PFI Asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the Trust's approach for each relevant class of asset.

PFI liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Statement of Comprehensive Income.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Income.

Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where 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 unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Assets contributed by the Trust to the operator

Assets contributed (e.g. cash payments, surplus property) by the Trust to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the Trust, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

Note 1.10 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the trust's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the Trust and where the cost of the asset can be measured reliably.

Internally generated intangible assets

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised. Expenditure on development is capitalised where it meets the requirements set out in IAS 38.

Software

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

Measurement

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

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

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

Amortisation

Intangible assets are amortised over their expected useful lives in a manner consistent with the consumption of economic or service delivery benefits.

Useful lives of intangible assets

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

	Min life Years	Max life Years
Information technology	5	5
Development expenditure	5	5
Software licences	5	5

Note 1.11 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the weighted average cost method.

Note 1.12 Cash and cash equivalents

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

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

Note 1.14 Financial assets and financial liabilities

Recognition

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

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

Classification and measurement

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

Financial assets are classified as: "fair value through income and expenditure", loans and receivables or "available for sale financial assets".

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

Financial liabilities are classified as "fair value through income and expenditure" or "other financial liabilities".

Determination of fair value

For financial assets and financial liabilities carried at fair value, the carrying amounts are determined by reference to quoted market prices where possible, otherwise by valuation techniques (discounted cash flow).

Financial assets and financial liabilities at amortised cost

Financial assets and financial liabilities at amortised cost are those held with the objective of collecting contractual cash flows and where cash flows are solely payments of principal and interest. This includes cash equivalents, contract and other receivables, trade and other payables, rights and obligations under lease arrangements and loans receivable and payable.

After initial recognition, these financial assets and financial liabilities are measured at amortised cost using the effective interest method less any impairment (for financial assets). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

Interest revenue or expense is calculated by applying the effective interest rate to the gross carrying amount of a financial asset or amortised cost of a financial liability and recognised in the Statement of Comprehensive Income and a financing income or expense. In the case of loans held from the Department of Health and Social Care, the effective interest rate is the nominal rate of interest charged on the loan.

Financial assets and financial liabilities at fair value through income and expenditure

Financial assets measured at fair value through profit or loss are those that are not otherwise measured at amortised cost or at fair value through other comprehensive income. This category also includes financial assets and liabilities acquired principally for the purpose of selling in the short term (held for trading) and derivatives. Derivatives which are embedded in other contracts, but which are separable from the host contract are measured within this category. Movements in the fair value of financial assets and liabilities in this category are recognised as gains or losses in the Statement of Comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market.

The Trust's loans and receivables comprise: cash and cash equivalents, NHS receivables, accrued income and "other receivables".

Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Income.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are either designated in this category or not classified in any of the other categories. They are included in long-term assets unless the Trust intends to dispose of them within 12 months of the Statement of Financial Position date.

Available-for-sale financial assets are recognised initially at fair value, including transaction costs, and measured subsequently at fair value, with gains or losses recognised in reserves and reported in the Statement of Comprehensive Income as an item of "other comprehensive income". When items classified as "available-for-sale" are sold or impaired, the accumulated fair value adjustments recognised are transferred from reserves and recognised in "finance costs" in the Statement of Comprehensive Income.

Other financial liabilities

All other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

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

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to finance costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets or assets measured at fair value through other comprehensive income, the Trust recognises an allowance for expected credit losses.

The Trust adopts the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses as at an amount equal to lifetime expected losses. For other financial assets, the loss allowance is initially measured at an amount equal to 12-month expected credit losses (stage 1) and subsequently at an amount equal to lifetime expected credit losses if the credit risk assessed for the financial asset significantly increases (stage 2).

The Trust normally recognises no credit losses in relation to NHS assets as all NHS receivables will eventually be settled. For non-NHS receivables the Trust recognises credit losses using a credit risk matrix.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Expected losses are charged to operating expenditure within the Statement of Comprehensive Income and reduce the net carrying value of the financial asset in the Statement of Financial Position.

Derecognition

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

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

Note 1.15 Leases

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

The Trust as a lessee

Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Trust, the asset is recorded as property, plant and equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

The asset and liability are recognised at the commencement of the lease. Thereafter the asset is accounted for an item of property plant and equipment.

The annual rental charge is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to finance costs in the Statement of Comprehensive Income.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially in other liabilities on the statement of financial position and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

The Trust as a lessor

Finance leases

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

Operating leases

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

Note 1.16 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rates effective for 31 March 2020:

		Nominal rate
Short-term	Up to 5 years	0.51%
Medium-term	After 5 years up to 10 years	0.55%
Long-term	Exceeding 10 years	1.99%

HM Treasury provides discount rates for general provisions on a nominal rate basis. Expected future cash flows are therefore adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates are set by HM Treasury, effective 31 March 2020:

	Inflation rate
Year 1	1.90%
Year 2	2.00%
Into perpetuity	2.00%

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 0.5% in real terms.

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the Trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Trust is disclosed at note 34.3 but is not recognised in the Trust's accounts.

Non-clinical risk pooling

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

Note 1.17 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 35 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 35, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

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

Note 1.18 Public dividend capital

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

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

A charge, reflecting the cost of capital utilised by the Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for (i) donated and grant funded assets, (ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and (iii) any PDC dividend balance receivable or payable.

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

Note 1.19 Value added tax

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

Note 1.20 Corporation tax

The Trust is a Health Service Body within the meaning of s519A ICTA 1988 and accordingly is exempt from taxation in respect of income and capital gains within categories covered by this. There is a power for the Treasury to disapply the exemption in relation to specified activities of a Foundation Trust (s519A (3) to (8) ICTA 1988). Accordingly the Trust is within the scope of corporation tax in respect of activities that are not related to, or ancillary to, the provision of healthcare, and where the profits therefrom exceed £50,000 per annum.

However the Trust has determined that it has no corporation tax liability as all activities are either ancillary to healthcare or below the de minimus level of profit at which tax is payable.

Note 1.21 Foreign exchange

The functional and presentational currency of the Trust is sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Where the Trust has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

- monetary items are translated at the spot exchange rate on 31 March
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction and
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expense in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

Note 1.22 Third party assets

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

Note 1.23 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis.

The losses and special payments note is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

Note 1.24 Gifts

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

Note 1.25 Transfers of functions to / from other NHS bodies / local government bodies

For functions that have been transferred to the Trust from another NHS / local government body, the assets and liabilities transferred are recognised in the accounts as at the date of transfer. The assets and liabilities are not adjusted to fair value prior to recognition. The net gain corresponding to the assets/liabilities transferred is recognised within income but not within operating activities.

For property, plant and equipment assets and intangible assets, the cost and accumulated depreciation / amortisation balances from the transferring entity's accounts are preserved on recognition in the trust's accounts. Where the transferring body recognised revaluation reserve balances attributable to the assets, the Trust makes a transfer from its income and expenditure reserve to its revaluation reserve to maintain transparency within public sector accounts.

For functions that the Trust has transferred to another NHS / local government body, the assets and liabilities transferred are de-recognised from the accounts as at the date of transfer. The net loss corresponding to the assets/liabilities transferred is recognised within expenses, but not within operating activities. Any revaluation reserve balances attributable to assets de-recognised are transferred to the income and expenditure reserve.

Note 1.26 Early adoption of standards, amendments and interpretations

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

Note 1.27 Standards, amendments and interpretations in issue but not yet effective or adopted

IFRS 16 Leases

IFRS 16 Leases will replace *IAS 17 Leases*, *IFRIC 4 Determining whether an arrangement contains a lease* and other interpretations and is applicable in the public sector for periods beginning 1 April 2021. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the statement of financial position the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

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

On transition to IFRS 16 on 1 April 2021, the Trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the trust's incremental borrowing rate. The Trust's incremental borrowing rate will be a rate defined by HM Treasury. Currently this rate is 1.27% but this may change between now and adoption of the standard. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. For existing peppercorn leases not classified as finance leases, a right of use asset will be measured at current value in existing use or fair value. The difference between the asset value and the calculated lease liability will be recognised in the income and expenditure reserve on transition]. No adjustments will be made on 1 April 2021 for existing finance leases.

For leases commencing in 2021/22, the Trust will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

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

Note 1.28 Critical judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- Leases

The Trust followed IFRS guidance to decide on the most appropriate method of disclosing its leases. It decided that all current leases fall to be treated as operating leases. The Trust will review how it classifies and discloses lease information in the light of the introduction of the new leasing standard, IFRS 16, in 2020/21

- PFI asset recognition

The Trust followed IFRS guidance to assess how to disclose its PFI assets. It decided that on-SOFP disclosure was the most appropriate method of disclosure and are presented as such in these accounts.

- Accruals

As with previous years the Trust prepares these accounts using the accruals accounting concept. This includes: the recognition of deferred income where appropriate, and following the new revenue recognition standard, IFRS 15, in the timing of income recognition.

- Provisions

The Trust has provided for expected liabilities in line with accounting guidance and on the most reliable evidence available at the year end. The Trust has estimated the provision for pensions relating to former staff using estimates provided by the NHS Pension Agency that are updated on an annual basis. Details of the provisions can be found in note xx of these accounts.

- Impairments

Carrying values of assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Decreases in asset values and impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

- Asset valuations

In compliance with IFRS guidance the Trust has embedded an Estate Valuation Assurance process. This includes :

- quarterly internal reviews of the estate, and
- a regular independent professional valuation of the estate

The internal reviews identified changes that should be transacted through our financial statements. These may be disposals, transfers, or impairments of the estate.

The annual professional valuation of the estate ensures the appropriateness of our asset carrying values taking into consideration including: asset lives, decisions around future use and extant market conditions.

The Covid-19 pandemic has resulted in the valuer issuing a material uncertainty notice over the land and building valuations. Their opinion on the potential impact on asset categories is as follows:

Specialised In Use (Operational) assets buildings using depreciated replacement cost

There has been no diminution identified in the public sector's ongoing requirement for these operational assets nor reduction in their ongoing remaining economic service potential as a result of the incidence of Covid-19. Regarding the BCIS cost indices, BCIS have stated that they consider new construction output is likely to fall in 2020 as a result of the Covid-19 outbreak, as it affects labour availability on sites and delays or leads to cancellation of projects in the pipeline. However, at the present time, BCIS have advised and we agree that it is too early for Covid-19 related issues to impact on BCIS indices published and adopted in our valuations.

Non-Specialised In Use (Operational) assets including the land element of the depreciated replacement cost valuation of specialised assets

There has been no diminution identified in the public sector's ongoing requirement for these operational assets nor reduction in their ongoing remaining economic service potential as a result of the incidence of Covid-19. Their basis of valuation is however current value in existing use, having regard to comparable market evidence and early commentary as it exists regarding direction of travel tends to suggest and support a downward movement in value. It is too early at this stage in our the valuer's professional judgement to accurately evidence this impact and it is our their opinion at the date of valuation on the information then available that the assessed impact falls within normal valuation tolerances.

During 2019/20 the results of both processes have been transacted through the asset register and manifest themselves in our financial statements.

It is impracticable to disclose the extent of the possible effects of an assumption or another source of estimation uncertainty at the end of the reporting period. On the basis of existing knowledge, outcomes within the next financial year that are different from the assumption around the valuation of our land, property, plant and equipment could require a material adjustment to the carrying amount of the asset recorded in note 18.

Note 2 Operating Segments

The Trust's Chief Operating Decision Maker as defined by IFRS 8 Operating Segments is the Board. It has determined that the Trust operates only one material business segment, that being the provision of healthcare services. The operating results of this segment are regularly reviewed by the Board.

Note 3 to the accounts analyses income from healthcare activities by type and also by source with the majority of our income coming from CCG and NHS England commissioners.

Note 4 to the accounts analyses other operating income the Trust received during the year. This is largely in relation to non-patient care services to other bodies, medical education and training monies and healthcare research and development funding.

Note 3 Operating income from patient care activities (Group)

All income from patient care activities relates to contract income recognised in line with accounting policy 1.4

Note 3.1 Income from patient care activities (by nature)	2019/20	2018/19
	£000	£000
Mental health services		
Cost and volume contract income	2,433	2,019
Block contract income	239,699	203,356
Clinical partnerships providing mandatory services (including S75 agreements)	1,840	1,796
Other clinical income from mandatory services	83	240
Community services		
Community services income from CCGs and NHS England	87,665	83,171
Income from other sources (e.g. local authorities)	9,332	31,745
All services		
Agenda for Change pay award central funding*	990	3,678
Additional pension contribution central funding**	11,169	-
Other clinical income	115	-
Total income from activities	353,326	326,005

*Additional costs of the Agenda for Change pay reform in 2018/19 received central funding. From 2019/20 this funding is incorporated into tariff for individual services.

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

Note 3.2 Income from patient care activities (by source)

Note 3.2 Income from patient care activities (by source)	2019/20	2018/19
Income from patient care activities received from:	£000	£000
NHS England	58,497	46,655
Clinical commissioning groups	283,911	242,713
Department of Health and Social Care	-	3,678
Other NHS providers	566	1,143
Local authorities	9,483	31,745
Non NHS: other	869	71
Total income from activities	353,326	326,005
Of which:		
Related to continuing operations	353,326	326,005

Note 4 Other operating income (Group)

	2019/20			2018/19		
	Contract income £000	Non-contract income £000	Total £000	Contract income £000	Non-contract income £000	Total £000
Research and development	1,280	-	1,280	1,430	-	1,430
Education and training	10,115	-	10,115	9,264	-	9,264
Non-patient care services to other bodies	6,096	-	6,096	6,391	-	6,391
Provider sustainability fund (PSF)	2,495	-	2,495	4,654	-	4,654
Financial recovery fund (FRF)	165	-	165	-	-	-
Rental revenue from operating leases	-	590	590	-	360	360
Other income	4,688	-	4,688	4,061	-	4,061
Total other operating income	24,839	590	25,429	25,800	360	26,160
Of which:						
Related to continuing operations			25,429			26,160

Note 5.1 Additional information on contract revenue (IFRS 15) recognised in the period

	2019/20	2018/19
	£000	£000
Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end	5,061	2,481
Revenue recognised from performance obligations satisfied (or partially satisfied) in previous periods	-	-

Note 5.2 Transaction price allocated to remaining performance obligations

	31 March	31 March
	2020	2019
	£000	£000
Revenue from existing contracts allocated to remaining performance obligations is expected to be recognised:		
within one year	-	-
after one year, not later than five years	-	-
after five years	-	-
Total revenue allocated to remaining performance obligations	-	-

The Trust has exercised the practical expedients permitted by IFRS 15 paragraph 121 in preparing this disclosure. Revenue from (i) contracts with an expected duration of one year or less and (ii) contracts where the Trust recognises revenue directly corresponding to work done to date is not disclosed.

Note 7.1 Operating expenses (Group)

	2019/20	2018/19
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	3,971	3,633
Purchase of healthcare from non-NHS and non-DHSC bodies	23,504	18,860
Staff and executive directors costs	278,159	256,534
Remuneration of non-executive directors	159	139
Supplies and services - clinical (excluding drugs costs)	3,049	3,791
Supplies and services - general	819	859
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	5,420	5,691
Professional support, consultancy & advice	3,537	3,625
Establishment	7,042	6,214
Premises	21,314	19,715
Transport (including patient travel)	911	582
Depreciation on property, plant and equipment	7,874	7,551
Amortisation on intangible assets	975	1,743
Net impairments	1,366	14,825
Movement in credit loss allowance: contract receivables / contract assets	(467)	10
Increase/(decrease) in other provisions	114	876
Change in provisions discount rate(s)	154	37
Audit fees payable to the external auditor		
audit services- statutory audit	84	71
other auditor remuneration (external auditor only)	15	16
Internal audit costs	116	102
Clinical negligence	741	775
Legal fees	506	546
Insurance	834	761
Education and training	905	948
Rentals under operating leases	7,548	7,587
Early retirements	136	587
Redundancy	322	779
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)	1,073	1,025
Losses, ex gratia & special payments	58	148
Other	2,693	1,742
Total	372,932	359,772
Of which:		
Related to continuing operations	372,932	359,772

Note 7.2 Other auditor remuneration (Group)

	2019/20	2018/19
	£000	£000
Other auditor remuneration paid to the external auditor:		
1. Audit-related assurance services	1	16
8. Other non-audit services not falling within items 2 to 7 above	14	-
Total	15	16

Note 7.3 Limitation on auditor's liability (Group)

The limitation on auditor's liability for external audit work is £1m (2018/19: £1m).

Note 8 Impairment of assets (Group)

	2019/20	2018/19
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Changes in market price	1,179	14,825
Other	187	-
Total net impairments charged to operating surplus / deficit	1,366	14,825
Impairments charged to the revaluation reserve	778	7,095
Total net impairments	2,144	21,920

See note 21 for further detail.

Note 9 Employee benefits (Group)

	2019/20	2018/19
	Total	Total
	£000	£000
Salaries and wages	212,682	205,376
Social security costs	19,215	18,261
Apprenticeship levy	1,020	985
Employer's contributions to NHS pensions	36,993	24,886
Temporary staff (including agency)	8,571	7,805
Total staff costs	278,481	257,313
Of which		
Costs capitalised as part of assets	-	-

Note 9.1 Retirements due to ill-health (Group)

During 2019/20 there were 6 early retirements from the Trust agreed on the grounds of ill-health (10 in the year ended 31 March 2019). The estimated additional pension liabilities of these ill-health retirements is £402k (£605k in 2018/19).

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

Note 9.2 Directors' remuneration and other benefits

Details of the Trust's Directors' remuneration and other benefits can be found in the Trust's Annual Report.

Note 10 Pension costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2020, is based on valuation data as at 31 March 2019, updated to 31 March 2020 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

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

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

C) Workforce Pensions Reform

In line with government driven Workforce Pensions Reform the Trust has established its own auto enrollment pension scheme for staff who do not qualify for the normal NHS pension scheme. This was done following option appraisal with the result that the Trust opted to use the National Employment Savings Trust (NEST) scheme.

Note 11 Operating leases (Group)

Note 11.1 Lancashire and South Cumbria NHS Foundation Trust as a lessor

This note discloses income generated in operating lease agreements where Lancashire and South Cumbria NHS Foundation Trust is the lessor.

	2019/20	2018/19
	£000	£000
Operating lease revenue		
Minimum lease receipts	590	360
Total	590	360
	31 March	31 March
	2020	2019
	£000	£000
Future minimum lease receipts due:		
- not later than one year;	590	360
- later than one year and not later than five years;	2,360	1,440
- later than five years.	-	-
Total	2,950	1,800

Note 11.2 Lancashire and South Cumbria NHS Foundation Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where Lancashire and South Cumbria NHS Foundation Trust is the lessee.

	2019/20	2018/19
	£000	£000
Operating lease expense		
Minimum lease payments	8,138	7,947
Less sublease payments received	(590)	(360)
Total	7,548	7,587
	31 March	31 March
	2020	2019
	£000	£000
Future minimum lease payments due:		
- not later than one year;	8,479	7,649
- later than one year and not later than five years;	5,724	7,312
- later than five years.	3,625	3,100
Total	17,828	18,061
Future minimum sublease payments to be received	-	-

Note 12 Finance income (Group)

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

	2019/20	2018/19
	£000	£000
Interest on bank accounts	254	180
Total finance income	254	180

Note 13.1 Finance expenditure (Group)

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

	2019/20	2018/19
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	1,498	1,574
Main finance costs on PFI and LIFT schemes obligations	214	206
Total interest expense	1,712	1,780
Unwinding of discount on provisions	-	2
Other finance costs	-	37
Total finance costs	1,712	1,819

Note 13.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015 (Group)

	2019/20	2018/19
	£000	£000
Total liability accruing in year under this legislation as a result of late payments	-	-
Amounts included within interest payable arising from claims made under this legislation	-	-
Compensation paid to cover debt recovery costs under this legislation	-	-

Note 14 Other gains / (losses) (Group)

	2019/20	2018/19
	£000	£000
Gains on disposal of assets	835	603
Total other gains / (losses)	835	603

In year disposals included the sale of an asset previously identified as being surplus to requirements. The carrying value at disposal was £1,040k.

Note 15 Trust income statement and statement of comprehensive income

In accordance with Section 408 of the Companies Act 2006, the Trust is exempt from the requirement to present its own income statement and statement of comprehensive income. The Trust's surplus for the period was £8.5 million (2018/19: deficit £14.2 million). The Trust's total comprehensive income for the period was £19.3 million (2018/19: expense £21.2 million).

Note 16.1 Intangible assets - 2019/20

Group	Software licences £000	Internally generated information technology £000	Development expenditure £000	Total £000
Valuation / gross cost at 1 April 2019 - brought forward	3,904	-	1,289	5,193
Transfers by absorption	271	-	-	271
Additions	129	-	553	682
Impairments	(187)	-	-	(187)
Reclassifications	-	1,490	(1,490)	-
Valuation / gross cost at 31 March 2020	4,117	1,490	352	5,959
Amortisation at 1 April 2019 - brought forward	2,092	-	-	2,092
Transfers by absorption	84	-	-	84
Provided during the year	752	223	-	975
Amortisation at 31 March 2020	2,928	223	-	3,151
Net book value at 31 March 2020	1,189	1,267	352	2,808
Net book value at 1 April 2019	1,812	-	1,289	3,101

Note 16.2 Intangible assets - 2018/19

Group	Software licences £000	Internally generated information technology £000	Development expenditure £000	Total £000
Valuation / gross cost at 1 April 2018 - as previously stated	8,596	-	299	8,895
Transfers by absorption	-	-	-	-
Additions	802	-	990	1,792
Disposals / derecognition	(5,494)	-	-	(5,494)
Valuation / gross cost at 31 March 2019	3,904	-	1,289	5,193
Amortisation at 1 April 2018 - as previously stated	5,843	-	-	5,843
Provided during the year	1,743	-	-	1,743
Disposals / derecognition	(5,494)	-	-	(5,494)
Amortisation at 31 March 2019	2,092	-	-	2,092
Net book value at 31 March 2019	1,812	-	1,289	3,101
Net book value at 1 April 2018	2,753	-	299	3,052

Note 17.1 Intangible assets - 2019/20

Trust	Software licences	Internally generated information technology	Development expenditure	Total
	£000	£000	£000	£000
Valuation / gross cost at 1 April 2019 - brought forward	3,904	-	1,289	5,193
Transfers by absorption	271	-	-	271
Additions	129	-	553	682
Impairments	(187)	-	-	(187)
Reclassifications	-	1,490	(1,490)	-
Valuation / gross cost at 31 March 2020	4,117	1,490	352	5,959
Amortisation at 1 April 2019 - brought forward	2,092	-	-	2,092
Transfers by absorption	84	-	-	84
Provided during the year	752	223	-	975
Amortisation at 31 March 2020	2,928	223	-	3,151
Net book value at 31 March 2020	1,189	1,267	352	2,808
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Valuation / gross cost at 1 April 2018 - as previously stated	8,596	-	299	8,895
Additions	802	-	990	1,792
Disposals / derecognition	(5,494)	-	-	(5,494)
Valuation / gross cost at 31 March 2019	3,904	-	1,289	5,193
Amortisation at 1 April 2018 - as previously stated	5,843	-	-	5,843
Provided during the year	1,743	-	-	1,743
Disposals / derecognition	(5,494)	-	-	(5,494)
Amortisation at 31 March 2019	2,092	-	-	2,092
Net book value at 31 March 2019	1,812	-	1,289	3,101
Net book value at 1 April 2018	2,753	-	299	3,052

Note 18.1 Property, plant and equipment - 2019/20

Group	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation/gross cost at 1 April 2019 - brought forward	14,017	203,311	23	827	40	5,423	954	224,595
Transfers by absorption	483	7,046	-	200	-	1,149	208	9,086
Additions	-	8,367	181	-	-	4,901	-	13,449
Impairments	(15)	(1,556)	-	-	-	(386)	-	(1,957)
Revaluations	171	4,058	-	-	-	-	-	4,229
Valuation/gross cost at 31 March 2020	14,656	221,226	204	1,027	40	11,087	1,162	249,402
Accumulated depreciation at 1 April 2019 - brought forward	-	13,854	-	816	40	1,574	940	17,224
Transfers by absorption	-	80	-	85	-	505	169	839
Provided during the year	-	6,291	-	-	-	1,583	-	7,874
Revaluations	-	(5,026)	-	-	-	-	-	(5,026)
Accumulated depreciation at 31 March 2020	-	15,199	-	901	40	3,662	1,109	20,911
Net book value at 31 March 2020	14,656	206,027	204	126	-	7,425	53	228,491
Net book value at 1 April 2019	14,017	189,457	23	11	-	3,849	14	207,371

Note 18.2 Property, plant and equipment - 2018/19

Group	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation / gross cost at 1 April 2018 - as previously stated	14,817	211,410	5,785	827	40	8,779	954	242,612
Additions	-	3,612	9,551	-	-	1,097	-	14,260
Impairments	-	(20,219)	(1,701)	-	-	-	-	(21,920)
Revaluations	-	(4,957)	-	-	-	-	-	(4,957)
Reclassifications	-	13,612	(13,612)	-	-	-	-	-
Transfers to / from assets held for sale	(800)	-	-	-	-	-	-	(800)
Disposals / derecognition	-	(147)	-	-	-	(4,453)	-	(4,600)
Valuation/gross cost at 31 March 2019	14,017	203,311	23	827	40	5,423	954	224,595
Accumulated depreciation at 1 April 2018 - as previously stated	-	12,730	-	816	40	4,754	940	19,280
Provided during the year	-	6,278	-	-	-	1,273	-	7,551
Revaluations	-	(5,007)	-	-	-	-	-	(5,007)
Disposals / derecognition	-	(147)	-	-	-	(4,453)	-	(4,600)
Accumulated depreciation at 31 March 2019	-	13,854	-	816	40	1,574	940	17,224
Net book value at 31 March 2019	14,017	189,457	23	11	-	3,849	14	207,371
Net book value at 1 April 2018	14,817	198,680	5,785	11	-	4,025	14	223,332

Note 18.3 Property, plant and equipment financing - 2019/20

Group	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2020								
Owned - purchased	14,656	204,838	204	126	-	7,425	53	227,302
On-SoFP PFI contracts and other service concession arrangements	-	1,189	-	-	-	-	-	1,189
NBV total at 31 March 2020	14,656	206,027	204	126	-	7,425	53	228,491

Note 18.4 Property, plant and equipment financing - 2018/19

Group	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2019								
Owned - purchased	14,017	187,972	23	11	-	3,849	14	205,886
On-SoFP PFI contracts and other service concession arrangements	-	1,485	-	-	-	-	-	1,485
NBV total at 31 March 2019	14,017	189,457	23	11	-	3,849	14	207,371

Note 19.1 Property, plant and equipment - 2019/20

Trust	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation/gross cost at 1 April 2019 - brought forward	14,017	203,311	23	827	40	5,423	954	224,595
Transfers by absorption	483	7,046	-	200	-	1,149	208	9,086
Additions	-	8,367	181	-	-	4,901	-	13,449
Impairments	(15)	(1,556)	-	-	-	(386)	-	(1,957)
Revaluations	171	4,058	-	-	-	-	-	4,229
Valuation/gross cost at 31 March 2020	14,656	221,226	204	1,027	40	11,087	1,162	249,402
Accumulated depreciation at 1 April 2019 - brought forward	-	13,854	-	816	40	1,574	940	17,224
Transfers by absorption	-	80	-	85	-	505	169	839
Provided during the year	-	6,291	-	-	-	1,583	-	7,874
Revaluations	-	(5,026)	-	-	-	-	-	(5,026)
Accumulated depreciation at 31 March 2020	-	15,199	-	901	40	3,662	1,109	20,911
Net book value at 31 March 2020	14,656	206,027	204	126	-	7,425	53	228,491
Net book value at 1 April 2019	14,017	189,457	23	11	-	3,849	14	207,371

See PPE (Group) for details of revaluations.

Note 19.2 Property, plant and equipment - 2018/19

Trust	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation / gross cost at 1 April 2018 - as previously stated	14,817	211,410	5,785	827	40	8,779	954	242,612
Additions	-	3,612	9,551	-	-	1,097	-	14,260
Impairments	-	(20,219)	(1,701)	-	-	-	-	(21,920)
Revaluations	-	(4,957)	-	-	-	-	-	(4,957)
Reclassifications	-	13,612	(13,612)	-	-	-	-	-
Transfers to / from assets held for sale	(800)	-	-	-	-	-	-	(800)
Disposals / derecognition	-	(147)	-	-	-	(4,453)	-	(4,600)
Valuation/gross cost at 31 March 2019	14,017	203,311	23	827	40	5,423	954	224,595
Accumulated depreciation at 1 April 2018 - as previously stated	-	12,730	-	816	40	4,754	940	19,280
Provided during the year	-	6,278	-	-	-	1,273	-	7,551
Revaluations	-	(5,007)	-	-	-	-	-	(5,007)
Disposals / derecognition	-	(147)	-	-	-	(4,453)	-	(4,600)
Accumulated depreciation at 31 March 2019	-	13,854	-	816	40	1,574	940	17,224
Net book value at 31 March 2019	14,017	189,457	23	11	-	3,849	14	207,371
Net book value at 1 April 2018	14,817	198,680	5,785	11	-	4,025	14	223,332

Note 19.3 Property, plant and equipment financing - 2019/20

Trust	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2020								
Owned - purchased	14,656	204,838	204	126	-	7,425	53	227,302
On-SoFP PFI contracts and other service concession arrangements	-	1,189	-	-	-	-	-	1,189
NBV total at 31 March 2020	14,656	206,027	204	126	-	7,425	53	228,491

Note 19.4 Property, plant and equipment financing - 2018/19

Trust	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2019								
Owned - purchased	14,017	187,972	23	11	-	3,849	14	205,886
On-SoFP PFI contracts and other service concession arrangements	-	1,485	-	-	-	-	-	1,485
NBV total at 31 March 2019	14,017	189,457	23	11	-	3,849	14	207,371

Note 20 Revaluations

Land & Building Asset Assurance Valuation Process

The Trust conducts regular reviews of its estate to ensure the appropriate carrying value of its land and building assets. Internal reviews are supplemented by valuations are carried out by professionally qualified valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual. These are conducted on a regular basis, being a full valuation exercise every 5 years with an interim valuation of the estate in all other years of the valuation cycle.

A full valuation exercise was carried out during January and February 2020 with a valuation date of 31 March 2020. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuer has declared a 'material valuation uncertainty' in the valuation report. This is on the basis of uncertainties in markets caused by COVID-19. The values in the report have been used to inform the measurement of property assets at valuation in these financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust.

IFRS guidance is followed in valuing its assets.

Land

<u>Status</u>	<u>Valuation methodology</u>
Operational	Existing use value
Non-operational	Open market/fair value

Buildings

<u>Status</u>	<u>Valuation methodology</u>
Operational	Depreciated Replacement Cost (including Modern Equivalent Asset consideration)
Non-operational but retained for future operational purposes	Depreciated Replacement Cost (including Modern Equivalent Asset consideration)
Surplus	Open market/fair value

Assets Under Construction

Are valued at cost and are assessed by professional valuers as part of the annual valuation or when they are brought into use.

Equipment

Operational equipment is valued at net current replacement cost. Equipment surplus to requirements is valued at net recoverable amount.

Results of the 2019/20 assurance process

The Trust has followed NHS guidance in the valuation strategy of its estate. As such the Trust employed an independent professional valuer to conduct a revaluation exercise of its estate as at 31 March 2019.

The results of these valuations can be summarised as follows:

PPE changes

Net increase in asset value	£7.7m
Increase in asset value	£9.3m
Decrease in asset value:	-£1.6m
- of which charged to	
Revaluation Reserve	-£0.8m
SOCl as impairments	-£0.8m

Transfer of assets from Cumbria Partnership NHS Foundation Trust

On 1 October 2019 Cumbria Partnership NHS Foundation Trust dissolved with the services it provided being passed to other health bodies.

The Trust was identified as the successor body for a number of the services provided in the South Cumbria area. Upon transferring the Trust, after a consultation period, renamed itself Lancashire & South Cumbria NHS Foundation Trust to more accurately reflect the region and the population it serves.

This resulted in the transfer of a number of assets to Lancashire & South Cumbria NHS Foundation Trust totalling £8.4m.

The Trust undertook a review of these assets and decided, with audit agreement, to impair a small number of the intangible and equipment assets.

This can be summarised as follows:

Intangible assets

Impairments charged to SOCI	-£0.2m
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Information Technology assets

Impairments charged to SOCI	-£0.4m
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Lancashire & South Cumbria NHS Foundation Trust 2019/20 Impairments charged to SOCI Summary

From land & building asset assurance process	-£0.8m
From review of Cumbria asset transfer	-£0.6m
Total impairments recognised	<u><u>-£1.4m</u></u>

Note 21.1 Investment Property

The Trust has no investment property to disclose.

Note 22 Investments in associates and joint ventures

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Carrying value at 1 April - brought forward	187	250	187	250
Share of profit / (loss)	-	(63)	-	(63)
Disbursements / dividends received	(140)	-	(140)	-
Carrying value at 31 March	47	187	47	187

Note 23 Other investments / financial assets (non-current)

The Trust has no other investments to disclose.

Note 24 Disclosure of interests in other entities

These accounts disclose the consolidated results of the Trust and its sole subsidiary, Healthcare Support and Infrastructure Services LLP, as well as its interest in Red Rose Corporate Services, a joint venture the Trust has a 50% stake in.

Note 25 Analysis of charitable fund reserves

The Trust is a corporate trustee of the Lancashire & South Cumbria NHS Foundation Trust Charity and Other Related Charities. The Trust has received monies from the charity in respect of its management of the charity to the value of £18k (£16k to 31 March 2019). The charity is registered with the charities commission (Charity Number 1099568) and produces its own annual report and accounts.

Under IFRS 10 NHS bodies are required to consolidate their charitable funds with their own statements where they are considered to be under common control, however, consideration is given to the materiality of the funds held. As with prior year the Trust's charitable funds are not considered material and so their results have not been consolidated. The statements of the Trust's charitable fund are available upon request.

Note 26 Inventories

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Consumables	39	37	39	37
Energy	4	3	4	3
Other	54	27	54	27
Total inventories	97	67	97	67

Note 27.1 Receivables

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Current				
Contract receivables	22,396	22,203	22,396	22,203
Allowance for impaired contract receivables / assets	(1,135)	(1,615)	(1,135)	(1,615)
Prepayments (non-PFI)	1,989	2,730	1,989	2,730
PDC dividend receivable	201	435	201	435
VAT receivable	929	1,301	929	1,301
Other receivables	3,323	2,008	3,323	3,272
Total current receivables	27,703	27,062	27,703	28,326
Non-current				
Other receivables	125	-	125	-
Total non-current receivables	125	-	125	-
Of which receivable from NHS and DHSC group bodies:				
Current	21,347	20,284	21,347	20,284
Non-current	-	-	-	-

Note 27.2 Allowances for credit losses - 2019/20

	Group		Trust	
	Contract receivables and contract assets	All other receivables	Contract receivables and contract assets	All other receivables
	£000	£000	£000	£000
Allowances as at 1 Apr 2019 - brought forward	1,615	-	1,615	-
New allowances arising	257	-	257	-
Reversals of allowances	(724)	-	(724)	-
Utilisation of allowances (write offs)	(13)	-	(13)	-
Allowances as at 31 Mar 2020	1,135	-	1,135	-

Note 27.3 Allowances for credit losses - 2018/19

	Group		Trust	
	Contract receivables and contract assets	All other receivables	Contract receivables and contract assets	All other receivables
	£000	£000	£000	£000
Allowances as at 1 Apr 2018 - as previously stated	-	1,717	-	1,717
Prior period adjustments	-	-	-	-
Allowances as at 1 Apr 2018 - restated	-	1,717	-	1,717
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018	1,717	(1,717)	1,717	(1,717)
New allowances arising	355	-	355	-
Reversals of allowances	(345)	-	(345)	-
Utilisation of allowances (write offs)	(112)	-	(112)	-
Allowances as at 31 Mar 2019	1,615	-	1,615	-

Note 28 Non-current assets held for sale and assets in disposal groups

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
NBV of non-current assets for sale and assets in disposal groups at 1 April	1,540	3,455	1,540	3,455
Assets classified as available for sale in the year	-	800	-	800
Assets sold in year	(1,040)	(2,715)	(1,040)	(2,715)
NBV of non-current assets for sale and assets in disposal groups at 31 March	500	1,540	500	1,540

Assets held for sale as at 31 March 2020 are: Carrying Value
- Ridge Lea Hospital £500k

The site has been identified as being surplus to Trust requirements and satisfies the criteria for recognition as an asset held for sale at the balance sheet date. Sale is forecast for 2020/21.

Note 29.1 Cash and cash equivalents movements

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

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
At 1 April	30,344	19,228	28,300	19,228
Net change in year	1,171	11,116	2,800	9,072
At 31 March	31,515	30,344	31,100	28,300
Broken down into:				
Cash at commercial banks and in hand	32	54	32	54
Cash with the Government Banking Service	31,483	30,290	31,068	28,246
Total cash and cash equivalents as in SoCF	31,515	30,344	31,100	28,300

Note 29.2 Third party assets held by the Trust

Lancashire and South Cumbria NHS Foundation Trust held cash and cash equivalents which relate to monies held by the Trust on behalf of patients or other parties. This has been excluded from the cash and cash equivalents figure reported in the accounts.

	Group and Trust	
	31 March	31 March
	2020	2019
	£000	£000
Bank balances	215	234
Total third party assets	215	234

Note 30.1 Trade and other payables

	Group		Trust	
	31 March	31 March	31 March	31 March
	2020	2019	2020	2019
	£000	£000	£000	£000
Current				
Trade payables	10,271	8,146	10,271	8,146
Capital payables	6,072	2,392	6,072	2,392
Accruals	13,683	11,272	13,683	11,272
Social security costs	3,142	2,819	3,142	2,819
VAT payables	-	301	-	
Other taxes payable	2,161	1,996	2,161	1,996
Other payables	2,911	7,273	3,116	6,729
Total current trade and other payables	38,240	34,199	38,445	33,354
Of which payables from NHS and DHSC group bodies:				
Current	6,615	8,060	6,615	8,060

Payables include £3,605k outstanding superannuation and pensions provision contributions as at 31 March 2020 (£3,365k 31 March 2019) that were paid in April 2020.

Note 31 Other liabilities

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Current				
Deferred income: contract liabilities	6,382	7,416	6,382	7,416
Total other current liabilities	6,382	7,416	6,382	7,416

Deferred income balances refer to income received in year for which performance will not be actioned until 2020/21.

Note 32 Borrowings

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Current				
Loans from DHSC	2,689	2,697	2,689	2,697
Obligations under PFI, LIFT or other service concession contracts (excl. lifecycle)	324	374	324	374
Total current borrowings	3,013	3,071	3,013	3,071
Non-current				
Loans from DHSC	44,943	47,515	44,943	47,515
Obligations under PFI, LIFT or other service concession contracts	1,573	1,858	1,573	1,858
Total non-current borrowings	46,516	49,373	46,516	49,373

Note 32.1 Reconciliation of liabilities arising from financing activities (Group)

Group - 2019/20	Loans from DHSC £000	PFI and LIFT schemes £000	Total £000
Carrying value at 1 April 2019	50,212	2,232	52,445
Cash movements:			
Financing cash flows - payments and receipts of principal	(2,571)	(335)	(2,906)
Financing cash flows - payments of interest	(1,534)	(214)	(1,748)
Non-cash movements:			
Application of effective interest rate	1,525	214	1,739
Carrying value at 31 March 2020	47,632	1,897	49,530

Group - 2018/19	Loans from DHSC £000	PFI and LIFT schemes £000	Total £000
Carrying value at 1 April 2018	52,657	2,474	55,132
Cash movements:			
Financing cash flows - payments and receipts of principal	(2,571)	(292)	(2,863)
Financing cash flows - payments of interest	(1,577)	(156)	(1,733)
Non-cash movements:			
Impact of implementing IFRS 9 on 1 April 2018	129	-	129
Application of effective interest rate	1,574	206	1,780
Carrying value at 31 March 2019	50,212	2,232	52,445

Note 32.2 Reconciliation of liabilities arising from financing activities

Trust	Loans from DHSC £000	Other loans £000	Finance leases £000	PFI and LIFT schemes £000	Total £000
Carrying value at 1 April 2019	50,212	-	-	2,232	52,445
Cash movements:					
Financing cash flows - payments and receipts of principal	(2,571)	-	-	(335)	(2,906)
Financing cash flows - payments of interest	(1,534)	-	-	(214)	(1,748)
Non-cash movements:					-
Application of effective interest rate	1,525	-	-	214	1,739
Carrying value at 31 March 2020	47,632	-	-	1,897	49,530

Trust	Loans from DHSC £000	Other loans £000	Finance leases £000	PFI and LIFT schemes £000	Total £000
Carrying value at 1 April 2018	52,657	-	-	2,474	55,132
Cash movements:					
Financing cash flows - payments and receipts of principal	(2,571)	-	-	(292)	(2,863)
Financing cash flows - payments of interest	(1,577)	-	-	(156)	(1,733)
Non-cash movements:					-
Impact of implementing IFRS 9 on 1 April 2018	129	-	-	-	129
Application of effective interest rate	1,574	-	-	206	1,780
Carrying value at 31 March 2019	50,212	-	-	2,232	52,445

Note 33 Finance leases

The Trust has not entered into any finance lease arrangements.

Note 34.1 Provisions for liabilities and charges analysis (Group)

Group	Pensions: early departure costs	Pensions: injury benefits	Legal claims	Redundancy	Total
	£000	£000	£000	£000	£000
At 1 April 2019	1,184	1,031	445	263	2,923
Change in the discount rate	154	-	-	-	154
Arising during the year	114	-	-	-	114
Utilised during the year	(139)	-	(158)	(131)	(428)
Reversed unused	(82)	-	82	-	-
At 31 March 2020	1,231	1,031	369	132	2,763
Expected timing of cash flows:					
- not later than one year;	139	846	369	132	1,486
- later than one year and not later than five years;	556	-	-	-	556
- later than five years.	536	185	-	-	721
Total	1,231	1,031	369	132	2,763

Pensions: early departure costs

These are ongoing costs payable over the life on the individuals concerned.

Pensions: injury benefits

Legal claims

This provision is held following advice provided by NHS Resolution and the Trust's own solicitors.

Redundancy

This provision relates to known redundancies at the balance sheet

Note 34.2 Provisions for liabilities and charges analysis (Trust)

Trust	Pensions: early departure costs £000	Pensions: injury benefits £000	Legal claims £000	Redundancy £000	Total £000
At 1 April 2019	1,184	1,031	445	263	2,923
Change in the discount rate	154	-	-	-	154
Arising during the year	114	-	-	-	114
Utilised during the year	(139)	-	(158)	(131)	(428)
Reversed unused	(82)	-	82	-	-
At 31 March 2020	1,231	1,031	369	132	2,763
Expected timing of cash flows:					
- not later than one year;	139	846	369	132	1,486
- later than one year and not later than five years;	556	-	-	-	556
- later than five years.	536	185	-	-	721
Total	1,231	1,031	369	132	2,763

Note 34.3 Clinical negligence liabilities

At 31 March 2020, £9,343k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Lancashire and South Cumbria NHS Foundation Trust (31 March 2019: £7,739k).

Note 35 Contingent assets and liabilities

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Value of contingent liabilities				
NHS Resolution legal claims	(132)	(183)	(132)	(183)
Net value of contingent liabilities	(132)	(183)	(132)	(183)
Net value of contingent assets	-	-	-	-

Note 36 Contractual capital commitments

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Property, plant and equipment	699	-	699	-
Total	699	-	699	-

Note 37 Other financial commitments

The Group / Trust is committed to making payments under non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangement), analysed by the period during which the payment is made:

Note 38 On-SoFP PFI, LIFT or other service concession arrangements

Note 38.1 On-SoFP PFI, LIFT or other service concession arrangement obligations

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

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Gross PFI, LIFT or other service concession liabilities	2,475	3,015	2,475	3,015
Of which liabilities are due				
- not later than one year;	631	613	631	613
- later than one year and not later than five years;	1,844	2,402	1,844	2,402
- later than five years.	-	-	-	-
Finance charges allocated to future periods	(578)	(783)	(578)	(783)
Net PFI, LIFT or other service concession arrangement obligation	1,897	2,232	1,897	2,232
- not later than one year;	324	374	324	374
- later than one year and not later than five years;	1,573	1,858	1,573	1,858
- later than five years.	-	-	-	-

Note 38.2 Total on-SoFP PFI, LIFT and other service concession arrangement commitments

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

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Total future payments committed in respect of the PFI, LIFT or other service concession arrangements	6,371	7,106	6,371	7,106
Of which payments are due:				
- not later than one year;	1,625	1,444	1,625	1,444
- later than one year and not later than five years;	4,746	5,661	4,746	5,661
- later than five years.	-	-	-	-

Note 38.3 Analysis of amounts payable to service concession operator

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

	Group		Trust	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Unitary payment payable to service concession operator	1,625	1,541	1,625	1,541
Consisting of:				
- Interest charge	214	206	214	206
- Repayment of balance sheet obligation	338	310	338	310
- Service element and other charges to operating expenditure	782	741	782	741
- Revenue lifecycle maintenance	291	284	291	284
Total amount paid to service concession operator	1,625	1,541	1,625	1,541

Note 39 Financial instruments

Note 39.1 Financial risk management

The Trust does not have any listed capital instruments and is not a financial institution.

Credit Risk

Credit risk is the possibility that other parties might fail to pay amounts due to the Foundation Trust. Credit risk arises from deposits with banks as well as credit exposures to the Foundation Trust's commissioners and other debtors. The bulk of the Trust's commissioners are NHS, which minimises the credit risk from these customers. Non-NHS customers do not represent a large proportion of income and the majority of these relate to bodies which are considered low risk - e.g. universities, local councils, insurance companies, etc...

An analysis of the ageing of debtors and provision for impairment can be found at Note 28 "Receivables".

Surplus operating cash is only invested with the Government Banking System.

Liquidity Risk

The Trust's net operating costs are incurred under service agreements with commissioners of healthcare, which are financed from resources voted annually by Parliament. The Trust largely finances capital expenditure through internally generated funds and from loans that can be taken out up to an agreed borrowing limit. The borrowing is based upon a risk rating determined by Monitor, the Independent Regulator for Foundation Trusts and takes account of the Trust's liquidity. The Trust is therefore not exposed to significant liquidity risk.

Market Risk

All of the Trust's financial liabilities carry nil or fixed rates of interest. In addition the only element of the Trust's financial assets that is currently subject to a variable rate is cash held in the Trust's main bank account and therefore the Trust is not exposed to significant interest-rate risk.

Treasury Management Risk

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's policies agreed by the board of directors. Trust treasury activity is subject to review by the Trust's internal auditors.

Note 39.2 Carrying values of financial assets (Group)

	Held at amortised cost £000	Total book value £000
Carrying values of financial assets as at 31 March 2020		
Trade and other receivables excluding non financial assets	24,609	24,609
Other investments / financial assets	47	47
Cash and cash equivalents	31,515	31,515
Total at 31 March 2020	56,171	56,171

	Held at amortised cost £000	Total book value £000
Carrying values of financial assets as at 31 March 2019		
Trade and other receivables excluding non financial assets	22,584	22,584
Other investments / financial assets	187	187
Cash and cash equivalents	30,344	30,344
Total at 31 March 2019	53,115	53,115

Note 39.3 Carrying values of financial assets (Trust)

	Held at amortised cost £000	Total book value £000
Carrying values of financial assets as at 31 March 2020		
Trade and other receivables excluding non financial assets	24,609	24,609
Other investments / financial assets	47	47
Cash and cash equivalents	31,100	31,100
Total at 31 March 2020	55,756	55,756

	Held at amortised cost £000	Total book value £000
Carrying values of financial assets as at 31 March 2019		
Trade and other receivables excluding non financial assets	23,848	23,848
Other investments / financial assets	187	187
Cash and cash equivalents	28,300	28,300
Total at 31 March 2019	52,335	52,335

Note 39.4 Carrying values of financial liabilities (Group)

	Held at amortised cost £000	Total book value £000
Carrying values of financial liabilities as at 31 March 2020		
Loans from the Department of Health and Social Care	47,632	47,632
Obligations under PFI, LIFT and other service concessions	1,897	1,897
Trade and other payables excluding non financial liabilities	29,313	29,313
Provisions under contract	2,763	2,763
Total at 31 March 2020	81,605	81,605

	Held at amortised cost £000	Total book value £000
Carrying values of financial liabilities as at 31 March 2019		
Loans from the Department of Health and Social Care	50,212	50,212
Obligations under PFI, LIFT and other service concessions	2,232	2,232
Trade and other payables excluding non financial liabilities	25,718	25,718
Provisions under contract	2,923	2,923
Total at 31 March 2019	81,085	81,085

Note 39.5 Carrying values of financial liabilities (Trust)

	Held at amortised cost £000	Total book value £000
Carrying values of financial liabilities as at 31 March 2020		
Loans from the Department of Health and Social Care	47,632	47,632
Obligations under PFI, LIFT and other service concessions	1,897	1,897
Trade and other payables excluding non financial liabilities	29,517	29,517
Provisions under contract	2,763	2,763
Total at 31 March 2020	81,809	81,809

	Held at amortised cost £000	Total book value £000
Carrying values of financial liabilities as at 31 March 2019		
Loans from the Department of Health and Social Care	50,212	50,212
Obligations under finance leases	2,232	2,232
Trade and other payables excluding non financial liabilities	25,174	25,174
Provisions under contract	2,923	2,923
Total at 31 March 2019	80,541	80,541

Note 39.6 Fair values of financial assets and liabilities

The Trust considers book value (carrying value) to be a reasonable approximation of fair value.

All assets and liabilities are denominated in sterling.

Note 39.7 Maturity of financial liabilities

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
In one year or less	31,123	28,706	31,327	28162
In more than one year but not more than two years	565	518	565	518
In more than two years but not more than five years	1,633	1,915	1,633	1915
In more than five years	48,284	49,946	48,284	49946
Total	81,605	81,085	81,809	80,541

Note 40 Losses and special payments

Group and Trust	2019/20		2018/19	
	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000
Losses				
Cash losses	26	13	26	12
Fruitless payments	1	-	-	-
Bad debts and claims abandoned	13	6	23	106
Total losses	40	19	49	118
Special payments				
Compensation under court order or legally binding arbitration award	2	28	2	22
Ex-gratia payments	41	11	21	8
Total special payments	43	39	23	30
Total losses and special payments	83	58	72	148
Compensation payments received		-		-

Note 41 Gifts

There are no gifts to disclose for the year ended 31 March 2020.

Note 42 Related parties

Lancashire & South Cumbria NHS Foundation Trust is a body corporate established by order of the Secretary of State for Health.

During the year none of the board members or parties related to them has undertaken any material transactions with the Trust

Note 42.1 Department of Health and Social Care

The Trust has had a significant number of material transactions with entities for which the Department of Health is regarded as the parent Department. These entities are:

	2019/20 Debtor £000	2019/20 Creditor £000	2019/20 Income £000	2019/20 Expenditure £000
NHS Blackburn With Darwen CCG	2,548	0	41,390	0
NHS Blackpool CCG	1,457	0	21,223	0
NHS Chorley And South Ribble CCG	1,751	0	40,242	0
NHS East Lancashire CCG	1,956	0	51,469	0
NHS Fylde & Wyre CCG	847	0	23,682	0
NHS Greater Preston CCG	1,563	0	45,405	100
NHS Morecambe Bay CCG	1,534	0	30,710	0
NHS Southport and Formby CCG	1,024	0	12,254	0
NHS West Lancashire CCG	1,376	0	14,829	0
NHS England	2,827	0	54,201	5
Health Education England	432	0	9,918	10
Lancashire Teaching Hospitals NHS FT	816	924	806	4,514
East Lancashire Hospitals NHS FT	322	1,434	89	1,635
NHS Property Services	70	854	64	3,304
Community Health Partnerships	73	864	11	3,648
Other DoH bodies *	2,550	2,539	5,408	6,361
Sub-total	21,146	6,615	351,701	19,577

* represents transactions with a number of healthcare commissioners

Note 42.2 Other Healthcare Commissioners

The Trust has also had a significant number of material transactions with other entities who have commissioned our healthcare services. These entities are:

	2019/20 £000 Debtor	2019/20 £000 Creditor	2019/20 £000 Income	2019/20 £000 Expenditure
Lancashire County Council	1,044	30	4,820	583
Blackpool Borough Council	-	-	-	689
Blackburn with Darwen Borough Council	40	-	4,810	451
Burnley Borough Council	-	-	-	71
Lancaster City Council	-	2	-	165
Preston City Council	-	-	-	574
South Ribble Borough Council	-	-	-	209
Other commissioners *	139	-	229	625
Sub-total	1,223	32	9,859	3,367

* represents immaterial transactions with a number of healthcare commissioners

All income was received as income to commission healthcare services, and all expenditure relates to the associated operating expenses.

All transactions were conducted during the normal course of business in delivering healthcare.

Note 42.3 Other Central Government

	2019/20 £000	2019/20 £000	2019/20 £000	2019/20 £000
	Debtor	Creditor	Income	Expenditure
NHS Pension Scheme	-	3,605	-	36,993
National Insurance Fund	-	5,303	-	20,235
Other Central Government*	956	19	694	31
Sub-total	956	8,927	694	57,259

* represents immaterial transactions with a number of Central Government bodies

Note 42.4 Other Related Parties

	2019/20 £000	2019/20 £000	2019/20 £000	2019/20 £000
	Debtor	Creditor	Income	Expenditure
UCLAN	0	1	3	251
Alzheimer's Society	0	0	0	48
Sub-total	0	1	3	299

	2019/20 £000	2019/20 £000	2019/20 £000	2019/20 £000
	Debtor	Creditor	Income	Expenditure
Harvey House Social Enterprises Ltd	125	0	0	0
Sub-total	125	0	0	0

No income or expenditure was recognised in 2019/20. Payments continue to be received.

	2019/20 £000	2019/20 £000	2019/20 £000	2019/20 £000
	Debtor	Creditor	Income	Expenditure
Red Rose Corporate Services LLP	-	-	129	-
Sub-total	-	-	129	-
Total	23,450	15,575	362,386	80,502

In 2010/11 the Trust entered into a joint venture registered as Red Rose Corporate Services (RRCS). It was established as a Limited Liability Partnership (LLP) between Lancashire Care NHS Foundation Trust (LCFT) and Ryhurst Ltd for the purpose of providing estate management services. The Trust terminated its estate management services contract with RRCS 31 March 2018. RRCS will continue to deliver a small number of transactions to the Trust until such time the partners decide the future direction of the JV.

The Trust previously established a wholly owned subsidiary, Healthcare Support and Infrastructure Services LLP (HSIS). HSIS took over provision of estate management services to the Trust on 1 April 2018. Being wholly owned the Trust has prepared its financial statements on a Group basis consolidating the results of HSIS.

Note 43 Charity

The Trust is a corporate trustee of the Lancashire & South Cumbria Care NHS Foundation Trust Charity and Other Related Charities. The Trust has received monies from the charity in respect of its management of the charity to the value of £18k (£16k to 31 March 2019). The charity is registered with the charities commission (Charity Number 1099568) and produces its own annual report and accounts.

Under IFRS 10 NHS bodies are required to consolidate their charitable funds with their own statements where they are considered to be under common control, however, consideration is given to the materiality of the funds held. As with prior year the Trust's charitable funds are not considered material and so their results have not been consolidated. The statements of the Trust's charitable fund are available upon request.

Note 44 Transfers by absorption

On 1 October 2019 Cumbria Partnership NHS Foundation Trust dissolved with the services it provided being passed to other health bodies.

The Trust was identified as the successor body for a number of the services provided in the South Cumbria area. Upon transferring the Trust, after a consultation period, renamed itself Lancashire & South Cumbria NHS Foundation Trust to more accurately reflect the region and the population it serves.

The transfer has impacted our financial statements as follows:

Recognise Assets on-SOFP	£8.4m
Recognise corresponding absorption gain on SOCI	-£8.4m
Recognise Revaluation Reserve balances to SOFP	£1.4m

Additional operating income and expenditure recognised in the SOCI as a result of the transfer was:

Income	£12.5m
Expenditure	-£12.5m

The headcount of staff transferring was 420 (whole time equivalent 351.5).

Note 45 Events after the reporting date

There are no material events after the reporting period.



Independent auditor's report

to the Council of Governors of Lancashire and South Cumbria NHS Foundation Trust

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. Our opinion is unmodified

We have audited the financial statements of Lancashire and South Cumbria NHS Foundation Trust ("the Trust") for the year ended 31 March 2020 which comprise the Group and Trust Statements of Comprehensive Income, Group and Trust Statements of Financial Position, Group and Trust Statements of Changes in Equity and Group and Trust Statements of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group and the Trust's affairs as at 31 March 2020 and of the Group and Trust's income and expenditure for the year then ended; and
- the Group and the Trust's financial statements have been properly prepared in accordance with the Accounts Direction issued under paragraphs 24 and 25 of Schedule 7 of the National Health Service Act 2006, the NHS Foundation Trust Annual Reporting Manual 2019/20 and the Department of Health and Social Care Group Accounting Manual 2019/20.

Basis for opinion

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

Overview

Materiality: £6.1m (2019:£6m)
Group financial statements as a whole 1.77% (2019: 1.75%) of total revenue

Coverage 99.5% (2019:99.5%) of group income

Risks of material misstatement vs 2019

Recurring risks		
Valuation of land and buildings		▲
Fraudulent revenue recognition		◀▶
Fraudulent Expenditure Recognition		◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2019):

All of these key audit matters relate to the Group and the parent Trust.

	The risk	Our response
<p>Valuation of land and buildings</p> <p>Land and Buildings: £223.1 million (2019: £213.5 million)</p> <p><i>Refer to page 105 (Audit Committee Report), note 1.9 (accounting policies) and note 18.1 (financial disclosures)</i></p>	<p>Subjective valuation</p> <p>Land and buildings are required to be measured at current value in existing use. Many of the Trust's buildings are specialised and current value is determined based on the depreciated replacement cost of a modern equivalent asset.</p> <p>The Trust's accounting policy requires an annual review for impairment, a periodic desk top valuation (usually every three years) and a full valuation (usually in five yearly intervals). The valuation is undertaken by an external expert engaged by the Trust, using construction indices and so accurate records of the current estate are required.</p> <p>Valuations are inherently judgmental. There is a risk that the methodology, assumptions and underlying data, are not appropriate or correctly applied.</p> <p>A full valuation was carried out for the year end 31 March 2020. This included a revaluation of £8.4m of land and building assets transferred in as part of the absorption of South Cumbria mental health services on 1 October 2019. Given the materiality and the judgement involved in determining the carrying amounts of land and buildings, this has been identified as a key audit risk.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of land and buildings has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.</p> <p>Following RICS published guidance issued to the profession, material uncertainty clauses have been included within the Trust valuation report due to the impact of Covid-19. Appropriate disclosure will be required to note this uncertainty.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> – Assessing valuer's credentials: We assessed the competence, capability, objectivity and independence of the Trust's independent valuer and considered the information provided to the Trust in 2019/20 for consistency with the requirements of the DHSC Group Accounting Manual; – Test of detail: We agreed the information provided to the valuer by the Trust to underlying records of the estate held and tested a sample for ownership and existence with a focus on South Cumbria assets. – Test of detail: We critically assessed the Trust's formal consideration of indications of impairment and surplus assets within its estate, including the process undertaken and the adequacy of the formal, written decision document used in the process. – Methodology choice: We sought the expertise of an internal valuation specialist, to critically assess the appropriateness of the valuation basis and methodology applied and identify any potential risks to the approach taken. – Accounting analysis: We undertook work to understand the basis upon which any movements in the valuation of land and buildings had been classified, treated and accounted for in the financial statements and determined whether they had complied with the requirements of the DHSC Group Accounting Manual 2019/20. – Methodology implementation and re-performance: We compared the asset value movements from the valuer's report to the entries in the fixed asset register. This included a re-performance of the entries to confirm that any material movements in the value of land and building assets had been accounted for correctly. – Assessing transparency: We considered the adequacy of the disclosures about the key judgements and degree of estimation involved in concluding whether there has been any material movement in the value of land and buildings since 31 March 2019. Specifically, we also considered the adequacy of disclosures made around the uncertainty caused by the Covid-19 pandemic on market data used to underpin the valuer's assumptions, and management's consideration of these factors when arriving at the year-end valuation figures.

2. Key audit matters: our assessment of risks of material misstatement (cont)

	The risk	Our response
<p>Fraudulent Revenue Recognition</p> <p>NHS Income: £352 million (2019: £316 million)</p> <p><i>Refer to page 105 (Audit Committee Report), note 1.4 (accounting policies) and notes 3 and 4 (financial disclosures)</i></p>	<p>Effect of irregularities</p> <p>The main source of income for the Trust is the provision of healthcare services to the public under contracts with NHS commissioners.</p> <p>The Trust also receives funding for Education, Training and Research from other bodies in the Department of Health boundary. These activities frequently span years and as such a proportion of the income each year is deferred.</p> <p>There is a risk around the nature and timing of recognition of income , including additional funding resulting from the Cumbria transaction and additional tranches of income for Out of Area Placements (OAPs) and urgent pathways.</p> <p>Whilst the risk of error is low, due to the nature of the income, there is a risk of fraudulent income recognition due to the pressure on the Trust to deliver the agreed control total.</p> <p>We have classified NHS income as a significant risk to respond to this.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> – Test of detail: We compared the actual income for the Trust’s most significant commissioners against the block contracts agreed at the start of the year and checked the validity of any significant variations between the actual income and the contract via agreement to appropriate third party confirmations. – Test of detail: We compared the income balances reported by the Trust as part of the 2019/20 Agreement of Balances (AoB) exercise to the balances recorded by the counterparties. For any variances or mismatches identified as part of the AoB exercise, we sought explanations and supporting evidence for the Trust’s position. – Test of detail: We performed sample testing over the accrued and deferred income balances and carried out cut off procedures to ensure that the amounts have been recognised appropriately and correctly classified in the financial statements. – Test of detail: We considered the impact of any identified audit adjustments on the delivery of the Trust’s control total and reconciled the year-end performance to the original plan to understand any deviations.

2. Key audit matters: our assessment of risks of material misstatement (cont)

	The risk	Our response
<p>Fraudulent Expenditure Recognition</p> <p>Other Operating Expenditure (excluding staff costs, impairments and depreciation): £84 million (2019: £79 million)</p> <p>Trade and other payables: £37 million (2019: £35 million)</p> <p><i>Refer to page 105 (Audit Committee Report), note 1.7 (accounting policies) and notes 7.1 and 30.1 (financial disclosures)</i></p>	<p>Effect of irregularities</p> <p>In the public sector, auditors also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). This may arise due to the audited body manipulating expenditure to meet externally set targets.</p> <p>As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition and so the auditor has regard to this when planning and performing audit procedures.</p> <p>We do not consider this risk to apply to all expenditure in the period. The incentives for fraudulent expenditure recognition lie within accrued expenditure at year-end.</p> <p>Our response to this risk focused on non-pay spend. Staff costs are considered lower risk in terms of the scope for fraudulent recognition and misrepresentation by management.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> – Test of detail: We inspected all material invoices received in April 2020 to agree that these have been accounted for correctly by evaluating when the service had been delivered; – Test of detail: We inspected all material items of expenditure in the April 2020 bank statements to identify if there were any unrecorded liabilities that should have been accounted for in the 2019/20 financial statements; – Test of detail: We performed a year-on-year comparison of accruals posted in 2019/20 to those posted in 2018/19 to evaluate the completeness of the accruals balance, as well as agreeing a sample to supporting documentation; – Test of detail: We vouched a sample of journals posted before and after the year end to supporting documentation to confirm inclusion in the correct period and to critically assess whether any manual adjustments to expenditure were appropriate; – Test of detail: We inspected confirmations of balances provided by the Department of Health as part of the Agreement of Balances (AoB) exercise and compared the relevant payables recorded in the Trust’s financial statements to the receivables balances recorded within the accounts of other providers and other bodies within the AoB boundary. Where applicable we investigated variances and reviewed relevant correspondence to assess the reasonableness of the Trust’s approach to recognising expenditure to other providers and other bodies within the AoB boundary.

3. Our application of materiality and an overview of the scope of our audit

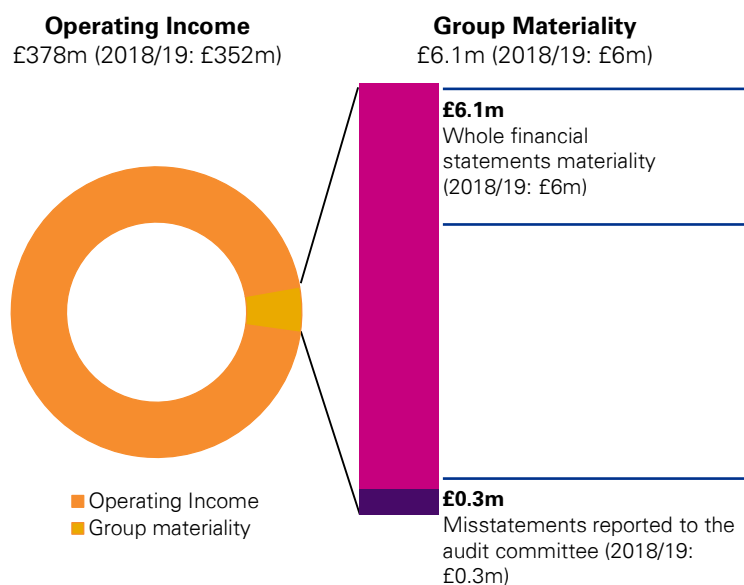
Materiality for the Group financial statements as a whole was set at £6.1 million (2018/19: £6 million), determined with reference to a benchmark of operating income (of which it represents approximately 1.77%) (2018/19: 1.75%). We consider operating income to be more stable than a surplus- or deficit-related benchmark.

Materiality for the parent Trust’s financial statements as a whole was set at £6 million (2018/19: £6 million), determined with reference to a benchmark of operating income (of which it represents approximately 1.77%) (2018/19:1.75%).

We agreed to report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £0.3 million (2018/19:£0.3 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group’s two (2018/19: two) reporting components, we subjected one (2018/19:one) to a full scope audit for group purposes. The remaining component comprises 0.5% of Group revenue.

For the residual component, we performed an analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.



4. We have nothing to report on going concern

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

Our responsibility is to conclude on the appropriateness of the Accounting Officer’s conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor’s report is not a guarantee that the Group or the Trust will continue in operation.

In our evaluation of the Accounting Officer’s conclusions, we considered the inherent risks to the Group’s and Trust’s business model, including the impact of the Covid-19 pandemic, and analysed how those risks might affect the Group’s and Trust’s financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the Accounting Officers statement on page 121 of the Annual Report on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Trust’s use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

In our opinion the other information included in the Annual Report for the financial year is consistent with the financial statements.

Remuneration report

In our opinion the part of the remuneration report to be audited has been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2019/20.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- the Annual Governance Statement does not reflect the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual 2019/20, is misleading or is not consistent with our knowledge of the Group and other information of which we are aware from our audit of the financial statements.

We have nothing to report in these respects.

6. Respective responsibilities

Accounting Officer's responsibilities

As explained more fully in the statement set out on page 121 of the Annual Report, the Accounting Officer is responsible for the preparation of financial statements that give a true and fair view. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Group and parent Trust without the transfer of their services to another public sector entity.

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

We have nothing to report on the statutory reporting matters

We are required by Schedule 2 to the Code of Audit Practice issued by the Comptroller and Auditor General ('the Code of Audit Practice') to report to you if:

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

We have nothing to report in these respects.

Our conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources is qualified

Under the Code of Audit Practice we are required to report to you if the Trust has not made proper arrangement for securing economy, efficiency and effectiveness in the use of resources.

Qualified conclusion

Subject to the matters outlined in the basis for qualified conclusion paragraph below we are satisfied that in all significant respects Lancashire and South Cumbria NHS Foundation Trust put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2020.

Basis for qualified conclusion

The Care Quality Commission (CQC) inspected the Trust in May 2019 and published its report in September 2019, with an overall rating of Requires Improvement.

The CQC rated the Trust as Requires Improvement across the safe, effective, responsive and well-led domains, with the caring domain being rated as 'Good' overall.

There were 208 actions within the CQC action plan, of which 98 were completed as at 19 March 2020. As at May 2020, 26 (of the original 37) 'Must do' actions were reported as not implemented.

Following the inspection, the Trust received two Warning Notices issued under S29A of the Health and Social Care Act. Whilst both warning notices have now been lifted and the Trust has no current restrictions or conditions on their registration, there are actions against regulated activity that must be progressed in order for the Trust to be fully compliant with CQC regulatory framework.

These issues are evidence of weaknesses in proper arrangements to enable informed decision making to support the sustainable delivery of the Trust's strategic priorities.

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We planned our work in accordance with the Code of Audit Practice and related guidance. Based on our risk assessment, we undertook such work as we considered necessary.

Report on our review of the adequacy of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required by guidance issued by the C&AG under Paragraph 9 of Schedule 6 to the Local Audit and Accountability Act 2014 to report on how our work addressed any identified significant risks to our conclusion on the adequacy of the Trust's arrangements to secure economy, efficiency and effectiveness in the use of resources. The 'risk' in this case is the risk that we could come to an incorrect conclusion in respect of the Trust's arrangements, rather than the risk of the arrangements themselves being inadequate.

We carry out a risk assessment to determine the nature and extent of further work that may be required. Our risk assessment includes consideration of the significance of business and operational risks facing the Trust, insofar as they relate to 'proper arrangements'. This includes sector and organisation level risks and draws on relevant cost and performance information as appropriate, as well as the results of reviews by inspectorates, review agencies and other relevant bodies.

The significant risks identified during our risk assessment are set out below together with the findings from the work we carried out on each area.

Significant Risk	Description	Work carried out and judgements
<p>Sustainable resource deployment</p>	<p>At month 6 the Trust was slightly ahead of plan (£2.1m deficit) against a planned £2.2m deficit. The forecast outturn for the year was breakeven (including Provider Sustainability Fund (PSF) income).</p> <p>The Trust continued to recognise pressure from Out of Area Placements (OAPs) costs which impacts the Trust's ability to meet financial targets, although Commissioners had agreed a 50:50 risk share for 2019/20. Delivery of CIPs was in line with plan at month 6. CIP target for 2019-20 was £10m of which there was currently £0.2k of slippage which was built into the position.</p> <p>In addition, recommendations of the NTW mental health system review and other findings resulting from the latest CQC inspection created additional risk for the Trust.</p> <p>We made a recommendation in our 2018-19 management letter that the costs of responding to external reviews were clearly quantified, transparently built into forecasts and monitored closely by Board during the remainder of 2019/20.</p>	<p>Our work included:</p> <ul style="list-style-type: none"> - For the current year, we have reviewed the arrangements in place to deliver and report on the forecast outturn, and especially the arrangements in place to deliver the CIP, manage the OAPs position and report on and write off bad debts. - Looking ahead, we also considered the extent to which the Trust will be able to deliver its control totals in the future, and maintain a surplus position across the medium term. This included a review of forecasts including cash flows, and the arrangements in place to deliver forecast positions. This includes delivery of targets required to secure additional Provider Sustainability Fund (PSF) income. - Specifically, we reviewed the register of additional costs (referenced in management's response to our recommendation in 2018-19) being incurred outside the original financial plan, and understand how these costs are being financed. - As part of our work, we also considered other arrangements, including financial reporting to the Board to inform decision making and engagement with wider stakeholders to support the delivery of efficiencies.
		<p>Our findings on this risk area:</p> <p><i>Financial Performance</i></p> <p>The Trust met its control total and achieved a surplus of £8.8m which includes impairments of £1.4m and gain on transfer by absorption (£8.4m) which are treated as a technical adjustment leaving a Reported Financial Surplus of £1.74m. This includes the PSF/FRF of £2.66m.</p> <p><i>Out of Area Placements (OAPs)</i></p> <p>Despite the 50:50 risk share, the charge for LSCFT was £6.1m in 2019/20, some £3.6m in excess of funding. We reviewed the register of additional costs reported to FRG/F&P on a quarterly basis. This captured the additional costs accruing due to OAPs. Whilst arrangements for reporting were appropriate, financial challenge remains. Investment in 2019/20 has however led to reduced inappropriate OAPs in 2020/21 (see overleaf).</p> <p><i>Cost Improvement Plan (CIP)</i></p> <p>The Trust has exceeded its planned CIP Target for the Year, with an outturn of £10.9m vs a plan of £10.1m. £8.1m of this was achieved recurrently.</p> <p><i>2020/21</i></p> <p>Prior to the Covid-19 pandemic, the Trust was issued a revised 2020/21 Financial Improvement Trajectory (FIT) of £1.25m deficit that would enable them to meet a breakeven position. This was provisionally agreed by the Board in March. This assumed CIPs of £11.2m, of which plans were in place for half of these. The rest will be achieved through restoration and recovery following the impact of the Covid-19 pandemic. The Trust also continues to maintain a very strong cash position.</p> <p>We are satisfied that the Trust had appropriate arrangements in place to secure financial sustainability in 2019/20. The Trust however continues face significant challenges into 2020/21.</p>

Significant Risk	Description	Work carried out and judgements
Sustainable funding	<p>We highlighted in our management letter in 2018-19 that the current levels of two metrics relating to patient flow (specifically Out of Area Placements and 12-hour waits) were considered unacceptably high by the Board.</p> <p>Negotiations of the 2019/20 contract were finalised on 24 May 2019, following intervention from the ICS, and additional investment had been agreed to address these challenges. Commissioners also agreed arrangements for a full risk share on the OAP position for 2019/20.</p> <p>In addition, the Trust absorbed South Cumbria Mental Health Services (from Cumbria Partnerships NHS FT) on 1 October 2019. This in turn brings its own funding challenges.</p> <p>The Board should be fully sighted on the risks and assured that the additional funding agreed is sufficient to mitigate any emerging financial risks to the Trust.</p>	<p>Our work included:</p> <ul style="list-style-type: none"> - We reviewed the additional funding agreements in place with Commissioners to cover the OAP position and the South Cumbria transaction to confirm the security and adequacy of the funding position - We considered how progress on the implementation of this agreement, and any residual risks arising, are being reported to the Trust's quarterly Finance and Performance Committee, by reviewing committee papers and consulting with the Director of Finance. - We assessed whether any emerging risks to the financial sustainability of the Trust are being considered and appropriate action being taken to address these. <p>Our findings on this risk area:</p> <p><i>South Cumbria Mental Health services</i></p> <p>The South Cumbria Assurance Committee (SCAC) has been established to oversee the safe transition of mental health and learning disabilities services to the Trust on 1st October 2019. The Board receives a monthly report from the Chair of the SCAC. This Committee in turn receives updates from the South Cumbria Mobilisation Board - the inaugural meeting of the Mobilisation Board, led by NHS Improvement, took place on the 20 September 2019. Risks are monitored and escalated accordingly as evidenced through the monthly report presented to Board.</p> <p>The CCG agreed to fund £1m of mobilisation costs and this has been recognised in year.</p> <p>In addition, the findings of the latest CQC report at the predecessor entity (Cumbria Partnerships NHS FT) have also been incorporated into the Trust's CQC Action Plan.</p> <p><i>Out of Area placements</i></p> <p>The original plan for 2019/20 assumed a large drop in OAPs aligned to the appropriate placement of stranded LD and Rehab patients. This slipped significantly exposing the Trust to financial pressure during the year.</p> <p>The Trust spent c£17.2m on OAPs, £11.1m funded by CCGs, including the 50:50 risk share. This equated to an average number of OAPs each month of 49.67 (2018/19: 46.92). The Trust saw some improvement in March 2020, and the impact of the additional funding investment in 2019/20 has led to a decrease in inappropriate OAPs in 2020/21. We have seen evidence of the effective arrangements in place and therefore this will not impact our opinion over the sustainable resource deployment criterion.</p> <p>In light of the funding regime that has emerged as a result of Covid-19, NHS entities will continue to be fully funded until at least October 2020.</p> <p>We are satisfied that the Trust had appropriate arrangements in place to secure financial sustainability in 2019/20. The Trust however continues to face significant challenges into 2020/21.</p>

Significant Risk	Description	Work carried out and judgements
Informed Decision Making	<p>The Care Quality Commission (CQC) inspected the Trust in May 2019 and published their report in September 2019, with an overall rating of Requires Improvement.</p> <p>The CQC rated the Trust as Requires Improvement across the safe, effective, responsive and well-led domains, with the caring domain being rated as 'Good' overall.</p> <p>Following the outcome of the CQC inspection, an action plan was implemented to address the issues raised in the report.</p>	<p>Our work included:</p> <ul style="list-style-type: none"> – We have reviewed papers presented to Board to provide updates on progress against CQC requirements; – We have compared these to the findings of internal audit in recent reviews; – We have discussed findings with senior management and sought assurance around responses to recent findings and preparations for re-inspection. <p>Our findings on this risk area:</p> <p>The Trust carried out a self assessment in March 2019 in response to the CQC report in 2018, which indicated that the Trust would be rated as 'Good' in the upcoming CQC inspection. This was reported to Board and included in 2018/19 Quality Report. The subsequent inspection in May 2019 however rated the Trust as 'Requires Improvement'.</p> <p>In response to the latest CQC inspection, a single action plan was developed and since absorption of the South Cumbria services, all recommendations from both the LCFT and CPFT CQC reports have been incorporated. The executive lead for CQC is the Director of Improvement and Compliance.</p> <p>There is a robust Quality Assurance process in place which requires each action to be signed off by the Executive Director prior to submission to the Effectiveness Team for quality assurance. The single CQC action plan is monitored and reviewed within the CQC Steering Group which currently meets on a monthly basis, in addition to monthly reporting to Board.</p> <p>There were 208 actions within the CQC action plan, of which 98 were completed as at 19 March 2020. The Executive Team reviewed all outstanding actions, following the outbreak of the Covid-19 pandemic and classified them into three categories: Priority, Delay, Paused.</p> <p>As at May 2020, 26 (of the original 37) 'Must do' actions were reported as not implemented.</p> <p>Following the inspection, the Trust received two Warning Notices issued under S29A of the Health and Social Care Act. Whilst both warning notices have now been lifted, there still remains some outstanding actions to be completed, and whilst the Trust has no current restrictions or conditions on their registration, there are actions against regulated activity that must be progressed in order for the Trust to be fully compliant with CQC regulatory framework.</p> <p>Recognising progress has been made, there is still significant work to do to ensure the Trust are fully compliant with the conditions of registration. Having received two consecutive 'requires improvement' ratings from the CQC and given the significant number of actions still outstanding, we have concluded that these issues are evidence of weaknesses in proper arrangements to enable informed decision making to support the sustainable delivery of the Trust's strategic priorities.</p> <p>We have therefore qualified the value for money opinion on this basis.</p>

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

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

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the accounts of Lancashire and South Cumbria NHS Foundation Trust for the year ended 31 March 2020 in accordance with the requirements of Schedule 10 of the National Health Service Act 2006 and the Code of Audit Practice issued by the National Audit Office.



Debra Chamberlain
for and on behalf of KPMG LLP

Chartered Accountants

1 St Peter's Square, Manchester, M2 3AE

25 June 2020



Year end report 2019/20

Lancashire and South Cumbria NHS
Foundation Trust

25 June 2020

I confirm that this is the final version of our ISA 260 Audit Memorandum relating to our audit of the 2019/20 financial statements for Lancashire and South Cumbria NHS Foundation Trust. This document was discussed and approved by the Trust's Audit Committee on 22 June 2020.

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Debra Chamberlain

Designation: Director for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Manchester

25 June 2020

Our audit opinions and conclusions:

Financial Statements: **unqualified**

Use of resources: **except for**

Introduction

To the Audit Committee of Lancashire and South Cumbria NHS Foundation Trust

We are pleased to have the opportunity to meet with you on 28 May 2020 to discuss the results of our audit of the consolidated financial statements of Lancashire and South Cumbria NHS Foundation Trust (the 'Trust') as at and for the year ended 31 March 2020.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented on 21 January 2020. We will be pleased to elaborate on the matters covered in this report when we meet.

Our audit is substantially complete. There have been changes to our audit plan and strategy based on revised requirements from NHSI and NHSE as communicated in March 2020. These changes relate to the following

- Quality report assurance is not required to be provided for 2019/20.
- IFRS 16 is deferred with only limited disclosure requirement for 2019/20

Subject to your approval of the financial statements, we expect to be in a position to sign our audit opinion on 19 June 2020, provided that the outstanding matters noted on page 3 of this report are satisfactorily resolved.

We expect to issue an unmodified Auditor's Report on the financial statements. We are currently completing our detailed work on the Value for Money Conclusion. In particular, at the time of writing this report, we are considering the impact of the published CQC Inspection Report and the impact of the Covid-19 pandemic on the annual planning process.

We draw your attention to the important notice on page 3, which explains:

- The purpose of this report;
- Limitations on work performed; and
- Restrictions on distribution of this report.

Yours faithfully,

Debra Chamberlain

24 June 2020

How we have delivered audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- **Executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality controls** and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity**, independence, **ethics** and **integrity**.

The National Audit Office (NAO) has issued a document entitled Code of Audit Practice (the Code). This summarises where the responsibilities of auditors begin and end and what is expected from the Trust. External auditors do not act as a substitute for the Trust's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Contents

Important notice	3
1. Summary	5
2. Financial statements audit	8
3. Value for money	20
Appendix	26



This report is presented under the terms of our audit engagement letter.

- Circulation of this report is restricted.
- The content of this report is based solely on the procedures necessary for our audit.

This Report has been prepared for the Trust's Audit Committee, in order to communicate matters of interest as required by ISAs (UK and Ireland), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

Purpose of this report

This Report has been prepared in connection with our audit of the consolidated financial statements of Lancashire and South Cumbria NHS Foundation Trust (the 'Trust') and its subsidiary, prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted by the Group Accounting Manual issued by the Department of Health and Social Care, as at and for the year ended 31 March 2020. This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Trust's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors. We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Since this report was presented at the Audit Committee on 22nd June 2020, our audit is now complete. We provided an oral update on the status of our audit at the Audit Committee meeting and would highlight only the following is outstanding:

- Final review of signed Annual report and annual accounts; and
- Receipt of the management representation letter.

Restrictions on distribution

The report is provided on the basis that it is only for the information of the Audit Committee of the Trust; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.



Summary



Financial Statements Audit

We intend to issue **an unqualified audit opinion** on the accounts following the Audit Committee adopting them and receipt of the management representations letter.

We have completed our audit of the financial statements. We have also read the content of the Annual Report (including the Remuneration Report) and reviewed the Annual Governance Statement (AGS). Our key findings are:

- We identified one adjusted audit difference. This is explained in section 1 and appendix 4.
- We have agreed presentational changes to the accounts with Finance, mainly related to compliance with the Group Accounting Manual (GAM).
- We have reviewed the annual report and have no matters to raise with you.

Value for Money

We have completed our detailed work on the Value for Money Conclusion. The Trust received their latest CQC Inspection Report in September 2019 which rated the Trust as 'requires improvement'. Given the timing of the report, the Board's expectations of the rating of that report and the significant number of actions still outstanding, we have concluded that these issues are evidence of weaknesses in proper arrangements to enable informed decision making to support the sustainable delivery of the Trust's strategic priorities.

We have therefore qualified the value for money opinion on this basis.

Audit Certificate

Through our risk assessment procedures, we have assessed the impact of COVID-19 as highlighted on pages 6 and 7.

We are required to certify that we have completed the audit of the Trust financial statements in accordance with the requirements of the Code. If there are any circumstances under which we cannot issue a certificate, then we must report this to those charged with governance. **There are no issues that would cause us to delay the issue of our certificate of completion of the audit.**

Quality Report

For 2019/20, we are not required to provide assurance over your quality report, however we completed preliminary work including: discussions with management with regard to Quality Report content and consideration of mandated indicators, set up of testing work papers and preparation of documentation requests.

As per the guidance from NHSI and NHSE this commentary should not be treated as an opinion and is provided for information only.

Other Matters

We intend to issue an unqualified Group Audit Assurance Certificate to the NAO regarding the Whole of Government Accounts submission, made through the submission of the summarisation schedules to NHS Improvement (NHSI).

We are satisfied that the Trust has addressed the recommendations raised in our ISA260 in 2018/19. We have made one recommendation as a result of our work to date. This recommendation relates to bank reconciliations. All recommendations are shown in appendix 3.

In auditing the accounts of an NHS body auditors must consider whether, in the public interest, they should make a report on any matters coming to their notice in the course of the audit, in order for it to be considered by Trust members or brought to the attention of the public; and whether the public interest requires any such matter to be made the subject of an immediate report rather than at completion of the audit.

There are no such matters that we wish to report.

Summary: Impact of COVID-19



Scepticism Challenge

Below we have summarised the impact of COVID-19 on our audit approach for 2019/20:

Area of the audit	Status	Page	Impact on Audit Approach
Financial Statements: Valuations		Page 11	A full valuation was undertaken in year by the District Valuer. Site visits were completed between December 2019 and February 2020 and were therefore unaffected by Covid outbreak. However, the valuer has included a material uncertainty caveat within their final report to you. This uncertainty is sector-wide and was issued by Royal Institute of Chartered Surveyors (RICS). The valuer has confirmed that they do not consider this uncertainty to have a material impact on their estimate and that adopted by management at the year end, particularly given the basis on which the Trust assets are valued (depreciated replacement cost). The valuer states 'there has been no diminution identified in the public sector's ongoing requirement for these operational assets nor reduction in their ongoing remaining economic service potential as a result of the incidence of Covid-19'.
Financial Statements: Going Concern		Page 17	While impacting across the corporate sector the directions under which you prepared your accounts included in the FREM and GAM and the funding mechanisms put in place across the NHS mean your Trust will be considered a going concern. We have however considered your financial position through our work on use of resources in line with the FRC's Practice Note 10 (Audit of financial statements of public sector bodies in the United Kingdom).
Financial Statements: Events after the reporting period			We have considered whether it is necessary to disclose any post date events from the effects of the Covid-19 pandemic on the Trusts operations. We have no matters to report and we have not identified any subsequent events that require adjustment or disclosures to date.
Financial Statements: Revision to threshold for the AoB exercise		Page 12-13	As a result of the guidance to the NHS increasing the threshold at which balances requires confirmation between bodies we amended our audit procedures to confirm your income, expenditure, receivable and payables with counterparties within the NHS resource accounting boundary. This also impacted the procedures we perform for issuing our consolidation opinion to the NAO. No matters to report. We have reported any mismatches above the NAO Group reporting threshold in Appendix 4.
Financial Statements: Procedures		Page 13	We have considered more broadly how our audit procedures should be revised given the extended deadline for submission. This means we have updated our procedures, for example considering a longer period for post date events, extending the sample period we considered for our cut off procedures and specifically considering whether COVID related income and expenditure from the final weeks of the year were correctly included in the financial statements. No matters to report. We have not identified any issues that require adjustment or disclosure.

Summary: Impact of COVID-19



Scepticism Challenge

Area of the audit	Status	Page	Impact on Audit Approach
Financial Statements: IFRS 16		Page 16	The implementation of the new lease accounting standards has been deferred to 1 April 2021 with only limited disclosure requirement for 2019/20. We have summarised the work completed during our planning and interim audit work.
Annual Report: revised requirements and content		Page 19	We have read the contents of the Annual Report (including the Accountability Report, Performance Report and AGS) and audited the relevant parts of the Remuneration Report. We have checked compliance with the NHS Foundation Trust Annual Reporting Manual (ARM) amended in April 2020 by NHSI. The changes allowed a small amount of the mandatory content to be optional, such as the performance report and the requirement to include a Quality Report.
Quality Accounts: revised requirements			We are not required to provide assurance over the quality report for 2019/20.
Value for money: additional risk emerged on response to COVID19		Page 21	We have not included an additional risk relating to the response to Covid-19. By way of reminder our value for money responsibilities are focused on understanding the arrangements you have put in place up to the 31 March and to consider the disclosures you have made within your annual governance statement. We are still considering the impact of the Covid-19 pandemic on the annual planning process.



Financial Statements Audit

Financial statements audit - our summary findings



Scepticism Challenge

Assessment of the control environment

Significant control deficiencies	1
Other control deficiencies	1

The medium and low priority recommendations are discussed in Appendix 3.

The Trust outsources an element of its control environment to the following service organisations. For each, we rely on the findings of the service auditors assessment of the local control environment as part of our audit approach.

- IBM – the Trust uses the ESR system. The service auditor issued an unqualified opinion.

Representations

You are required to provide us with representations on specific matters such as your going concern assertion. We provided a draft of this representation letter to the Chief Finance Officer on 21 May 2020. This letter does not include any Trust specific representations.

We draw your attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us.

Accounts Production

We received complete draft accounts by 27 April 2020 in accordance with NHSI's deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of ARM and GAM.

We thank the finance team for their co-operation throughout the visit which allowed the audit to progress and complete within the allocated timeframe.

Key accounting judgements

We will assess whether the assumptions adopted by management in the accounts are reasonable.

Risks	Risk change	Our findings
Significant Risks		
1. Valuation of land and buildings	▲ Increase	We found one audit adjustment to report in respect of the application of the 2019/20 valuation but have concluded that the balances are fairly stated.
2. Revenue Recognition	■ No change	The results of our testing were satisfactory. We considered the amount of revenue recognised to be acceptable.
3. Fraudulent expenditure recognition	■ No change	The results of our testing were are satisfactory. We considered the amount of revenue recognised to be acceptable
4. Management Override of Controls	■ No change	Our procedures did not identify any instances of fraud.
Other Matters		
4. Going concern	■ No change	Management's assessment of going concern was reasonable and no modification is required to the opinion.
5. Absorption of South Cumbria Services	★ New risk	We have reviewed the accounting treatment of the transfer by absorption in line with the DHSC 2019/20 GAM, with no issues noted.
6. HSIS Subsidiary	★ New risk	No issues were identified with the group consolidation. Note the HSIS accounts are draft at the time of group reporting.
7. New accounting risk standard - Leases	★ New risk	The implementation of the new lease accounting standards has been deferred to 1 April 2021 with only limited disclosure requirement for 2019/20.

Section one

Financial statements audit – our summary findings



Scepticism Challenge

Compliance with ISA 260: We are required under ISA 260 to communicate to you any matters specifically required by other auditing standards to be communicated to those charged with governance; and any other audit matters of governance interest. As the Trust is required to comply with elements of the UK Corporate Governance Code through the Foundation Trust Code of Governance, ISA 260 also requires us to communicate to you any information that we believe is relevant to understanding our rationale and the supporting evidence for the exercise of our professional judgement. This includes our view of: Business risks relevant to the financial reporting objectives, the application of materiality and the impact of our judgements on these areas for the overall audit strategy and audit plan; significant accounting policies; management’s valuations of the Trust’s material asset and liabilities and the related disclosures; the quality of management’s assessment of the effectiveness of the system of internal control included in the AGS; and any other matters identified during the course of the audit. We have not identified any other matters to specifically report.

Brexit disclosures: Strategic report: In the course of our audit work we assessed the potential impact of Brexit and consider this to be sufficiently low risk. Management have not made any particular reference to Brexit in the Annual Report which we believe appropriately reflects the level of risk.

Compliance with the Audit Code: Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepared an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We have discharged these responsibilities as follows:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Make a referral to your regulator		If we identify that potential unlawful expenditure might be incurred then we are required to make a referral to your regulator. We have not identified any such matters.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.
Provide a statement to the NAO on your consolidation schedule		This “Whole of Government Accounts” requirement is fulfilled when we check your summarisation scheduled are consistent with your annual accounts. We have completed that work and found no matters to report.
Provide a summary of our key use of resources risks		We are required to reach a conclusion on your use of resources. We have identified significant risks and carried out procedures to gain assurance that these are being managed appropriately.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.



1 Valuation of land and building assets

Related BAF risks

5.1 - to provide financially sustainable services and 6.1 – to develop and maintain infrastructure.

Significant audit risk

The risk

- There is significant judgment involved in determining the appropriate basis (EUV or DRC) for each asset according to the degree of specialisation, as well as over the assumptions made in arriving at the valuation.
- Land and buildings are required to be held at fair value as the Trust considers many of its buildings to be specialised. The GAM sets out the need for fair value to be determined based on replacement cost of a modern equivalent asset, since there is not an active market for the asset and it highlights the need to set out any assumptions made about changes to the estate when determining how it would be replaced, e.g. change in location or size.

Our procedures included:

- **Assessing valuer’s credentials:** We assessed the competence, capability, objectivity and independence of the Trust’s independent valuer and considered the information provided to the Trust in 2019/20 for consistency with the requirements of the DHSC Group Accounting Manual;
- **Test of detail:** We will agree the information provided to the valuer by the Trust to underlying records of the estate held and test a sample for ownership and existence with a focus on South Cumbria assets.
- **Test of detail:** We will critically assess the Trust’s formal consideration of indications of impairment and surplus assets within its estate, including the process undertaken and the adequacy of the formal, written decision document used in the process.
- **Methodology choice:** we sought the expertise of an internal valuation specialist, to critically assess the appropriateness of the valuation basis and methodology applied and identify any potential risks to the approach taken.
- **Accounting analysis:** We undertook work to understand the basis upon which any movements in the valuation of land and buildings had been classified, treated and accounted for in the financial statements and determined whether they had complied with the requirements of the DHSC Group Accounting Manual 2019/20.
- **Methodology implementation and re-performance:** we compared the asset value movements from the valuer’s report to the entries in the fixed asset register. This included a re-performance of the entries to confirm that any material movements in the value of land and building assets had been accounted for correctly.
- **Assessing transparency:** We considered the adequacy of the disclosures about the key judgements and degree of estimation involved in concluding whether there has been any material movement in the value of land and buildings since 31 March 2019.

Outcome from audit work

We confirmed the valuer was competent, capable, objective and independent.

We tested the information provided to the valuer and found an error in the classification of the floor area of a small number of assets. **This has resulted in an audit adjustment – see appendix 4.**

The Trust’s formal process consideration of impairment indicators on a quarterly basis throughout the year operated effectively.

We confirmed the valuation basis and methodology applied by the valuer was appropriate.

We ensured the Trust had accurately accounted for the valuation movement in the financial statements.

Overall, we have concluded that the balances are fairly stated.

Specifically, we also considered the adequacy of disclosures made around the uncertainty caused by the Covid-19 pandemic on market data used to underpin the valuer’s assumptions, and management’s consideration of these factors when arriving at the year-end valuation figures.



2 Revenue recognition

Related BAF risks

5.1 and 5.2 : to provide financially sustainable services

Significant audit risk

The risk

- Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.
- We recognise that the incentives in the NHS differ significantly to those in the private sector which have driven the requirement to make a rebuttable presumption that this is a significant risk. These incentives in the NHS include the requirement to meet regulatory and financial covenants, rather than broader share based management concerns.
- There is a risk around the nature and timing of recognition of income , including additional funding resulting from the Cumbria transaction and additional tranches of income for Out of Area Placements (OAPs) and urgent pathways.
- We have classified NHS income as a significant risk to respond to this requirement.

Whilst we classified recognition of NHS income as a significant audit risk for 2019/20, we rebutted the fraud risk over other material income streams as we do not believe there to be an incentive to manipulate these balances. We did however perform audit procedures over these balances as well as remaining alert to any indications of fraud. This included reviewing the accounting treatment and recognition of any grant support received in year.

Our procedures included:

- **Test of detail:** We compared the actual income for the Trust's most significant commissioners against the block contracts agreed at the start of the year and checked the validity of any significant variations between the actual income and the contract via agreement to appropriate third party confirmations.
- **Test of detail:** We compared the income balances reported by the Trust as part of the 2019/20 Agreement of Balances (AoB) exercise to the balances reported in the accounts. For any variances or mismatches identified as part of the AoB exercise, we sought explanations and supporting evidence for the Trust's position from the client.
- **Test of detail:** We performed sample testing over the accrued and deferred income balances and carry out cut off procedures to ensure that the amounts have been recognised appropriately and correctly classified in the financial statements.
- **Test of detail:** We considered the impact of any identified audit adjustments on the delivery of the Trust's control total and reconciled the year-end performance to the original plan to understand any deviations.
- **Test of detail:** Cut-off procedures were performed in order to gain assurance that income has been correctly recognised in the period.

Outcome from audit work

- No issues were identified through our testing of block contracts comparing actual to agreed income.
- The Agreement of Balances work is complete and no significant mismatches have been identified to suggest any inappropriate treatment of income or expenditure with NHS bodies by the Trust.
- Our work over income cut-off, accrued and deferred income did not identify any issues. We are satisfied the Trust has recognised income in line with IFRS 15.

Financial statements audit – significant risks



Scepticism Challenge

Recognition of non-pay expenditure

Related BAF risks

5.1 and 5.2 : to provide financially sustainable services

Significant audit risk

The risk

- In the public sector, auditors also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). This may arise due to the audited body manipulating expenditure to meet externally set targets. As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition and so the auditor has regard to this when planning and performing audit procedures.
- We do not consider this risk to apply to all expenditure in the period. The incentives for fraudulent expenditure recognition lie within accrued expenditure at year-end, as well as completeness of recognition of new provisions or release of existing provisions. The focus of this risk is on non-pay spend.

Our procedures included:

- **Test of detail:** We inspected all material invoices received in April 2020 to agree that these have been accounted for correctly by evaluating when the service had been delivered;
- **Test of detail:** We inspected all material items of expenditure in the April 2020 bank statements to identify if there were any unrecorded liabilities that should have been accounted for in the 2019/20 financial statements;
- **Test of detail:** We performed a year-on-year comparison of accruals posted in 2019/20 to those posted in 2018/19 to evaluate the completeness of the accruals balance, as well as agreeing a sample to supporting documentation;
- **Test of detail:** We vouched a sample of journals posted before and after the year end to supporting documentation to confirm inclusion in the correct period and to critically assess whether any manual adjustments to expenditure were appropriate;
- **Test of detail:** We inspected confirmations of balances provided by the Department of Health as part of the Agreement of Balances (AoB) exercise and compared the relevant payables recorded in the Trust's financial statements to the receivables balances recorded within the accounts of other providers and other bodies within the AoB boundary. Where applicable we investigated variances and reviewed relevant correspondence to assess the reasonableness of the Trust's approach to recognising expenditure to other providers and other bodies within the AoB boundary.

Outcome from audit work

- We found that all material items of expenditure tested from the cashbook and bank statements had been accounted for correctly in line when the service was delivered.
- We have reviewed the composition of this balance and undertaken appropriate testing. The movement from the prior year relates to the timing of transactions.
- Our journals testing did not identify any inappropriate manual adjustments had been made to expenditure at the year end.
- The Agreement of Balances work did not identify any significant mismatches confirming the Trust have treated expenditure appropriately.



Risk	Why	Finding from the audit
Fraud risk from revenue recognition	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.	<p>There are two material income streams at the Trust: NHS Income and Local Authority Income. We have audited both income streams.</p> <p>NHS Income: There is a presumed fraud risk from revenue recognition for NHS Income and we have conducted procedures to address this as a significant risk.</p> <p>Local authority Income: We have rebutted the risk over fraudulent revenue recognition but have complete audit work around both revenue and receivables.</p> <p>See page 12 for our procedures and outcome of this work.</p>
Fraudulent expenditure recognition	Practice Note 10 suggests that auditors in the public sector should consider whether there is a fraud risk arising from the recognition of expenditure.	<p>We do not consider this risk to apply to all expenditure in the period. The incentives for fraudulent expenditure recognition lie within accrued expenditure at year-end, as well as completeness of recognition of new provisions or release of existing provisions. The focus of this risk is on non-pay spend.</p> <p>See page 13 for our procedures and outcome of this work.</p>
Fraud risk from management override of controls	<p>Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p> <p>We have considered that there is a heightened risk of management override of control based upon the incentives and performance oversight offered and deployed by NHSI during the 2018/19 period.</p>	<p>Our procedures, including testing of journal entries, accounting estimates and significant transaction outside the normal course of business, no instances of fraud were identified.</p> <p>We have performed specific procedures to:</p> <ul style="list-style-type: none"> • Understand the Q4 judgement management reach which have led to receipt of PSF funding; • Review accounting judgements which are impacting the reported outturn position (see page 18); • Reconciled the year end performance to in year financial report to ensure that divergence in performance can be understood and justified; and • Reviewed the year end cut off processes to ensure that revenue and expenditure items have been reflected within the correct period.

Reconfirming materiality: We can confirm that we have completed all our audit work to the materiality that we proposed at the planning stage of the audit, which was a total materiality of £6m, performance materiality of £4.5m with an audit differences posting threshold of £0.3m.

Financial statements audit – other areas of focus



Other area of focus – Absorption of South Cumbria services

The risk

On the 1 October 2019, South Cumbria Mental Health and Learning Disabilities services transferred to Lancashire Care Foundation Trust. This transfer of services means there will be additional considerations when auditing staff costs, contract income and the balance sheet.

416 WTE staff from South Cumbria transferred into the Trust on the 1st October 2019 which poses risks over the completeness and accuracy of what will now be an increased staff cost in the financial statements.

In addition, as flagged on page 8, £8.2m of property, plant and equipment will be transferring. We will need to gain assurance that these assets are fairly stated following the full valuation as at 31 March 2020, taking into account any impairment on transfer or at that date.

The proposed contract income is £21.3m, which includes CQUIN at 1.25%. We will need to consider the processes and controls in place to manage this contract and how it is integrated into the Trust's processes.

Management have confirmed no working capital balances have transferred over as part of the transaction.

Outcome from audit work

We have reviewed the completeness and accuracy of the transfer of staff by agreeing the list of staff transferred, to the ESR standing data on 1 October 2019

We are planning to test the rights and obligations, and existence of land and building assets transferred on 1 October 2019 to relevant agreements/records to agree the £8.2m on transfer. The asset values as at 31 March 2020 have been reviewed as part of the revaluation work (see page 11). We are reviewing the accounting treatment of the transfer by absorption in line with the DHSC 2019/20 GAM, with no issues noted.

The Business Case and final contract confirms no working capital balances transferred over as part of the transaction.

We have further considered the arrangements in place to oversee the transfer of services in our value for money work in section 2.

Financial statements audit – other areas of focus



Other area of focus – HSIS Subsidiary

The risk

Healthcare Support and Infrastructure Services (HSIS) was established on 1 April 2018 and is a wholly owned subsidiary company of Lancashire and South Cumbria FT. HSIS provides a new approach to the management and delivery of property assets to improve efficiency, drive down cost and improve performance.

HSIS is not significant to the Group with total income and total assets each less than materiality. As a wholly owned subsidiary, however, there is a risk around consolidation, therefore we will review the consolidation process to ensure accuracy and completeness.

Outcome from audit work

The HSIS accounts are draft at the point of reporting. HSIS is a non-significant, non-material component to the Group. We therefore performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within this component.

No issues were identified.

Other area of focus – New accounting standards - Leases

The risk

- IFRS 16 (Leases) is being applied by HM Treasury in the Government Financial Reporting Manual (FReM) from 1 April 2020. This will require disclosure in the Trust's accounting policies in 2019/20 and the Trust will be required to report transactions from 1 April 2020, meaning it is important that the Trust is able to start collating reliable data for comparable figures ahead of that date.
- There are complex accounting requirements underlying the determination of quantitative amounts in disclosures.
- Disclosure likely to be subject to scrutiny from users of the accounts including via DHSC group accounts.

Outcome from audit work

The implementation of the new lease accounting standards has been deferred to 1 April 2021 with only limited disclosure requirements for 2019/20. We have summarised the work completed during our planning and interim audit work.

We carried out an initial review of the impact assessment developed by the Trust and were happy to report the Trust has made good progress on quantifying the impact of the new standard.

We will review this in more detail in 2020/21.

Financial statements audit – other areas of focus



Other area of focus – Going concern

The risk

- The GAM directs that your financial statements will be prepared on a going concern basis unless services are being transferred outside of the public sector or being discontinued.
- Risks to your financial position are expressed through disclosure in the financial statements (which need to be complete and balanced) and consideration in our use of resources responsibilities.
- Key analysis of your future financial performance is contained in your submissions to NHSI which forecast both current and future years expected financial performance.

Outcome from audit work

- We have considered the impact of the Covid-19 pandemic on the annual planning process and reviewed the central guidance about the proposed funding regime into 2020/21.
- For the period from April to the end of July 2020, the Trust has been funded under special and specific arrangements related to the COVID-19 emergency period, approved at national level and designed to ensure that all appropriate Trust expenditure in the period is refunded in full, with the intention to ensure that all Trusts 'break even' on their operations in the period. In the view of the Board, there is a reasonable likelihood that the COVID-19 emergency period, and the related specific funding regime, will continue beyond that date.
- The Trust finished the year with £30m cash balance to support the ongoing revenue position and is forecast to maintain a strong cash balance to June 2021. The Trust is forecasting to meet its financial trajectory target of £1.25m deficit in 2020/21 which will allow it to meet a breakeven position at 31 March 2021.
- We have nothing to report with regard to going concern and we did not identify as a key audit matter

Section one

Financial statements audit - judgements

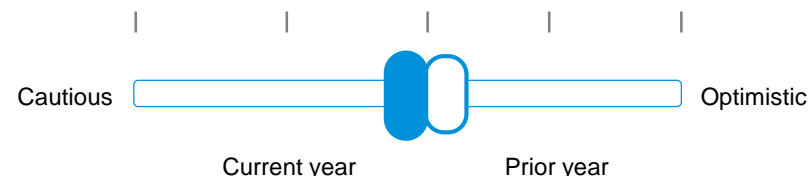


Scepticism Challenge

Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

Cautious means a smaller asset or bigger liability; optimistic is the reverse. We have only considered material judgements for the purpose of our reporting here.



Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
	Cautious Neutral Optimistic 			Needs improvement Neutral Best practice 	
Valuation of land and buildings		220.7	17.2		In 2019/20, the Trust commissioned a full valuation of land and buildings assets as at 31 March 2020. The increase in part can be attributed to the transfer of £7.5m of land and buildings assets from Cumbria Partnerships NHS FT and £8.3m of additions before the impact of revaluation and depreciation. We are satisfied that the valuation approach and methodology is appropriate and the valuations are within an acceptable range. Disclosures reflecting the material uncertainty highlighted by the valuer were appropriate.

Section one

Financial statements audit – other matters



Scepticism Challenge

Annual report

We have read the contents of the Annual Report (including the Accountability Report, Performance Report and AGS) and audited the relevant parts of the Remuneration Report. We have checked compliance with the NHS Foundation Trust Annual Reporting Manual (ARM) issued by NHSI. Based on the work performed:

- We have not identified any inconsistencies between the contents of the Accountability, Performance and Director's Reports and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the director's statements. As Directors you confirm that you consider that the annual report and accounts taken as a whole are fair, balanced and understandable and provides the information necessary for patients, regulators and other stakeholders to assess the Trust's performance, business model and strategy.
- The part of the Remuneration Report that is required to be audited were all found to be materially accurate;
- The AGS is consistent with the financial statements and complies with relevant guidance subject to updates as outlined within section three; and
- The report of the Audit Committee included in the Annual Report is currently being reviewed by management to ensure that it appropriately addresses matters communicated by us to the Audit Committee, and meets guidance as set out in the ARM.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Audit Fees

Our fee for the audit was £71,750 plus VAT in 2019/20 (58,000 in 2018/19). This fee has been updated since our audit plan agreed by the Audit Committee in January 2020 due to the reduced audit requirements on the quality report and IFRS 16:

- Our fee for the external assurance on the quality report was £1,000 plus VAT (£13,575 in 2018/19).
- We have charged £750 in relation to new accounting standards, to reflect the work carried out prior to deferral.

We have completed one piece of non-audit work at the Trust this year – see further detail in Appendix 5.



Value for Money

Section two

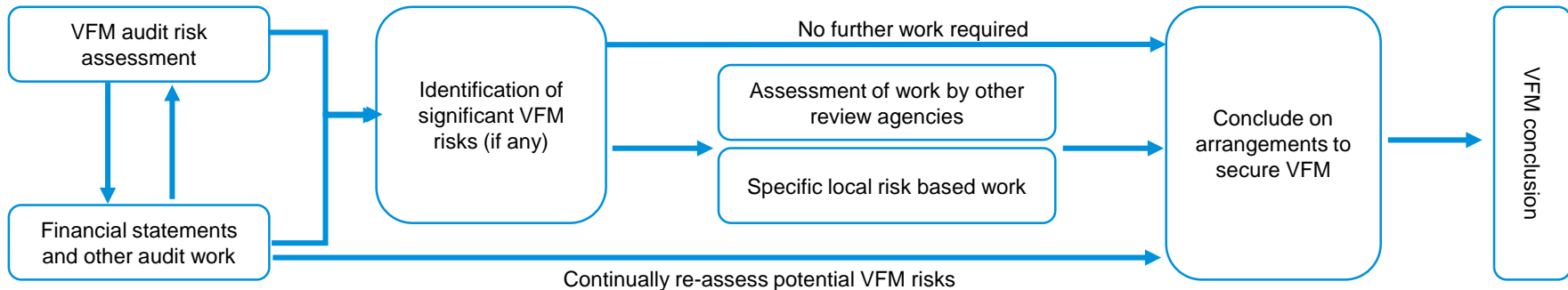
Value for Money



Scepticism Challenge

For 2019/20 our value for money (VFM) work follows the NAO's guidance. It is risk based and targets audit effort on the areas of greatest audit risk. Our methodology is summarised below. We identified two significant VFM risks which are reported overleaf.

Below we provide a summary of the routine work required to issue our VFM conclusion, which is that we are satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020, based upon the criteria of informed decision making, sustainable resource deployment and working with partners and third parties.



Risk	Why	Finding from the audit
<p>We reviewed the 2019/20 AGS and took into consideration the work of internal audit.</p> <p>We anticipate confirming that the AGS reflects our understanding of the Trust's operations and risk management arrangements.</p>	<p>We considered the outcomes of relevant regulatory reviews (NHS Improvement, CQC, etc.) in reaching our conclusion.</p> <p>We have considered the impact of the published CQC Inspection Report on our value for money conclusion.</p>	<p>As part of our risk assessment we reviewed various matters, including:</p> <ul style="list-style-type: none"> • core assumptions in the 2019/20 Annual Plan. • recurrent cost improvement schemes are identified and delivered • current operational performance and commissioner relationships / contractual risks. • planned VS actual outturn. • significant one-off items affecting the outturn position. • PSF planned and received • the impact of Covid-19 on the financial year to 31 March 2020.



1 Sustainable resource deployment

Related BAF risks

5.1 and 5.2 : to provide financially sustainable services

Significant vfm risk

The risk

- At month 6 the Trust is slightly ahead of plan (£2.1m deficit) against a planned £2.2m deficit. The forecast outturn for the year is breakeven (including Provider Sustainability Fund (PSF) income).
- The Trust continues to recognise pressure from Out of Area Placements (OAPs) costs which impacts the Trust's ability to meet financial targets, although Commissioners have agreed a 50:50 risk share for 2019/20.
- Delivery of CIPs is in line with plan at month 6. CIP target for 2019-20 is £10m of which there is currently £0.2k of slippage which is built into the position.
- In addition, recommendations of the NTW mental health system review and other findings resulting from the latest CQC inspection could put additional risk on the Trust.
- We made a recommendation in our 2018-19 management letter that the costs of responding to external reviews were clearly quantified, transparently built into forecasts and monitored closely by Board during the remainder of 2019/20.

Planned response

- For the current year, we will review the arrangements in place to deliver and report on the forecast outturn, and especially the arrangements in place to deliver the CIP, manage the OAPs position and report on and write off bad debts.
- Specifically, we will review the register of any additional costs (referenced in management's response to our recommendation in 2018-19) being incurred outside the original financial plan, and understand how these costs are being financed.
- As part of our work, we will also consider other arrangements, including financial reporting to the Finance and Performance Committee and Board to inform decision making and engagement with wider stakeholders to support the delivery of efficiencies

Outcome of audit work:

Financial Performance

The Trust met its control total and achieved a surplus of £8.8m which includes impairments of £1.4m and gain on transfer by absorption (£8.4m) which are treated as a technical adjustment leaving a Reported Financial Surplus of £1.74m. This includes the PSF/FRF of £2.66m.

Out of Area Placements (OAPs)

Despite the 50:50 risk share, the charge for LSCFT was £6.1m in 2019/20, some £3.6m in excess of funding. We reviewed the register of additional costs reported to FRG/F&P on a quarterly basis. This captured the additional costs accruing due to OAPs. Whilst arrangements for reporting were appropriate, financial challenge remains. Investment in 2019/20 has however led to reduced inappropriate OAPs in 2020/21 (see overleaf).

Cost Improvement Plan (CIP)

The Trust has exceeded its planned CIP Target for the Year, with an outturn of £10.9m vs a plan of £10.1m. £8.1m of this was achieved recurrently. (continued overleaf)



Sustainable resource deployment

Related BAF risks

5.1 and 5.2 : to provide financially sustainable services

Significant vfm risk

The risk

Planned response

- Looking ahead, we will also consider the extent to which the Trust will be able to deliver its control totals in the future, and maintain a surplus position across the medium term. This will include a review of forecasts including cash flows, and the arrangements in place to deliver forecast positions. This includes delivery of targets required to secure additional Provider Sustainability Fund (PSF) income.

Outcome of audit work:

2020/21

Prior to the Covid-19 pandemic, the Trust was issued a revised 2020/21 Financial Improvement Trajectory (FIT) of £1.25m deficit that would enable them to meet a breakeven position. This was provisionally agreed by the Board in March. This assumed CIPs of £11.2m, of which plans were in place for half of these. The rest will be achieved through restoration and recovery following the impact of the Covid-19 pandemic. The Trust also continues to maintain a very strong cash position.

We are satisfied that the Trust had appropriate arrangements in place to secure financial sustainability in 2019/20. The Trust however continues face significant challenges into 2020/21.



Sustainable Funding

Related BAF risks

5.1 and 5.2 : to provide financially sustainable services

Significant vfm risk

The risk

We highlighted in our management letter in 2018-19 that the current levels of two metrics relating to patient flow (specifically Out of Area Placements and 12-hour waits) were considered unacceptably high by the Board.

Negotiations of the 2019/20 contract were finalised on 24 May 2019, following intervention from the ICS, and additional investment has been agreed to address these challenges.

In addition, Commissioners have agreed arrangements for a full risk share on the OAP position for 2019/20.

The Trust have also absorbed South Cumbria Mental Health Services, which in turn brings its own funding challenges.

The Board should be fully sighted on the risks and assured that the additional funding agreed is sufficient to mitigate any emerging financial risks to the Trust.

Planned response

- We will review the additional funding agreements in place with Commissioners to cover the OAP position and the South Cumbria transaction to confirm the security and adequacy of the funding position
- We will consider how progress on the implementation of this agreement, and any residual risks arising, are being reported to the Trust's quarterly Finance and Performance Committee, by reviewing committee papers and consulting with the Director of Finance.
- We will assess whether any emerging risks to the financial sustainability of the Trust are being considered and appropriate action being taken to address these.

Outcome of audit work:

South Cumbria Mental Health services

The South Cumbria Assurance Committee (SCAC) has been established to oversee the safe transition of mental health and learning disabilities services to the Trust on 1st October 2019. The Board receives a monthly report from the Chair of the SCAC. This Committee in turn receives updates from the South Cumbria Mobilisation Board - the inaugural meeting of the Mobilisation Board, led by NHS Improvement, took place on the 20 September 2019. Risks are monitored and escalated accordingly as evidenced through the monthly report presented to Board.

The CCG agreed to fund £1m of mobilisation costs and this has been recognised in year.

In addition, the findings of the latest CQC report at the predecessor entity (Cumbria Partnerships NHS FT) have also been incorporated into the Trust's CQC Action Plan.

Out of Area placements

The original plan for 2019/20 assumed a large drop in OAPs aligned to the appropriate placement of stranded LD and Rehab patients. This slipped significantly exposing the Trust to financial pressure during the year.

The Trust spent c£17.2m on OAPs, £11.1m funded by CCGs, including the 50:50 risk share. This equated to an average number of OAPs each month of 49.67 (2018/19: 46.92). The Trust saw some improvement in March 2020, and the impact of the additional funding investment in 2019/20 has led to a decrease in inappropriate OAPs in 2020/21. We have seen evidence of the effective arrangements in place and therefore this will not impact our opinion over the sustainable resource deployment criterion.

In light of the funding regime that has emerged as a result of Covid-19, NHS entities will continue to be fully funded until at least October 2020. We are satisfied that the Trust had appropriate arrangements in place to secure financial sustainability in 2019/20. The Trust however continues face significant challenges into 2020/21.



③ Informed decision making (regulatory response)

Related BAF risks

1.1 If we do not meet regulatory standards for quality and safety we will not be fit for purpose as care provider.

Significant VFM risk

The risk

- The Care Quality Commission (CQC) inspected the Trust in May 2019 and published their report in September 2019, with an overall rating of Requires Improvement.
- The CQC rated the Trust as Requires Improvement across the safe, effective, responsive and well-led domains, with the caring domain being rated as 'Good' overall.
- Following the outcome of the CQC inspection, an action plan was implemented to address the issues raised in the report.

Planned response

- We have reviewed papers presented to Board to provide updates on progress against CQC requirements;
- We have compared these to the findings of internal audit in recent reports;
- We have discussed findings with senior management and sought assurance around responses to recent findings and preparations for re-inspection.

Outcome from audit work

The Trust carried out a self assessment in March 2019 in response to the CQC report in 2018, which indicated that the Trust would be rated as 'Good' in the upcoming CQC inspection. This was reported to Board and included in 2018/19 Quality Report. The subsequent inspection in May 2019 however rated the Trust as 'Requires Improvement'.

In response to the latest CQC inspection, a single action plan was developed and since absorption of the South Cumbria services, all recommendations from both the LCFT and CPFT CQC reports have been incorporated. The executive lead for CQC is the Director of Improvement and Compliance.

There is a robust Quality Assurance process in place which requires each action to be signed off by the Executive Director prior to submission to the Effectiveness Team for quality assurance. The single CQC action plan is monitored and reviewed within the CQC Steering Group which currently meets on a monthly basis, in addition to monthly reporting to Board.

There were 208 actions within the CQC action plan, of which 98 were completed as at 19 March 2020. The Executive Team reviewed all outstanding actions, following the outbreak of the Covid-19 pandemic and classified them into three categories: Priority, Delay, Paused. As at May 2020, 26 (of the original 37) 'Must do' actions were reported as not implemented.

Following the inspection, the Trust received two Warning Notices issued under S29A of the Health and Social Care Act. Whilst both warning notices have now been lifted, there still remains some outstanding actions to be completed, and whilst the Trust has no current restrictions or conditions on their registration, there are actions against regulated activity that must be progressed in order for the Trust to be fully compliant with CQC regulatory framework.

Recognising progress has been made, there is still significant work to do to ensure the Trust are fully compliant with the conditions of registration. Having received two consecutive 'requires improvement' ratings from the CQC and given the significant number of actions still outstanding, we have concluded that these issues are evidence of weaknesses in proper arrangements to enable informed decision making to support the sustainable delivery of the Trust's strategic priorities.

We have therefore qualified the value for money opinion on this basis.



Appendix

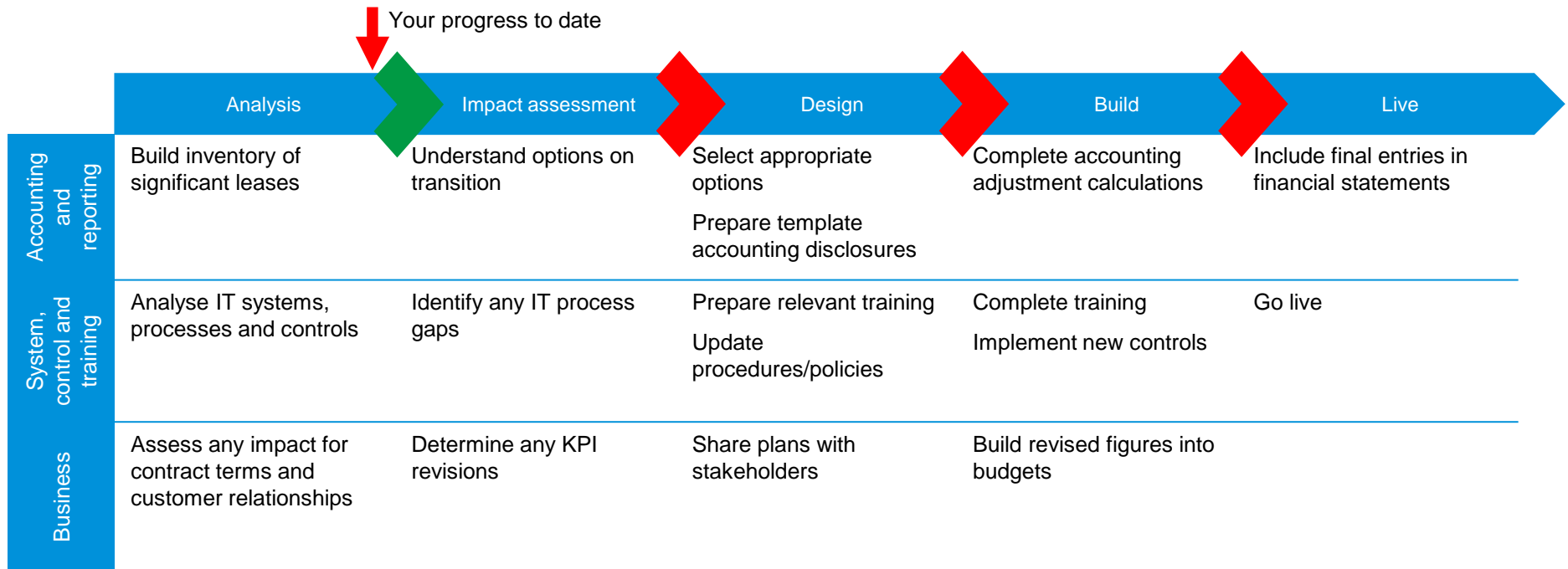
Contents

	Page
Readiness for IFRS 16 (leases)	27
Revision to the Going Concern auditing standard	28
Recommendations raised and followed up	29
Audit differences	34
Audit independence	39
Audit quality	41

Readiness for IFRS 16 (Leases)



The implementation of the new lease accounting standards has been deferred to 1 April 2021 with only limited disclosure requirement for 2019/20. For IFRS 16 full analysis is required of expenditure that could constitute an lease (such as operating leases for buildings that were previously not held on the balance sheet). We have outlined below the typical stages a transition programme would go through and based on our planning and interim audit work have indicated that as a result, largely, of the timing of guidance and date of implementation, the Trust is at an early stage of this.



Revision to the Going Concern auditing standard

In September 2019 the FRC published a revised UK auditing standard for Going Concern ISA UK 570. This responds to recent enforcement cases and well-publicised corporate failures where the most recent auditor's report had not included a material uncertainty on going concern. The revised standard is applicable for periods commencing on or after **15 December 2019**, including short periods. We have not early adopted the standard for 31 December 2019 year-ends.

The key changes

The key changes in comparison to the current standard are:

- Enhanced coverage of going concern in the audit report, including:
 - A positive statement from the auditor that the use of the going concern basis is appropriate and the auditor has not identified a material uncertainty on going concern.
- More detailed audit requirements on risk assessment procedures, including on the entity and its environment; the applicable financial reporting framework; and the entity's system of internal control.
- Additional audit procedures when events or conditions are identified which have not been identified or disclosed to the auditors by management.
- Under the new standard detailed substantive procedures will be required in all cases, whereas in the current standard there are reduced requirements if no events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern.
- For UK Corporate Governance Code adopters, additional audit procedures on the viability statement, *for NHS Foundation Trust's the principles in the UK Corporate Governance Code are included within the adopted NHS Foundation Trust Code of Governance.*
- Requirement to consider reporting material uncertainties to external regulatory and enforcement authorities.

NHS bodies are directed to prepare accounts on a going concern basis unless otherwise instructed for example unless services are being transferred outside of the public sector or being discontinued. We set out below the key impacts:

Risk assessment procedures and related activities: In addition to work which the auditor previously undertook understanding the entity and its environment, the new standard requires auditors to perform more detailed risk assessment procedures including specific work on the entity's system of internal control and risk assessment processes as they specifically pertain to going concern. This will include greater scrutiny over areas such as cash flow management and borrowing arrangements.

Removal of the gateway to assess whether events or conditions exist: The auditor will perform an evaluation of management's going concern assessment in all cases, not only when events or conditions which may cast significant doubt as to the entity's ability to continue as a going concern have been identified.

Increased challenge due to change in emphasis in the report: The FRC intends that auditors increase their scrutiny of going concern. Whilst much of our detailed work will remain unchanged with continued emphasis to robustly challenge management's assessment of going concern which includes thoroughly testing the adequacy of the supporting evidence, evaluating the risk of management bias. The change in the nature of the report is likely to result in more challenges being raised. This will mean the Trust will need to specifically design, perform and document its own assessment of Going Concern.

Specified procedures on viability reports and potential impact on going concern periods: The viability report is required via adoption of the UK Corporate Governance Code. As the principles of this are adopted by NHS Foundation Trusts through the NHS Foundation Trust Code of Governance these requirements are considered through our work on the Trust's value for money arrangements. This means this part of the standard is not directly applicable to NHS Foundation Trusts.

Recommendations raised and followed up



The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations					
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	3	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
Financial Statements			
1	3	<p>Bank reconciliation audit trail</p> <p>The bank reconciliation is documented in a 'live' spreadsheet that is rolled forward each month. Each month the reconciliation is uploaded to the Trust sharepoint for review. The same spreadsheet is then rolled forward for the next month's reconciliation. Whilst we are able to see segregation of duties between preparer and reviewer, the reconciliation for each month is not stored separately, limiting the quality of the audit trail.</p> <p><i>Risk</i></p> <p>There is a risk that amendments could be made to prior months that alter the position at the point in time the reconciliation is reviewed. Recognising this is a cumulative position and reconciling items are explained, this is low risk, but it does mean a robust audit trail is not maintained for the individual months that the reconciliation has been performed.</p> <p><i>Recommendation</i></p> <p>We recommend that the bank reconciliation is uploaded each month as a separate document. This will provide a clear audit trail documenting the preparer and reviewer at a point in time.</p>	<p>Agreed. Finance to document a snapshot on file</p> <p>Officer: Financial Services Director</p> <p>Deadline: 30 June 2020</p>

Recommendations raised and followed up



The recommendations raised as a result of our work in the current year are as follows:

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
Financial Statements			
2	2	<p>Review of surveyor inputs into MICAD (asset management) system</p> <p>Through our review of property, plant and equipment, specifically the valuation of land and buildings, we identified an error in the classification of assets between operational and non-operational. For a number of assets the gross internal area (GIA) adopted by the valuer for the purpose of the year end valuation differed significantly from the prior year. As part of audit procedures we seek to agree the source data provided by the Trust to the valuer. It was identified that the a significant proportion of floor area on a small number of assets had been classified as operational instead of non-operational, which had resulted in the incorrect basis of valuation.</p> <p>To ensure the data in MICAD remains up-to-date, the Trust rely on an appointed professional surveyor to review 20% of the Trust estate on a five-year rolling basis. The remaining 80% is updated using a desktop approach. The Trust rely on the professional surveyor to input accurate data directly into the MICAD system. This is not reviewed by a member of HSIS prior to entering into the system. This was where the error occurred.</p> <p>The Trust has now reviewed all the data in MICAD and confirmed the impact is limited to a small number of assets. However, given this impacted a highly material asset (Royal Blackburn Hospital Hillview and Pendle View), following a correction to the valuation basis, this has resulted in a £2.36m adjustment to the financial statements.</p> <p><i>Risk</i></p> <p>There is a risk that assets are incorrectly classified impacting the basis of valuation if the Trust do not review the data input by the appointed surveyor.</p> <p><i>Recommendation</i></p> <p>We recommend that Trust design and implement controls which ensure that any changes to asset profiles are reviewed and signed off by a member of the HSIS team on behalf of the Trust. In addition, the Trust should maintain a record of the historical GIAs for all assets so that HSIS can carry out their own internal checks to monitor any significant changes in GIAs.</p>	<p>Management have discussed the error with external audit and agreed a revised process to improve the maintenance of accurate records and reduce the risk of a similar error arising. This revised process will be implemented from July 2020. Key elements include:</p> <ol style="list-style-type: none"> 1) External surveyors will be commissioned to provide accurate building site plans. All plans will be reviewed by designated HSIS officers to confirm potential non-operational areas e.g. roof voids and approve other internal amendments prior to uploading. Note, access to MiCAD will be restricted via permissions settings. 2) The annual building drawing review and new buildings will be logged on a GIA drawing record noting the following points: New drawing date, GIA, Reason for change (if applicable), Evidence (Previous drawing and amendments), Surveyor (Company/Name), approval for uploading to MiCAD (Name/Title) & next update due. 3) The annual review programme of 20% physical site inspections per annum will be increased to 33% site inspections per annum from 2020/21 (subject to the ability to conduct site visits safely in line with COVID measures within 2020-21). This will reduce the full inspection cycle to 3 years. <p>The annual programme start date will be brought forward to September of each year to enable the process and drawings to be thoroughly reviewed by HSIS and the Trust prior to financial year end and the annual audit.</p> <p>Responsible Officer – Financial Services Director</p> <p>Deadline – July 2020</p>

Recommendations raised and followed up



We have also follow up the recommendations from the previous years audit, in summary:

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
3	3	0

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (May 2020)
Financial Statements				
1	3	<p>Formalising the quarterly review of impairment, de-recognition of assets and Assets Under Construction (AUC)</p> <p>The Trust has carried out a property impairment review across the estate on a quarterly basis. On an annual basis, the Trust completes a final review of impairment indicators across the Trust's estate for the year-end, together with a complete review of assets and AUC to determine whether capitalisation or de-recognition is required. This process was not formally documented in 2018/19 to provide a clear audit trail of the movements reflected in the financial statements.</p> <p>We recommend that the quarterly review is formally documented with input from the Estates Team to justify capitalisation and/or impairment or de-recognition of assets. In addition, Estates should carry out an annual reconciliation of gross internal areas held in MICAD to those used by the valuer in their valuation to ensure they are consistent.</p> <p>Where management have challenged the assumptions used by Estates or the District Valuer this should be documented in an annual impairment paper.</p>	<p>Agreed. Finance will discuss with external audit to confirm an agreed approach.</p> <p>Deadline: July 2019</p>	<p>Implemented.</p> <p>Management have implemented a quarterly review of the Estate which involves a consultation between Finance and HSIS to consider any indicators of impairment. This control has operated effectively throughout the year.</p> <p>The impairment paper summarises this work carried during the year and how this links to the year end valuation.</p>

Recommendations raised and followed up



We have also follow up the recommendations from the previous years audit, in summary:

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (May 2020)
Value for money				
2	2	<p>Investment in demand management and pathway redesign</p> <p><i>Issue:</i> Within the wider context of Trust performance, current levels of two metrics related to patient flow (specifically Out of Area Placements and 12-hour waits) are considered unacceptably high by the Board. Out of Area placements cost the Trust £9m in 2018/19 which equated to an average number of OAPs each month of 46.92, with a total of 17,106 bed days used across the year. This compares adversely to wider regional and national performance.</p> <p>There was a continued challenge during 2018/19 relating to 12-hour breaches (501 in 2018/19) and analysis shows these continue to be principally due to service users awaiting admission to a bed. However, the Trust has experienced difficulty in obtaining funds to allow investment in capacity designed to improve performance, including the resource required to 'double-run' services while transformation is rolled out.</p> <p><i>Risk:</i> Without sufficient investment there is a risk that poor performance will continue or even deteriorate. This would be sub-optimal in terms of both patient care and use of resources.</p> <p><i>Recommendation:</i> We recommend that system-level negotiations around funding to improve patient flow are escalated and necessary investment funds secured to improve performance and share risk between stakeholders.</p>	<p>Negotiation of the 2019/20 contract was finalised on 24 May, following intervention from the ICS. The agreement reached recognises the risk of OAP expenditure running at the levels experienced in 2018/19. Resource has been agreed for further investment in community teams and home treatment teams which will help avoid admission and prompt discharge to a supported environment where possible. Commissioners have also acknowledged the additional system pressure associated with accommodating individuals in mainstream adult mental health beds, whose needs would be better served by a rehabilitation bed or a learning disability placement, and a system plan is being developed to provide the necessary capacity.</p> <p>These are both key elements of the recommendations in the recent system review carried out by NTW. Together these two measures should help the system to materially reduce the current levels of OAPs and 12 hour breaches in the system and the associated cost risk to the Trust.</p> <p>In addition Commissioners have agreed arrangements for a full risk share on the OAP position for 2019/20 whilst changes to service happen and the benefits are realised.</p> <p>Progress on the implementation of this agreement, and any residual risks arising, will be reported to the Trust's quarterly finance and performance committee. This will ensure oversight of emerging risks to the financial sustainability of the Trust and timely mitigation.</p> <p>Responsible Officer: Chief Finance Officer, 31 May 2019 (Complete)</p>	Implemented.

Recommendations raised and followed up



We have also follow up the recommendations from the previous years audit, in summary:

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (May 2020)
Value for money				
3	2	<p>Cost implications of responses to findings from staffing reviews and regulatory inspections</p> <p><i>Issue:</i> The Trust continues to close down actions from its most recent CQC inspection, and expects another visit during summer 2019, for which preparations are underway. In addition the Trust is in receipt of the self-commissioned and recently concluded Level 3 Safe Staffing review (the Hurst Review) into staffing levels which identified a need for investment in permanent staffing across certain areas of the Trust, particularly on the Mental Health Pathway. In March 2019 the Board reviewed and approved an implementation plan in response to the Hurst Review, which will be progressed during 2019/20. Where permanent staff cannot be recruited, agency spend will need to be significant to maintain recommended levels.</p> <p><i>Risk:</i> Responses to these various external reviews are likely to have considerable cost implications which may put pressure on the achievement of planned financial targets during 2019/20.</p> <p><i>Recommendation:</i> We recommend that the costs of responding to external reviews are clearly quantified, transparently built into forecasts and monitored closely by Board during the remainder of 2019/20.</p>	<p>This recommendation refers to the specific of the Safer Staffing (Hurst) review . However, in addition to this, potential cost risk could also emanate from implementing the recommendation of the NTW mental health system review and any other findings resulting from the forthcoming CQC inspection.</p> <p>The Hurst review resulted in very clear cost implication which were quantified by ward and staffing mix. The indicated level of funding has been applied to wards which will allow recruitment and more appropriate flexing of the establishment and should lead to a diminished requirement for temporary staff both bank and agency. The financial implications were presented to the March Trust Board and are included in the 2019/20 budget.</p> <p>However, the potential risks to the Trust's financial position from this and the other challenges the Trust faces in 2019/20 are acknowledged. As such we plan to establish a register of any additional costs being incurred outside the original financial plan, with clarity as to how these costs are being financed. This may include a re-allocation of an existing budget, additional income and exceptionally a risk being carried by the Trust.</p> <p>This register will be reported to the Trust's quarterly Finance and Performance Committee, alongside the more detailed financial forecast produced for this committee. This will provide oversight of emerging risks to the Trust's financial sustainability and an opportunity to develop timely mitigation plans.</p> <p>Responsible Officer: Chief Finance Officer</p> <p>Deadline: 31 March 2020. Ongoing but with quarterly reports.</p>	<p>Implemented</p> <p>We have reviewed the register of additional costs for each quarter and confirmed these have been presented at the Financial Recovery Group.</p> <p>We have considered the impact of this recommendation and action taken through our value for money work. This is documented in Section 2.</p>

Audit Differences



Under UK auditing standards (ISA (UK&I) 260) we are required to provide the Audit Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK&I) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit Committee, details of all adjustments greater than £300K are shown below:

No unadjusted audit differences have been identified during the year.

Under UK auditing standards (ISA UK&I 260) we are required to provide the Audit Committee with a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustment below have been included in the financial statements.

Adjusted audit differences (£m)				
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Building Revaluation Reserve	-	£2.3m	We identified an error in the valuation of land and buildings as at 31 March 2020 adopted by the Trust. The valuer valued the entirety of a material asset as operational when a significant proportion was void space and therefore non-operational. The valuer rely on information supplied by the Trust when forming the basis of their valuation. This resulted in a decrease in the value of land and buildings (part of PPE) in the financial statements. An explanation of how this error occurred is described in Appendix 3.
	Cr Property, Plant and Equipment	-	£2.3m	
Total		-	£2.3m	

We have also requested some presentational adjustments in the Remuneration Report.

Audit Differences



We are required to report any inconsistencies greater than £300,000 between the signed audited accounts and the consolidation data and details of any unadjusted errors or uncertainties in the data provided for intra-group and intra-government balances and transactions regardless of whether a Trust is a sampled or non-sampled component. We have provided details of the inconsistencies that we are reporting to the NAO as follows:

Counter party	Type of balance/ transaction	Balance as per Trust (£'000)	Balance as per counter party (£'000)	Difference (£'000)	Comments on Difference
East Lancashire Hospitals NHS Trust	Expenditure	1,635	2,082	447	Relates to disputed SLAs (mainly Estates). Any Estates SLA balances prior to 19/20, Trust are disputing in full. We are satisfied that Trust position is correct.
NHS England	Income	7,558	7,927	(369)	£318K has now been included against Yorkshire and the Humber Specialised Commissioning Hub. This was Trust's error. We are satisfied that Trust position is correct.
North West Regional Office	Income	9,503	8,790	766	As above
Yorkshire and the Humber Specialised Commissioning Hub	Income	0	317	(317)	As above
North East and Yorkshire Regional Office	Income	£0	518	(518)	Trust emailed counterparty on 5/5/20 but received no response. We are satisfied that the Trust position is correct.
NHS Blackpool CCG	Income	21,223	20,542	681	Relates to Disputed invoices - £373K super-stranded; 170K OAPs. We are satisfied that Trust position is correct.
NHS Fylde and Wyre CCG	Income	23,682	23,022	660	Relates to Disputed invoices - £285K Super-stranded; £238K Oaps (Paid);£104K Misc (Paid). W We are satisfied that Trust position is correct.
NHS Greater Preston CCG	Income	45,405	45,028	377	Relates to disputed invoices - £285K Super-stranded; £65K dressings (miscoded). We are satisfied that Trust position is correct.

Audit Differences - Cont'd



We are required to report any inconsistencies greater than £300,000 between the signed audited accounts and the consolidation data and details of any unadjusted errors or uncertainties in the data provided for intra-group and intra-government balances and transactions regardless of whether a Trust is a sampled or non-sampled component. We have provided details of the inconsistencies that we are reporting to the NAO as follows:

Counter party	Type of balance/ transaction	Balance as per Trust (£'000)	Balance as per counter party (£'000)	Difference (£'000)	Comments on Difference
NHS Southport and Formby CCG	Income	12,254	12,774	(520)	Counterparty have included additional accruals - Trust emailed them for confirmation on 6/5/20. We obtained a copy of Trust's income statement to Southport and Formby CCG. We are satisfied that the Trust position is correct.
NHS West Lancashire CCG	Income	14,829	14,397	432	Trust emailed Counterparty 4/5/20. Historically Counterparty are disputing £500K Psychology invoices (in Mediation, 50% provided for), £200K NCAs & £61K Oaps. We are satisfied that Trust position is correct.
Health Education England	Income	9,918	9,507	411	Counterparty have not included Trust's accruals statement - a copy was sent by Trust to them on 4/5/20 but no response was received. We are satisfied that Trust position is correct.
NHS Property Services	Expenditure	3,304	5,167	1,863	NHSP is manually adjusting the balance owing to 1,171K although this isn't reflected in the AoBs. This effectively reduces their figure by £2,155k and the difference to 292k.

Audit Differences - Cont'd



We are required to report any inconsistencies greater than £300,000 between the signed audited accounts and the consolidation data and details of any unadjusted errors or uncertainties in the data provided for intra-group and intra-government balances and transactions regardless of whether a Trust is a sampled or non-sampled component. We have provided details of the inconsistencies that we are reporting to the NAO as follows:

Counter party	Type of balance/ transaction	Balance as per Trust (£'000)	Balance as per counter party (£'000)	Difference (£'000)	Comments on Difference
NHS England	Debtor	1,105	1,468	363	Counterparty have included additional accruals. We are satisfied that the Trust position is correct.
North West Regional Office	Debtor	600	218	(382)	Trust contacted NHSE for details on 04/05/2020 but not received a response. Possibly nets off with the above. We are satisfied that the Trust position is correct.
NHS Blackburn with Darwen CCG	Creditor	£0	332	332	Adjustment relates to 1 invoice from BwD that Trust have been disputing for 2 years. We obtained evidence to support this. We are satisfied that the Trust position is correct.
NHS Blackpool CCG	Debtor	1,457	1,068	(389)	Counterparty have missed Trust's accruals (copy sent on 4/5/20). Adjustment relates mainly to Super-stranded invoice I0067133 £221K. Copy of invoice obtained and agreed. We are satisfied that the Trust position is correct.
NHS Chorley and South Ribble CCG	Debtor	1,751	1,400	(351)	£350K adjustment - 17/18 Oaps £77K, super-stranded £193K, dressings £81K (CCG confirmed that this is not inquiry but was mis-coded and they cannot amend). We are satisfied that the Trust position is correct.
NHS Fylde and Wyre CCG	Debtor	847	517	(330)	Counterparty confirmed they will include Trust's notified figure on re-submission but haven't. We are satisfied that the Trust position is correct.

Audit Differences - Cont'd



We are required to report any inconsistencies greater than £300,000 between the signed audited accounts and the consolidation data and details of any unadjusted errors or uncertainties in the data provided for intra-group and intra-government balances and transactions regardless of whether a Trust is a sampled or non-sampled component. We have provided details of the inconsistencies that we are reporting to the NAO as follows:

Counter party	Type of balance/ transaction	Balance as per Trust (£'000)	Balance as per counter party (£'000)	Difference (£'000)	Comments on Difference
NHS Greater Preston CCG	Debtor	1,563	1,101	(462)	£463K adjustment is 17/18 OAPs. £114K which has not been agreed with Counterparty. £285K super-stranded & £65K dressings (CCG confirmed that this is not in query - it has been miscoded and they cannot amend now). We are satisfied that the Trust position is correct.
NHS West Lancashire CCG	Debtor	1,376	792	(584)	Historically Counterparty are disputing £500K Psychology invoices (in Mediation, 50% provided for), £200K NCAs & £61K OAPs. We are satisfied that the Trust position is correct.
Health Education England	Debtor	432	12	(420)	HEE have not included Trust's accruals Statement. Copy of statement was sent on 4/5/20 but received no response. We are satisfied that the Trust position is correct.
East Lancashire Hospitals NHS Trust	Creditor	1,434	2,459	(1,025)	This relates to disputed SLAs (mainly Estates). We are satisfied the Trust position is correct.
NHS Property Services	Creditor	854	3,326	(2,472)	NHSPS agreed they would cancel and recharge to CCGs in M9 but they haven't. NHSP is manually adjusting the balance owing to 1,171K, a reduction of £2,155k, although this isn't reflected in the AoBs. This would reduce the difference to £317k. We are satisfied that the Trust position is correct.
Community Health Partnerships	Creditor	864	1,203	(339)	Disputed element as funding held by CCGs. We are satisfied that the Trust position is correct.

Audit Independence



We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.

To the Board of Directors/Audit Committee members

Assessment of our objectivity and independence as auditor of Lancashire and South Cumbria NHS Foundation Trust ('the Trust')

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability

- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the Trust and its affiliates for professional services provided by us during the reporting period. We have detailed the fees charged by us to the company and its related entities for significant professional services provided by us during the reporting period below, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 March 2020 can be analysed as follows:

Component of audit (all fees exclude VAT)

	2019/20	2018/19
Audit services – statutory audit		
Financial Statements Audit	£70,000	£58,000
Review of new accounting standard	£750	£0
<i>Sub-total</i>	<i>£70,750</i>	<i>£58,000</i>
Non audit fees		
Audit related assurance services	£1,000	£13,575
All other assurance services	£0	£0
All other non-audit services	£11,250	£13,575
Total fee for Trust	£83,000	£71,575

This fee has been updated since our audit plan agreed by the Audit Committee in January 2020 due the reduced audit requirements on the quality report and IFRS 16 (continued overleaf).

Audit Independence



We have only billed for the planning and interim work completed on these areas.

The ratio of non-audit fees to audit fees for the year was 0.2:1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the following table:

Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the YE 31.03.2020
Data Protection incident review	Self review, self interest	Separate team and engagement lead	Fixed fee	11,250

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

Other relationships

Number 20

During the year, no directors/ employees were members of our client hub, Number 20 Grosvenor Street.

This facility is extended by invitation to senior management of KPMG audit and non-audit clients. Audit client members are provided access to the KPMG business lounge. They are also allowed to use the bar and restaurant if they wish to do so (i.e., without a KPMG person present) and can make meeting room bookings subject to certain restrictions although all food, drink and meeting room bookings must be paid for and are charged in full at normal commercial rates.

We do not believe that this facility creates any familiarity threats to our objectivity and independence as auditor.

Former partners / employees of KPMG employed by the Trust

We are not aware of any former partners/members of the audit team, who have left KPMG and are now employed at the Trust.

Family and other personal relationships

We are not aware of any family member/personal relationship between an officer of the Trust and a member of the audit team.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the Trust and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

KPMG LLP

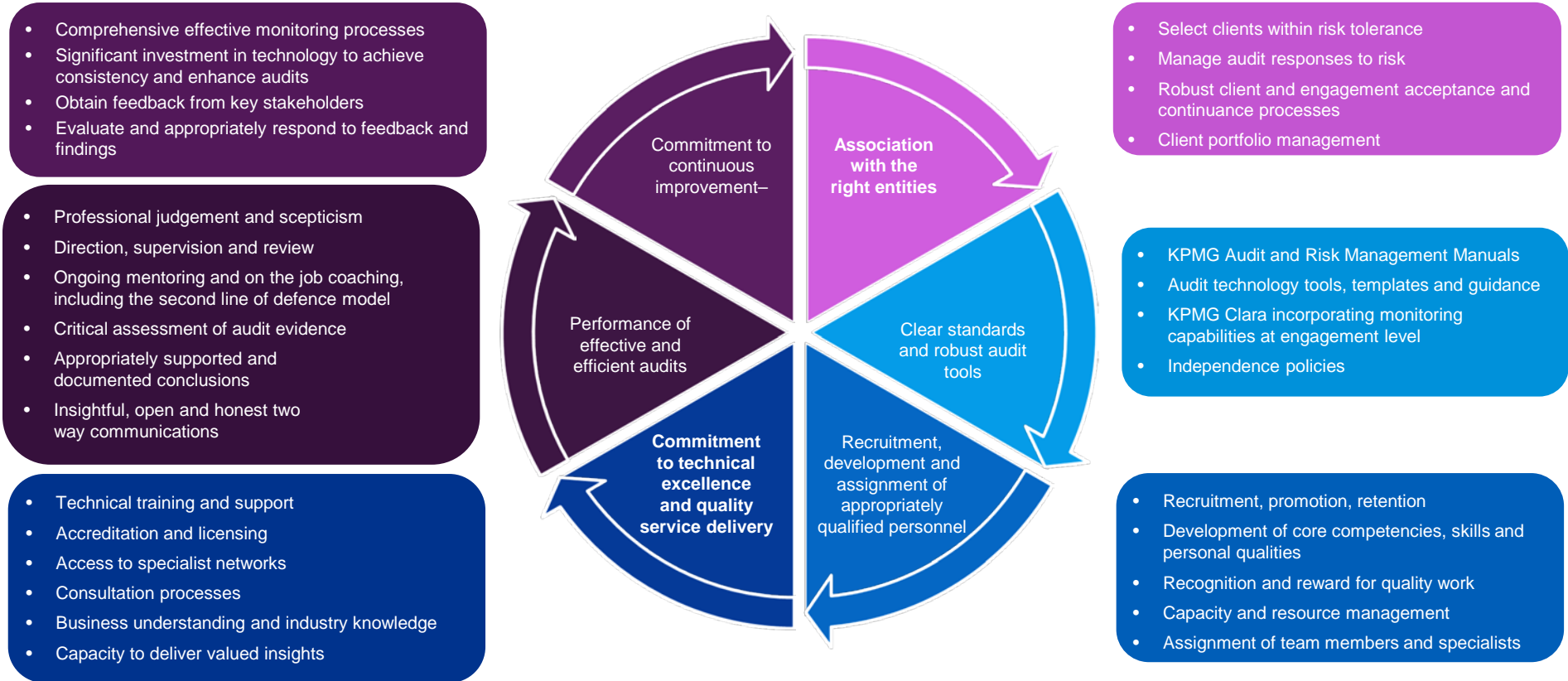
KPMG's Audit quality framework



Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.





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INDEPENDENT AUDITOR'S STATEMENT TO THE DIRECTORS OF LANCASHIRE AND SOUTH CUMBRIA NHS FOUNDATION TRUST ON THE NHS FOUNDATION TRUST CONSOLIDATION SCHEDULES

We have examined the consolidation schedules designated TAC02 to TAC29 for tables outlined in red, excluding TAC05A, TAC23, and TAC28A of Lancashire and South Cumbria NHS Foundation Trust version 1.19.12.2B for the year ended 31 March 2020, which have been prepared by the Director of Finance and acknowledged by the Chief Executive.

This statement is made solely to the Board of Directors of Lancashire and South Cumbria NHS Foundation Trust version in accordance with paragraph 24(5) of Schedule 7 of the National Health Service Act 2006 (the Act) and paragraph 4.2 of the Code of Audit Practice and for no other purpose.

For the purpose of this statement, reviewing the consistency of figures between the audited financial statements and the consolidation schedules extends only to those figures within the consolidation schedules which are also included in the audited financial statements.

Auditors are required to report on any differences over £300,000 between the audited financial statements and the consolidation schedules.

The figures reported in the consolidation schedules are consistent with the audited financial statements, on which we have issued an unqualified opinion.

KPMG LLP

*1 St Peter's Square
Manchester
M2 3AE*

25th June 2020

Confirmation question	Response
Basis of preparation and status of TACS	
1 Has the organisation departed from the accounting requirements of IFRS or the accounting policies / requirements set out in the Group Accounting Manual 2019/20 as it applies to 2018/19 and 2019/20? If yes, please set out the implications of the non-compliance in the free-text schedule (TAC34 Free text)	No Go to Freetext
2 Have the comparatives included in the TACS been revised from those disclosed in the final 2018/19 audited TACS? If yes, please provide details of any other prior period adjustments in the free-text schedule - prior period adjustments (TAC33 PPAs). Failure to do so will likely lead to follow-up questions from NHS Improvement. If your restatement relates solely to disclosure, presentation or reclassification then please explain below.	No Go to PPA sheet
3 Is the information in this form based on audited accounts (respond 'No' if this is your unaudited submission or at month 9)?	Yes - audited
Group structure and charities	
4 Has the organisation accounted for an interest in a non-consolidated subsidiary, joint venture or associate (excluding any charitable funds)? If yes, please provide the details of the joint venture, associate or non-consolidated subsidiary on TAC15 Investments & groups. Please also complete questions 4.1 to 4.3 on TAC34 Free text where applicable.	No Go to TAC15 Go to Freetext
5 Has the organisation submitted TACs which consolidates any subsidiaries (excluding any charitable funds)? If yes, please provide details of the consolidated bodies on TAC15 Investments & groups. Also please detail any non-controlling interests (and note the subsidiary these relate to): Please also complete questions 5.1 to 5.3 on TAC34 Free text where applicable.	Yes Go to TAC15
6 Has the organisation consolidated an NHS charitable fund within these TACs? If yes, please ensure sheet TAC40 Charity - consol has been completed in full.	No Go to TAC40
6a Does the organisation have any linked charities not consolidated within these TACs?	Yes
6b If yes to 6a, does the charity / all non-consolidated linked charities have arrangements to report directly to the Department of Health and Social Care as an independent charity with non-corporate trustees? If no to 6b, please ensure summary financial information is provided on TAC41 Charity - non-consol. If yes to 6b, do NOT complete sheet TAC41 Charity - non-consol, as the information will be collected directly from the charity by the Department of Health and Social Care.	n/a Go to TAC41
Transactions	
7 Has the organisation entered into any transactions not on an arm's length basis? If yes, please provide details in the free-text schedule (TAC34 Free text).	No Go to Freetext
8 Has the organisation completed a transfer of services, either divesting or receiving, accounted for as a 'transfer by absorption' in the year? If yes, please provide details on worksheet TAC30 Transfers.	Yes Go to TAC30
9 Has the organisation been involved with any mergers or other business combinations during the year (excluding transfers by absorption - see q8 above)? If yes, please provide details of any transactions in the free-text schedule (TAC34 Free text).	No Go to Freetext
10 Has the organisation been dissolved prior to 31 Mar 2020?	No
11 Has the organisation made any significant judgements in the application of IFRS 15 to income outside of the NHS standard contract, relating to: a) the timing of satisfaction of performance obligations b) the transaction price and the amounts allocated to performance obligations If yes to either question, please provide details in freetext including the nature of the income (e.g. R&D, education and training etc)	No No Go to Freetext
Financial instruments	
12 Has the organisation entered into any arrangements involving the provision of a financial guarantee, the commitment to provide a loan or embedded derivatives? If yes, please provide details of such arrangements in the free-text schedule (TAC34 Free text).	No Go to Freetext
13 Has the organisation offset financial assets and liabilities in accordance with paragraph 42 of IAS 32? If yes, please provide details in the free-text schedule (TAC34 Free text).	No Go to Freetext
14 Has the organisation negotiated modifications to contractual cash flows on financial assets in the reporting period? If yes, please quantify the impact in the free-text schedule (TAC34 Free text).	No Go to Freetext
15 Has the organisation entered into any arrangements involving the pledging of financial assets as collateral? If yes, please provide details in the free-text schedule (TAC34 Free text).	No Go to Freetext
16 Has the organisation accepted collateral or other credit enhancements to reduce the credit risk of financial assets? If yes, please provide details of these collaterals or other credit enhancements in the free-text schedule (TAC34 Free text).	No Go to Freetext
16a If yes to 16, has the organisation taken possession of any pledged financial or non-financial assets in the reporting period? If yes, please provide details of these assets in the free-text schedule (TAC34 Free text).	No Go to Freetext
17 For loans payable as at 31 March 2020, has the organisation defaulted during the reporting period or breached any other loan agreement terms? If yes, please provide details in the free-text schedule (TAC34 Free text).	No Go to Freetext
18 Do the financial statements disclose significant exposure to the following types of financial risk? a) Credit risk: b) Liquidity risk: c) Market risk:	No No No

d) Foreign currency risk:

No

If yes to a,b,c or d please provide details in the free-text schedule (TAC34 Free text).

[Go to Freetext](#)

Where the answer to any of the above risks was "Yes", quantitative disclosures should be made in local accounts as required by paragraph 34A of IFRS 7

Other accounting arrangements

19 Is the organisation an admitted member of a defined benefit scheme other than the NHS Pension Scheme e.g. a Local Government Pension Scheme?

Yes

19a If yes, does the organisation account for it as a defined benefit scheme in the accounts and these TACs (i.e. on SoFP)?

No

If yes to both 19 and 19a, please complete worksheet TAC26 Pension and provide the name of the pension fund(s) here (e.g. Leicestershire County Council Pension Fund):

If yes to 19 and no to 19a, i.e. the organisation is a member of such a scheme but does not account for it as such, please give details in the free-text schedule (TAC34 Free text).

[Go to Freetext](#)

20 Other than PFI, LIFT and other service concession arrangements disclosed in TAC25 Off-SoFP PFI, has the organisation entered into any other off balance sheet arrangements?

No

If yes, please provide details in the free-text schedule (TAC34 Free text).

[Go to Freetext](#)

For M12 audited submission only (instructions updated for 2019/20): please have this sheet signed by the Chief Executive to confirm these are the final TAC schedules. It should either be printed, signed and scanned or signed electronically (printing name is sufficient where it may not allow a signature to be pasted) and uploaded to the NHSI portal with the audited TAC and accounts submission.

Please ensure the final fixer has been run before having this signed by the chief executive.

Lancashire & South Cumbria NHS Foundation Trust

Chief Executive:

I confirm that these schedules are the final audited TAC schedules submitted to NHSI via the trust portal which have been updated with the latest fixer and upon which I have separately certified consistency with the audited accounts.

Signature: (For 2019/20 the accounting officer's name can be typed into the signature box below for practicality)



Print name:

Caroline Donovan

Validation summary

0 Validation fails

0 JoCs requiring explanation

Version number

1.19.12.2

Trust Account Consolidation (TAC) Summarisation Schedules for Lancashire & South Cumbria NHS Foundation Trust

Summarisation schedules numbers TAC01 to TAC34 and accompanying WGA sheets for 2019/20 have been completed and this certificate accompanies them.

Finance Director Certificate


1. I certify that the attached TAC schedules have been compiled and are in accordance with:
 - The financial records maintained by the NHS foundation trust
 - accounting standards and policies which comply with the Department of Health and Social Care's Group Accounting Manual and
 - the template accounting policies for NHS foundation trusts issued by NHS Improvement, or any deviation from these policies has been fully explained in the Confirmation questions in the TAC schedules.
2. I certify that the FTC schedules are internally consistent and that there are no validation errors.
3. I certify that the information in the TAC schedules is consistent with the financial statements of the NHS Foundation Trust.



Sam Proffitt
Chief Financial Officer
22 June 2020

Chief Executive Certificate

1. I acknowledge the accompanying TAC schedules, which have been prepared and certified by the Finance Director, as the TAC schedules which the Foundation Trust is required to submit to NHS Improvement.
2. I have reviewed the schedules and agree the statements made by the Director of Finance above.



Caroline Donovan
Chief Executive
22 June 2020

