Lancashire Care NHS
NHS Foundation Trust

# Annual Report and Accounts 2012/13

Children and Families | Community Services | Mental Health | Secure Services | Specialist Services

Supporting Health and Wellbeing

# LANCASHIRE CARE NHS FOUNDATION TRUST

# ANNUAL REPORT AND ACCOUNTS 2012/13

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

# Contents

# Chair and Chief Executive's Foreword

This year has seen a number of changes in national health policy and our local economy which the Trust is embracing this as an opportunity to grow and transform. Both the operating and commissioning environment has changed dramatically with the introduction of CCGs giving GPs the responsibility for commissioning.

As an organisation we are looking forward to working more closely with colleagues from primary care in continuing to provide a responsive and high quality service. High quality person centred care will continue to be the Trust's priority. Frontline clinical teams have embraced the quality strategy and have made some real changes in order to provide an excellent and compassionate service. This is supportive of the Trust's aim to be in the top 25% of all Trusts in relation to quality. The publication of the Francis report has served as a stark reminder about the importance of quality and organisational culture; the Board has considered the recommendations in depth and they will form the basis of listening events and conversations with staff.

The integration of services has progressed and will continue to be driven by the Trust's Engaging for Excellence transformation programme. This involves the re-design of services to be more holistic and responsive to the needs of local people and communities. This will be achieved by working in partnership with like-minded organisations. Examples include providing improved care for people with long term conditions, developing a comprehensive model of care for people with dementia and their carers and supporting children with complex needs and their families.

There have been a number of notable achievements during this year. Lancashire Care was rated as the top care Trust for research. Our Early Intervention Service has been selected as a demonstration site for Improving Access to Psychological Therapy for people experiencing psychosis; one of only two centres awarded this status nationally. This brings funding to the service and the opportunity to contribute to and influence policy at a national level. Finally, work has continued to plan and develop the facilities that we will need in the future to deliver high quality care. Further detail is contained within the report.

The Council of Governors continues to work alongside the Board of Directors to ensure that the views of our members are heard at a strategic level and that local need is addressed in our service plans. Engaging with our 14,000 members has remained a priority during this year. Events and surveys have been run as a means of building the views of members into future plans. Efforts have continued to increase the Trust's affiliate membership scheme to formalise relationships with key stakeholders and the junior associate constituency has been established in conjunction with the Children and Families Network to increase the involvement of young people in the work of the Trust.

During this year there have been several changes at Board level. Director of Workforce and Organisational Development, Joanne Marshall left the Trust on 31 December 2012 to take up the post of Programme Director of Organisational Culture Development at the National Commissioning Board. Two new Non-Executive Directors have been appointed to fill vacancies left by Belinda Weir and Sam Jones. Jim Taylor and Gwynne Furlong joined the

Trust in October 2012 and have brought complimentary skills, experience and expertise to the Board.

Since the year end, Hazel Richards, Director of Nursing resigned due to personal circumstances and an unexpected career opportunity. Hazel made a fantastic contribution during her time at Lancashire Care and will be greatly missed.

We pay tribute to the Trust's 6,500 staff that sit at the heart of this organisation, living our values to deliver services with compassion and excellence. Many colleagues go above and beyond their duty and some of their achievements are documented in this report. The positive relationship that exists with staff side representatives also needs acknowledgement; their on-going commitment and support is invaluable to the Trust's progress.

Lancashire Care is on a journey from good to great and will become a very different organisation during the next three-five years. The Trust's Networks will continue to have a strong clinical focus and will be responsive to the ever changing operating environment to ensure that the Trust stays at the forefront of being a major provider of care across the county.

The Annual Report and Accounts 2012/13 should be read in conjunction with the Trust's Quality Account which can be found at
http://www.lancashirecare.nhs.uk/communications/Publications/Corporate-Publications.php

**Chief Executive**

**Chairman**

# 1. Directors' Report

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

- Sections 415 to 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"); and
- The NHS Foundation Trust Annual Reporting manual 2012/13 (FT ARM).

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

## 1.1 Business review

### 1.1.1 Trust Overview and Review of Business

Lancashire Care NHS Foundation Trust (LCFT) is a large and successful organisation, providing health, wellbeing services and treatment services of a high quality to the people of Lancashire. It is led by a strong Board of Directors comprising an Executive Management Team and Non-Executive Directors that contribute skills and experience gained in various sectors.

Lancashire Care NHS Foundation Trust was established in April 2002 as a mental health provider for the county, a population of 1.5 million people. Foundation Trust status was achieved on 1 December 2007. On 1 June 2011 the Trust's portfolio of services extended to include a range of community physical health and wellbeing services acquired from neighbouring provider organisations. This development has provided the Trust with the opportunity to streamline patient pathways and deliver holistic integrated care that will realise benefits by building on the wealth of experience that the organisation has of working with communities. The Trust employs around 6,500 members of staff across more than 400 sites and has an annual turnover of over £300 million.

During 2012/13 the majority of the Trust's work (90%) was commissioned by NHS primary care trusts (PCTs) and with local authorities. All are key stakeholders for the Foundation Trust;

- NHS Blackpool
- NHS Blackburn with Darwen
- NHS Central Lancashire
- NHS North Lancashire
- NHS East Lancashire
- Lancashire County Council
- Blackburn with Darwen Council
- Blackpool Council.

The first two PCTs shared the same boundaries with the unitary authorities with their own social services. The other three PCTs have shared boundaries with Lancashire County Council Social Services. NHS Blackburn with Darwen has acted as the lead commissioner for the Trust.

The Trust has been preparing for the authorisation of Clinical Commissioning Groups (CCGs) who will take over responsibility for commissioning from the PCTs. They have been operating in shadow format and their authorisation took effect from April 2013. There are eight CCGs that cover the Lancashire area:

| Clinical Commissioning Group | Areas Covered | Population Size | Number of GP Practices |
|---|---|---|---|
| Blackburn with Darwen | Blackburn with Darwen Borough Council Boundaries | 167.450 | 30 |
| East Lancashire | Burnley, Hyndburn, Pendle, Rossendale, Ribble Valley | 371,073 | 65 |
| Greater Preston | Preston, Longridge, Great Eccleston | 178,942 | 32 |
| Chorley and South Ribble | Chorley and South Ribble | 225,529 | 36 |
| West Lancashire | Ormskirk, Skelmersdale and surrounding communities | 111,444 | 23 |
| Lancashire North | Garstang (in the south) to Carnforth (in the North) and Morecambe (in the west) to Caton (in the east) | 160,000 | 13 |
| Fylde and Wyre | Fylde, Wyre and Fleetwood | 182,000 | 24 |
| Blackpool | Blackpool Borough Council Boundaries | 152,968 | 22 |

Relationships with the CCGs have been established and will continue to develop. Links to local authority Health and Wellbeing Boards have also been established.

The Trust's services are delivered through four clinical networks:

**Adult Community** provide community services (nursing, therapy and primary prevention services) and older adult mental health services. Management and support of people in the community with often multiple (physical and mental health) long term conditions is a key service element. There are close working relationships with local hospitals and social care providers and significant planning is being undertaken to develop person focused 'one stop services'.

**Specialist Services** are a major part of service provision comprising forensic and criminal justice services. Secure Services are provided for low and medium secure

inpatients and services for five prisons in Lancashire.

**Adult Mental Health** provide inpatient and community services. All adult mental health inpatient facilities are being redeveloped and it is planned that existing wards will be replaced with improved accommodation across the county by 2016/17.

**Children and Families** provide prevention and universal services for children and young people (including health visiting) and mental health and wellbeing services (including child and adolescent mental health services and early intervention services). Sexual health services are also within this Network.

The Trust continues to play a major role in supporting research and development and is dedicated to improving the health of its service users, carers and stakeholders by providing its staff with the most current research findings in the country and by actively taking part in high quality research. The Trust maintains close working relationships with a number of research networks including the Cumbria and Lancashire Comprehensive Local Research Network (with Professor Heather Tierney-Moore being appointed Chair of the board last year), the Dementias and Neurodegenerative Diseases Research Network and continues to host the North West hub for the Mental Health Research Network.

During 2012, Lancashire Care was ranked as the top care Trust in England by the National Institute for Health Research Clinical Research Network (NIHR CRN) for delivering research activity. For the fifth year in a row there has been an increase in the number of portfolio studies led by, or participated in, by the Trust over the last 12 months. Additionally, despite significant changes to the national IT system for co-ordinating portfolio research permission times the Trust median permission time has been consistently under the national requirement of 30 days. Developing a research-active culture brings a host of benefits for patients, clinicians and the NHS. It drives innovation, gives rise to better and more cost-effective treatments, and creates opportunities for staff development. Growing evidence also suggests that NHS organisations that are research-active do better in overall performance.

Responsibility for delivering the activities of the Trust rests with the Board of Directors, which is accountable for the definition and implementation of strategy and policy as well as for the operational performance of the Trust. More detailed information on the Board of Directors can be found from page 54.

Lancashire Care NHS Foundation Trust has an active Council of Governors, comprising elected staff and public governors and appointed partnership governors. The Council of Governors is representative of the views of the membership and is consulted by the Board of Directors on strategic issues. The Council holds the Board to account for performance against plans. During the last year the Council of Governors has recognised the implications of the Health and Social Care Act 2012 and has made changes to its practice or to the constitution where this was necessary. More information about the Council of Governors can be found from page 63.

### 1.1.2 Principal Risks and Uncertainties Facing the NHS Foundation Trust

Performance over the last year has been good but this does not mean the Trust is unaware of the challenges the future will bring. The prevailing economic backdrop across the country as a whole coupled with the changing policy environment in which the Trust operates means that it is imperative the organisation understands the risks and uncertainties posed. This enables the Board to maintain strategic focus and achieve the goals and objectives it has set within the financial constraints placed upon it.

The Trust sees a strong focus on risk management and assurance as key to the development and investment in plans and strategies. Risks to achievement of plans have been identified and robust control systems put in place to address the risk environment. Focused monitoring and evidence based assurance support the risk management approach.

Following a review of the governance arrangements an Executive Risk Management Committee has been established as a formal sub-committee of the Executive Management Team to provide the Executive Management Team and the Trust Board with assurance that the Risk Management Strategy is being effectively deployed throughout the organisation.

Looking ahead, several overarching risks and uncertainties have been identified as key constraints to the development of plans and activities if the Trust is to take advantage of emerging opportunities and maintain viability in the face of existing and potential future challenges. These are:

- the economic situation
- the need to maintain balance between quality of services and achieving value for money
- the ability to anticipate impact of external factors
- the ability to manage change
- the inpatient reconfiguration
- the new Monitor Licence
- the impact of the Francis Report.

#### Economic Situation

The on-going financial crisis continues to impact on the Trust.

Funding constraints aligned with cost pressures present a significant challenge. Financial stability needs to be maintained whilst maintaining focus on the Trust vision, embedding its core values and delivering high quality services.

The Trust has a clear vision, a strong set of values and a sound governance structure. Acknowledging the scale of the issues emerging, it has used these to develop robust strategic plans which are rigorously tested with thorough exploration of the downside risk in order to ensure it is able to proceed on a sound and prudent basis. The Trust will maintain its record of effectively managing financial challenge,

building on established reserves to support the development and quality of services.

### Need to Maintain Balance between Quality of Services and Value for Money

The Trust understands the need for balance between quality of service delivery and achieving value for money. To support this, the Trust has developed its Engaging for Excellence strategy which focuses on transformational change to deliver high quality services and upper quartile performance within the financial resources available.

The NHS has moved in recent years to focusing on measuring the quality of service delivery alongside the familiar financial indicators of performance. Indicators of health, performance, quality and efficiency can give valuable insight into how care is being delivered and aid in developing strategy for the future delivery of services.

Quality of service delivery is a top priority for the Trust. This priority is also nationally recognised through the legislative requirement for Trusts to prepare an annual Quality Account to sit alongside the Annual Report and Financial Accounts.

The Quality SEEL (Safety, Effectiveness, Experience, Leadership) is a tool that has been developed with the Networks to support teams in carrying out a self-assessment against the CQC Essential Standards of Quality and Safety and our own standards. Phase two of the Quality SEEL assessment has now been launched and in 2012/13 every team across the Trust completed a baseline assessments. The assessments and validation meetings will act as enablers of an organisational wide picture of quality at team level. Further information on this can be found on page 35.

### Ability to Anticipate Impact of External Factors

The Trust has given careful consideration to the environment in which it operates. Whilst recognising that we are unable to control or predict all future eventualities we recognise the likelihood that some future changes, be they legislative, economic or as yet unknown, will impact significantly on the way the Trust operates.

The next year sees the dissolution of PCTs and the establishment of CCGs and the National Commissioning Board who will take on commissioning responsibilities. The Trust recognises this as a major shift in its operating sphere.

The challenge is to remain alert to changes and their consequences and build in the flexibility to respond. The Trust has an engaged and skilled workforce and is able to harness this to generate creativity and innovative solutions. The Trust has spent a great deal of time and energy creating a strong financial platform that will give it the flexibility to deploy the best solutions and approaches. Further work has also progressed to build relationships and harness opportunities for joint working. The Trust has invested in increased capacity and capability in terms of developing stakeholder relations and further detail is available in section 1.3.

### Ability to Manage Change

The Trust has sought to reposition itself to take advantage of emerging opportunities and maintain its viability in the face of major structural and policy change.

Following Transforming Community Services (TCS) in 2011/12 the Trust has continued embedding community services into the organisation. Internal management restructures have been put in place that support a strategy for building on success, further embedding changes already made, and creating efficiencies wherever possible through a programme that embraces change rather than merely coping with it.

Plans acknowledge the impact of identified risks to the extent that they can be quantified and, assuming planned savings are achieved, sufficient funds are available to deliver the Trust's goals and objectives. This both safeguards viability and provides for the financial consequences of service development plans.

In summary, the Trust:

- Has developed and tested its strategic plans to ensure that it is able to go forward on a sound and prudent basis
- Will continue its policy to build on the reserves that it has established to support its plans and developments
- Has a proven record of being able to deal with major change and is confident in its ability to do so in the future
- Recognises that it has a challenging agenda to deliver and is working to align its culture, capacity and capability accordingly.

### The Assimilation and Integration of Community Services

2012/13 is the first full year of reporting of the expanded Trust following the acquisition of community services in June 2011. Considerable progress has been made in further integrating the community services into the Trust.

Anticipated benefits are being realised from the integration of services. Work to transform services, develop partnerships, encourage innovation and provide robust evidence based evaluation and assurance has been a focus of 2012/13 and will be a continuing feature of 2013/14. This enables the Trust to focus on its operations and provide holistic services that are better able to meet the health needs of individuals, families and communities.

Successful integration is viewed as key to operating in the future. A number of factors support the Trust's ability to operate in the new commissioning landscape. These include; working as a provider of services with commissioners in improving and redesigning health services, improved links between partner organisations, the enhanced influence and status of the Trust, the efficiencies resultant from economies of scale and shared learning improvements generated by community and mental health services working much more closely together.

### Inpatient Reconfiguration

To further develop the Trust's programme of improvement of inpatient mental health hospital services in Lancashire, the Trust has 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 and Ryhurst Ltd.

RRCS has established a subsidiary company, Red Rose Corporate Services (Whyndyke) LLP, which is working towards delivering a new adult mental health inpatient facility, The Harbour in Blackpool. Work started on site in April 2013 and it is estimated that the unit will open during 2015.

Work has also begun on the re-development of the Oaklands Unit in Lancaster as the site for the North Lancashire locality. Longer term, the programme also involves the re-development of the existing Blackburn site as the service for East Lancashire and the provision of an inpatient service in Central Lancashire. The Trust will begin the process of locating a suitable site for the Central Lancashire unit during 2013/14 with the engagement of key stakeholders.

### New Monitor Licence

The Health and Social Care Act 2012 makes changes to the way NHS service providers will be regulated, and gives Monitor new duties and powers. These changes include the introduction of a Monitor licence for providers of NHS services.

The licence contains obligations for providers of NHS services that will allow Monitor to fulfil its new duties in relation to:

- Setting prices for NHS-funded care in partnership with NHS England (previously called the NHS Commissioning Board)
- Enabling integrated care
- Preventing anti-competitive behaviour which is against the interests of patients; supporting commissioners in maintaining service continuity and
- Enabling Monitor to continue to oversee the way that Foundation Trusts are governed.

The impact of these changes on the Trust has not been fully quantified as yet. However, the Trust is prepared to work with Monitor to help them operate successfully in their regulator role whilst allowing us to concentrate on delivering high quality services.

### Impact of Francis Report

Following the independent inquiry into care provided by Mid Staffordshire NHS Foundation Trust the inquiry chairman, Robert Francis QC, presented his report and recommendations in February 2013.

In his report he concluded that patients were routinely neglected by a Trust that was preoccupied with cost cutting, targets and processes and had lost sight of its fundamental responsibility to provide safe care.

The inquiries findings have a far reaching impact on all NHS providers of healthcare with the keynote message to NHS management being:

“People must always come before numbers. Individual patients and their treatment are what really matters. Statistics, benchmarks and action plans are tools not ends in

themselves. They should not come before patients and their experiences. This is what must be remembered by all those who design and implement policy for the NHS."

Lancashire Care is firmly committed to supporting this and continues to work to engender an organisational culture that supports the delivery of the very highest quality services.

### 1.1.3 Balanced and comprehensive analysis of the development and performance of the NHS Foundation Trust's business during the financial year, and of the position of the business at the end of the financial year

The results of our operations have been, and continue to be, influenced by many national and sector-specific challenges, including a subdued economy, pressure on public sector funding, the Francis Report, and changes to the structure and regulation of the NHS. We believe the results of our operations in 2012/13 to be a strong affirmation of our financial management in particular with the Trust continuing to perform well against its targets, maintaining its strong track record of financial and operating performance:

- For 2012/13 the Trust was assessed by Monitor, the Independent Regulator, as having a financial risk rating 3. This indicates that the Trust has a low risk environment and no regulatory concerns
- The Trust also has a 'green' governance rating for the year, indicating no regulatory concerns
- It achieved all its financial targets, delivering a healthy surplus to support the planned redevelopment of inpatient services
- The Trust has also made progress against its plans and is strategically well-placed
- It is sound from financial, performance and governance viewpoints
- It is respected as a constructive partner by commissioners and local authorities
- It is working well with other NHS organisations in the wider North West
- It is carrying out innovative and effective work in terms of quality improvement, service user / carer relationships and risk management
- Continuing the joint venture with Ryhurst, Red Rose Corporate Services, to support the development of state-of-the-art facilities to deliver modern mental health services in the future, and capitalise on the combined skills and capabilities of the parties to exploit estates and other commercial opportunities.

The Executive Management Team has established a Finance and Business Performance Committee and terms of reference for the Committee are currently being developed.

#### Financial Performance

The Trust has performed well against plan with a surplus (before impairments) for the year of £6.5m (2011/12 £7.4m), £2.4m ahead of the £4.1m planned. Note that after

adjusting for impairments (a non-cash impacting adjustment to Income and Expenditure for the fall in value of the Trust's estate), resulted in a surplus of £3.8m.

Patient care remains the Trust's main activity, generating 94% (2011/12 94%) of income with non-patient care services being 3% (2011/12 3%) and R&D/Education, Training and Research accounting for the bulk of the remaining 3% (2011/12 3%).

The Trust has achieved productivity and efficiency saving through its cost improvement programmes (CIPs) and, though the planned target CIP of £14.4m was not delivered in total, performance was within built in tolerance, with £11.4m of CIPs being achieved across the Trust delivering all financial targets and maintaining strong risk ratings. The Board kept the overall programme under close review throughout the year and recognises the importance of delivering recurrent savings; though a number of planned schemes proved challenging to implement, other contingency schemes were identified and implemented to appropriately offset the impact of unachieved schemes.

Strong balance sheet control is considered essential and liquidity in particular is vital to Foundation Trusts, ensuring both 'going concern' and assisting with the delivery of financial targets. The Trust has sustained a strong operating position which, together with effective working capital management, has improved its liquidity and consequentially its cash position. This has in turn enabled the Trust to better pursue its goals and facilitated compliance with the Better Payment Practice Code. Detailed information on the Trust's financial performance can be found in the annual accounts.

### Key indicators and achievement of targets

Performance against the Trust's key targets is summarised below:

### I&E Performance Surplus

The surplus before impairments for the year is £6.5m (2011/12 £7.4m), £2.6m ahead of the £4.1m planned. Note that after adjusting for impairments (a non-cash impacting adjustment to Income and Expenditure for the fall in value of the Trust's estate) resulted in a surplus of £3.8m.

### Earnings before interest, tax, depreciation and amortisations (EBITDA)

EBITDA is used as a more meaningful identifier of an organisation's underlying profitability than raw surplus. The Trust has achieved an EBITDA of £15.0m against a plan of £12.9m (2011/12 £12.6m).

### Risk Ratings

Monitor use a number of indicators to assess the financial standing of Foundation Trusts and this is reflected in the Trust's risk ratings.

### Overall Rating

The Trust achieved a risk rating of 3 against a planned rating of 3 (2011/12 4). A rating of 3 indicates regulatory concerns in one or more components (significant

breach unlikely). This rating was constrained by the EBITDA margin metric (rating 2), itself constrained by the acquisition of TCS as “rented estate” (see below).

### Underlying Performance

The Trust initially identified a plan of £12,855k (4.1%) for its EBITDA Margin. The Trust has achieved a higher EBITDA of £15,031 (4.7%), though this still equates to a rating of 2 against a planned rating of 2 (2011/12 2). This is because the Trust owned a large proportion of its estate prior to TCS (costs excluded from EBITDA) whereas TCS estate is rented (costs included in EBITDA) creating a shift in risk. Although this is offset by improved financial efficiency a single rating of 2 constrains the overall rating to a 3.

### Achievement of Plan

The Trust achieved its plan in full resulting in a rating of 5 (2011/12 5).

### Financial Efficiency

The Trust initially identified a plan for Return on Assets of 6.4% and achieved 7.8%.This equates to a rating of 5 against a planned rating of 5 (2011/12 5). Monitor changed the calculation methodology during the year resulting in a plan figure of 3.4% against which the Trust achieved 5.0%. When compared to the new scales this still delivers a rating of 5 against a planned rating of 5 (2011/12 5). The Trust initially identified a plan for Surplus Margin of 1.3% and achieved 2.0%. This equates to a rating of 4 against a planned rating of 3 (2011/12 5). Combined, the two measures resulted in a financial efficiency rating of 5 against a plan of 4 (2011/12 5).

### Liquidity

The Trust’s liquidity was 28.4 days, ahead of the planned 24.0 days. This equates to a rating of 4 against a planned rating of 3 (2011/12 4).

### Governance Risk Rating

Governance risks are rated using a traffic-light system, where green indicates low risk and red indicates high risk. The Trust is rated green, though the quarter 4 figure was confirmed at the time of writing (2011/12 green).

### Summary of performance against Prior Year and Plan

| | Annual Plan 2012/13 | Q1 2012/13 | Q2 2012/13 | Q3 2012/13 | Q4 2012/13 |
|---|---|---|---|---|---|
| Financial Risk Rating | 3 | 3 | 3 | 3 | 3 |
| Governance Risk Rating | Green | Green | Green | Green | Green |

| | Annual Plan 2011/12 | Q1 2011/12 | Q2 2011/12 | Q3 2011/12 | Q4 2011/12 |
|---|---|---|---|---|---|
| Financial Risk Rating | 3 | 4 | 3 | 3 | 4 |
| Governance Risk Rating | Green | Green | Green | Amber Green | Green |

### Other Regulatory Requirements

The Prudential Borrowing Limit comprises two elements that govern the Trust's borrowing. Details are set out below:

- The maximum cumulative amount of long term borrowing as determined by Monitor, the independent regulator for Foundation Trusts. The Trust, which had a long term borrowing facility of £53.5m in 2012/13 (2011/12 £51.2m) took out a loan for £8.8m during 2012/13 to facilitate the purchase of land and fund setup costs for its new inpatient scheme, The Harbour. This was part of a significant transaction and submitted to Monitor for assessment in accordance with the compliance framework. The Trust received formal notification from Monitor that it had complied with the requirements of the Compliance Framework before entering into any significant legally binding agreements. Additionally the accounting treatment under IFRS sets the financing element of the Trust's PFI scheme, £3.0m, against this limit.

- The amount of the working capital facility approved by Monitor. The Trust had £16m of approved working capital facility in 2012/13 (2011/12£16m); this was not utilised during the year.

### The Private Patient Income Cap (PPI Cap)

On 1 October 2012, changes to the way the cap on the private patient income of NHS Foundation Trusts is enforced came into operation as a result of the Health and Social Care Act 2012. The 2012 Act obliges Foundation Trusts to make sure that the income they receive from providing goods and services for the NHS (their principal purpose) is greater than their income from other sources. The Trust had no Private Patient Income during the year to 31 March 2013.

## 1.1.4 The main trends and factors likely to affect the future development, performance and position of the NHS Foundation Trust's business

Implementation of The Health and Social Care Act 2012 has resulted in the formation of eight Clinical Commissioning Groups across the footprint of Lancashire. Six of these are within the Lancashire County Council boundary and two, Blackburn with Darwen and Blackpool, are coterminous with the unitary authorities. These CCGs will be responsible for commissioning many of the services currently provided by the Trust in addition to those commissioned by the NHS Commissioning Board (NCB) and Local Authorities through the new Public Health Service. This transition, whilst potentially unsettling, is an opportunity for the Trust to develop new relationships with local GPs who will commission on the basis of their knowledge of local need and who,

as providers in their own right, will put patients and their families at the heart of service delivery. The shift of responsibility for commissioning and subsequent management of contracted activity and performance, to CCGs and to National and Local Public Health Boards requires the Trust to strengthen its engagement to secure income and guarantee quality.

This new landscape has brought with it an increasingly competitive environment in which the Trust will need to concentrate on developing services that make financial sense with increasing levels of efficiency and that are viable clinically and operationally. Development of strategic partnerships and integrated working with other providers across all sectors are essential. The Trust must take account of the need to increase choice for those who use its services and listen to patients, working with them to improve their experience.

The Trust continues to review structures and identify efficiencies to deliver its business as the reduction in public sector funding takes further effect. Plans are in place to manage the impact of Any Qualified Provider and Payment by Results on the Trust's income and services, both to minimise any potential loss of income and to look to increase market share. In addition, the roll out of the personalisation agenda, where people will have the choice of how and where to spend the money they are given to support their needs, has huge implications for a significant number of Trust services.

The NCB published its guidance for 2013/14 in December 2012. 'Everyone Counts: Planning for Patients 2013/14' which outlines the incentives and levers that will be used by commissioners to improve services.

The five key messages are:

- NHS services, seven days a week
- More transparency, more choice
- Listening to patients and increasing their participation
- Better data, informed commissioning, driving improved outcomes; and
- Higher standards, safer care.

Implementation of these, alongside the financial deflator, will be challenging for the Trust although examples already exist of good practice demonstrating an ability to transform services and achieve excellence. This and the other key priorities of maintaining strong financial performance and sustainable delivery of Quality, Innovation, Productivity and Prevention (QIPP) and Commissioning for Quality and Innovation (CQUIN) targets will focus the direction of the Trust in the coming year.

Work continues towards achieving the high standards set to achieve excellence through the implementation of the Trust's Transformation Programme and realise the benefits identified. The key service transformation priorities include the mental health inpatient transition programme, the transformation of dementia and long term condition care pathways, the radical redesign of services for children with complex and additional needs and the development of prison healthcare. In order to be

successful, the clinical networks and corporate functions of the Trust will work together to provide high quality care that achieves value for money both to support the transformation programme and to provide business as usual.

### 1.1.5 Environmental matters (including the impact of the NHS Foundation Trust's business on the environment)

#### Sustainability

The Trust recognises that sustainability goes far beyond just obeying legislation and preventing pollution and strongly believes that sustainable practices are a fundamental corporate responsibility.

To deliver an effective and efficient healthcare service, whilst delivering on the sustainability agenda, the Trust has employed a full-time Environmental Manager and has developed a Sustainable Development Management Plan (SDMP). The SDMP sets out the Trust's commitments and proposed actions to achieve the NHS wide target to reduce carbon emissions by 10% by 2015. Some of the main actions being taken to achieve this goal are summarised below.

#### Carbon and Energy

The Trust is taking the following approach to carbon and energy; aiming to use less energy, supplying the required energy as efficiently as possible and supplying energy using low carbon and renewable sources.

The first step in good energy management is to closely monitor energy consumption and to breakdown the overall carbon target by setting building specific targets. Automatic utility metering is being rolled out across the estate and will provide half hourly consumption data for our buildings. This will enable rigorous scrutiny of energy patterns and the identification of opportunities to reduce energy consumption, whilst also enabling greater financial control of energy budgets by eliminating estimated reads.

Automated meter reading is being supported by a new dedicated energy monitoring and targeting (M&T) software package which will be a powerful tool in monitoring energy consumption and identifying opportunities for further energy and carbon reductions. The software allows Lancashire Care to assess building specific energy performance and comparisons to be made with similar buildings and nationally recognised benchmarks. The information provided by these systems allows the Property Services team to generate energy performance league tables and prioritise the investigation and elimination of energy waste.

The Trust has implemented a network of Environmental Champions who volunteer their time and enthusiasm to help embed the principles of the SDMP throughout the Trust. Energy awareness training has been provided to the Champions alongside the practical energy surveys of the buildings they work in. Furthermore, our innovation panel has been working to develop Energy Dashboard screens to communicate key information to our building users and help them to operate the buildings as efficiently

as possible. These efforts combined with the monitoring systems detailed above will help the Trust deliver on the carbon reduction targets set out in the SDMP.

Over the last 12 months the Trust has investigated the use of sustainable energy technologies. Ground source heat pumps and photovoltaic panels have been successfully implemented at Guild Park and will lead the way for more of these low carbon technologies to be used. The Trust has also commenced a trial of low energy LED floodlights and office lighting to inform the current programme of space utilisation and minor capital projects. If successful it is anticipated that a programme of LED replacements will be undertaken, contributing further to carbon reduction targets.

Ensuring the environmental sustainability of refurbishment projects is a key aim of Lancashire Care as facilities are re-developed to deliver modern health care services. The Property Services Department use a system known as the SKA rating system to determine the environmental impact of construction projects. The SKA rating system is endorsed by the Royal Institute of Chartered Surveyors (RICS) and scores are awarded to projects which are energy efficient and use recycled materials in the construction process, the higher the score the better the project is for the environment. Furthermore, Property Services have recently evaluated the use of voltage optimisation equipment at existing sites with the aim of reducing electricity cost, consumption and associated carbon dioxide emissions.

The Trust has been working hard to keep its commitment to using low carbon technologies in its new flagship mental health facility - The Harbour. This has included the incorporation of a biomass-fuelled boiler, which will reduce carbon emissions by over 50% when compared with a standard heating system. The North West is well served by local suppliers of wood chip and this building will take advantage of this low carbon fuel. The Harbour will also continue to follow the high standards set by the Building Research Establishment Environmental Assessment Method (BREEAM) to deliver a sustainable and low carbon building with a long future lifespan.

### Water

Environmental Champions monitor water use across facilities and save-a-flush cistern bags are being installed where appropriate to reduce flush volumes.

Water efficiency is embedded in the design of the Trust's new facilities through the provision of low flush WCs, reduced flow showers and sensors on taps to detect when they are not in use. Rainwater is also collected and used within the building to offset the mains water consumed by the building.

A feasibility study for the implementation of a borehole water supply at Guild Park has been developed, alongside the use of a rocket composter to eliminate food waste entering the foul water system. This will generate both financial and environmental benefits, whilst also eliminating food waste requiring transportation from site for treatment.

## Waste

In order to ensure the best use of resources the Trust has a Waste Management Policy to achieve waste minimisation as well as maximise recovery, reuse and recycling.

Environmental Champions continue to support the improvement of recycling rates. The Trust has 17 different waste streams, and is recycling a varied range of items including general waste, batteries and oil from our kitchens to produce biofuel, which continues to be used in a number of Trust vehicles.

The monitoring of waste contracts and generation of revenue through recycling continues to reduce costs, as well as the Trust's environmental impact. A waste transfer station has been created at Guild Park which has further reduced the cost of waste disposal by helping increase recycling rates.

| **Summary of Performance**<br>Data submitted to the Department of Health as part of the Estates Returns Information Collection (ERIC) for Energy, Waste and Water Consumption was collated for 2012/13 at the time of publication. The figures below represent the ERIC figures for the year 2011/12. | |
|---|---|
| **Energy** | |
| Total energy cost | £1,646,181 |
| **Water** | |
| Water and sewage cost | £264,546 |
| **Waste** | |
| High temperature disposal waste cost | £51,908 |

## Conservation Group

The Conservation Group at Guild Park continues to enhance the environment and encourage diverse habitats for wildlife by working with the RSPB, Bat Conservation Trust, Wildlife Trust and the Lancashire Bee Keepers Association.

The Trust's Grow Your Own project is in the final stages of development and was launched on 28 March 2013 to mark NHS Sustainability Day. This project is a partnership between volunteer staff from Property Services and Secure Services at Guild Park and will provide staff and service users the opportunity to grow organic, fresh and local vegetables, whilst reducing carbon emissions associated with food miles.

The scheme has already used the new polytunnels on site to supply service users at the self-catering Step Down Unit (SDU) with seasonal produce, along with helpful recipe cards. In preparation for this year's growing season, tiered allotments have already been constructed which will provide service users and staff with the

opportunity to get outdoors and grow their own produce. This will not only provide the ecotherapy health benefits associated with outdoor activity, but it will contribute to the work of the SDU by helping to re-establish independence.

The Grow Your Own team is already working with the Tarnbrook Vocational Training Centre so that classes can be used to allow service users to actively be involved in the construction of the Grow Your Own facilities. Going forward the Grow Your Own project aims to be as sustainable as possible, using environmentally friendly technology such as rainwater harvesting, solar power, composters and greenhouses constructed from waste plastic bottles.

### 1.1.6 The NHS Foundation Trust's employees

During 2012/13 the Trust has continued to grow in size through the transferring of new services to the Trust. These included prison health care staff, the Tuberculosis service, learning disability services, IT services and child and adolescent mental health services. As with previous transfers a welcome and induction process was undertaken to ensure that transferring staff were engaged and felt valued by the organisation. The Trust continues to embed its values in order to ensure that they support the delivery of high quality services:

- Teamwork
- Compassion
- Integrity
- Respect
- Excellence
- Accountability

During 2012/13 the Trust has undergone significant changes in the way that services are delivered. As part of the move towards autonomous business units for Networks and the delivery of services through distinct Clinical Business Units, the Trust has introduced a Clinical Leadership Structure to lead on the delivery of the Trust Quality Strategy, co-producing on the whole business alongside managers at all layers throughout the Trust. This is in line with the McKinsey report (Building Clinical Leadership Across London. McKinsey Report for NHS London 2008) where Clinical Leadership has been defined as "putting clinicians at the heart of shaping and running clinical services, so as to deliver excellent outcomes for patients and populations, not as a one-off task or project, but as a core part of clinicians' professional identity."

Despite significant changes to inpatient mental health wards as part of the inpatient reconfiguration the Trust has been successful in retaining and redeploying staff. This proactive approach has allowed the Trust to minimise compulsory redundancies to just 39 in 2012/13. Over 600 members of staff impacted by structural changes have been successfully retained in positions within the Trust. Thereby ensuring that valuable skills have been retained and disruption to services have been kept to a minimum.

Significant investment has been made in developing staff to become appreciative

leaders. Over 796 members of staff have now undertaken the programme which will continue throughout 13/14. Forty leaders have also been developed as internal facilitators. The concept of appreciative leadership and the values underpin the Organisational Development Strategy and are supported by the new personal development review process which is being rolled out across the Trust.

The Trust continues to have an excellent relationship with Trade Union colleagues. Examples include the transformation of mental health services which has involved staff engagement, identifying opportunities for staff, re-deployment and ensuring that staff are regularly briefed and feel motivated and energised through the changes. In the wider Trust, following the integration of services from neighbouring PCTs, there has been a significant number of consultations and re-structures to streamline services and deploy new ways of working to ensure that services are fit for purpose and responsive to the changing needs of the population. The long term positive relationship established over several years has provided the basis for ensuring that organisational change is undertaken in a supportive, fair and positive way that meets the needs of staff and service users.

### Annual Staff Survey

The national NHS Staff Survey took place during October to December 2012 to collect the views of staff about their workplace. The overall aim is to gather information to help provide better care for patients and improve the working lives of employees. The survey results are used by:

- The Trust to inform improvements in working conditions and practices
- The Department of Health to assess organisations' performance in terms of the NHS Constitution's staff pledges
- The Department of Health and other national bodies to assess the effectiveness of national NHS staff policies, such as training and flexible working policies, to inform future developments in these areas.

The Care Quality Commission benchmarked the survey based upon key findings which are grouped according to the NHS Constitution's four staff pledges:

1. To provide all staff with clear roles and responsibilities and rewarding jobs for teams and individuals that make a difference to patients, their families and carers and communities.
2. To provide all staff with personal development, access to appropriate training for their jobs and line management support to succeed.
3. To provide support and opportunities for staff to maintain their health, wellbeing and safety.
4. To engage staff in decisions that affect them and the services they provide, individually, through representative organisations and through partnership working arrangements. All staff will be empowered to put forward ways to deliver better and safer services for patients and their families.

## Staff survey response rates against national average and comparison against 2011/12 rates

| | 2011/12 | | 2012/13 | | |
|---|---|---|---|---|---|
| **Response Rate** | Trust | National Average | Trust | National Average | Trust improvement/deterioration |
| | 50% | 54% | 48% | 50% | 2% percentage point deterioration against 2011/12 response rate |

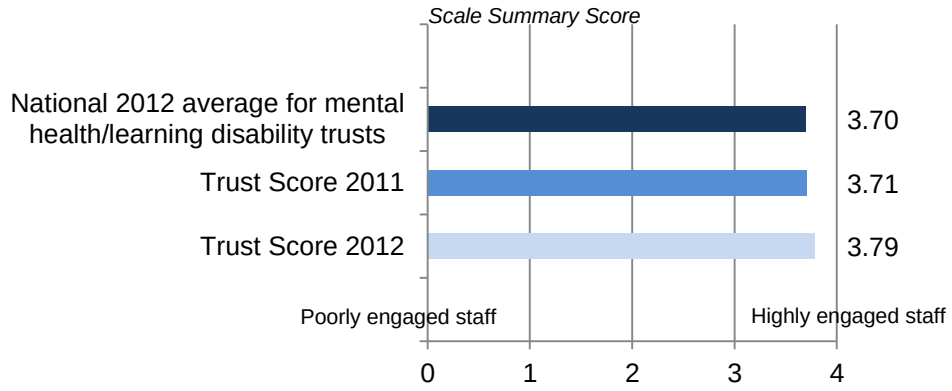
Whilst the Trust response rate has decreased as has the response rate nationally, it is acknowledged that the fieldwork period allowed for this year's survey was shorter which is believed to have affected on response rates both locally and nationally. The Trust also chose to survey all staff to gain a more representative and detailed picture of how staff are feeling.

## Staff Engagement

There has been an improvement in the overall staff engagement score in 2012 from 3.71 to 3.79. This places the Trust in the highest 20% when compared with Trusts of a similar type.

## Overall Staff Engagement

(the higher the score the better)




The overall indicator of staff engagement has been calculated using the questions that make up key findings 22, 24 and 25 which relate to the following aspects of staff engagement:

- Perceived ability to contribute to improvements at work (Key Finding 22)
- Willingness to recommend the Trust as a place to work or receive treatment (Key Finding 24)
- The extent to which staff feel motivated and engaged with their work (Key Finding 25)

## Top and bottom Ranking Scores

Out of the 28 key findings, the Trust is in the top 20% nationally for 15 and better than average for a further six. The top and bottom ranking scores are detailed in the tables below. In terms of the top ranking scores the Trust was in the top 20% for all key findings. In the bottom ranking scores, the Trust was average in most areas and below the national average in two indicators; staff in receipt of health and safety training within the last 12 months and percentage of staff reporting errors, near misses or incidents witnessed in the last month. With regards to the Health and Safety training score, this is partly due to the fact that staff are only required to undertake this training on a three yearly basis as opposed to annually.

| | 2011 | | 2012 | | |
|---|---|---|---|---|---|
| **Top 4 Ranking Scores** | Trust | National Average | Trust | National Average | |
| Percentage of staff working extra hours | 61% | 65% | 61% | 70% | 9 percentage points better than the national average and the same score as 2011 |
| Percentage of staff witnessing potentially harmful errors, near misses or incidents in the last month | 27% | 27% | 20% | 27% | 7 percentage points better than the national average and 7 percentage points better than the score in 2011 |
| Staff job satisfaction | 3.63 | 3.59 | 3.77 | 3.66 | 0.11 better than the national average and 0.14 better than the score in 2011 |
| Percentage of staff experiencing discrimination at work in the last 12 months | 11% | 14% | 8% | 13% | 5 percentages points better than the national average and 3 percentage points better than the score in 2011 |

| | 2011 | | 2012 | | |
|---|---|---|---|---|---|
| **Bottom 4 Ranking Scores** | Trust | National Average | Trust | National Average | |
| Percentage of staff reporting errors, near misses or incidents witnessed in the last month | 93% | 97% | 90% | 93% | 3 percentage points below the national average and 3 percentage point decrease since 2011 |
| Percentage of staff receiving health and safety training in the last 12 months | 74% | 83% | 67% | 73% | 6 percentage points below the national average and 7 percentage point decrease since 2011 |
| Percentage of staff saying hand washing materials are always available | 62% | 59% | 53% | 55% | 2 percentage points below the national average and 9 percentage point decrease since 2011 |
| Percentage of staff able to contribute towards improvements at work | 66% | 66% | 71% | 71% | The same score as the national average and 5 percentage point increase since 2011 |

### 1.1.7 Social and community issues

To ensure compliance with the Equality Act (2010), the Trust has adopted the Department of Health's Equality Delivery System (EDS). The EDS has four distinct Goals which are:

- Better health outcomes for all
- Improved patient access and experience
- Empowered engaged and well supported staff
- Inclusive leadership at all levels

The Equality Act sets out 'protected characteristics' which are; age, disability, gender reassignment, race, marriage and civil partnership, pregnancy and maternity, religion and belief, sex and sexual orientation. The Trust is committed to demonstrate that it provides equitable services and employment. The Trust acknowledges that the distinct Protected Characteristics are interdependent due to each individual's diversity.

The Trust's commitment to EDS is ensuring the involvement of key stakeholders in scrutiny events. These took place for the first time in June and November 2012 and were held in partnership with Lancashire Police, which shares the Trust's geographical footprint and serves the same community. The events were a great success with over 120 service users, staff, community members and partner agencies coming together to scrutinise the Trust's equality and diversity evidence. In 2012 the Trust was ranked fourth compared to all other NHS Trusts in the North West that have adopted EDS.

As a statutory sector organisation, the Trust is committed to eliminating unlawful discrimination and harassment and promoting equality of opportunity for all. This determination ensures equality runs through employment, service delivery and community engagement. Taking this into account will mean more targeted and effective use of resources, which makes sound business sense and leads to improved customer satisfaction.

The Trust's current activity around Equality and Diversity is fully informed by service users and their carers, staff, local community members and partner agencies. This activity includes all services providing evidence of good practice for EDS, setting of equality targets and supporting operational action plans leading to demonstrable health outcomes for people from diverse groups. The Trust also carries out Equality Impact Assessments to ensure that everything that the Trust does is inclusive, the results of which are published on the Trust's website. New and reviewed policies, procedures and functions are not ratified without an accompanying Equality Impact Assessment.

The Trust is committed to supporting diversity and is taking a partnership approach to engagement with service users and carers, staff and communities from a variety of diverse backgrounds and communities across Lancashire. This in-depth work is

helping the Trust to inform activity, identify gaps and carry out innovative projects and initiatives to reduce any potential or real identified inequities, and help to ensure all the Trust's services meet the diverse health needs of the population of Lancashire.

The Trust has developed a new Equality Strategy, which is called 'Transformation and Equality; A Statement of Intent'. This clearly lays out how the Trust is working strategically to ensure equality and diversity is embedded in all that it does. To support this, the Trust also has a sustainable structure to support the statement and to ensure the EDS is delivered effectively. Equality and Diversity and the delivery of EDS is built into Network business plans which ensure evidence comes forward for scrutiny twice annually.

Current distinct innovative projects include tackling discrimination in Secure Services through the 'Hate Crime project' which has seen a reduction in incidents of discrimination from service users towards staff and other service users. Another project is working in prisons to address sexuality and gender identity issues, supporting health and wellbeing for gay, bisexual and transgender prisoners. This project is part Lottery funded for a period of one year and an evaluation report will be available in early 2014. The Navajo sexuality five day training course is continuing into its 13th year, raising awareness across organisations about the needs of people from the lesbian, gay, bisexual and transgender (LGBT) community. The course also supports income generation to create a budget for further equalities based work. The Navajo training project is having an in depth research based evaluation currently carried out on it in partnership with the University of Central Lancashire. The evaluation report is to be launched at a National event at UCLAN in April 2013.

### Workforce

Lancashire Care's headcount (HC) as at the 31 March 2013 was 6,723 and our whole time equivalents (WTE) was 5875.55. Our workforce has increased significantly since the transfer of community services during 2010/11 from East Lancashire, Central Lancashire and Blackburn with Darwen. However over the past 12 months there has been a slight decrease in the number of people working for the Trust. This is in line with service redesign programmes and improved productivity. To support staff through this a voluntary severance scheme has been complemented including Mutually Agreed Resignation Scheme (MARS).

In terms of equality and diversity characteristics, over recent years Lancashire Care has seen a gradual ageing of its workforce. However there has been an increase in the number of staff employees between 17 and 21 years of age. The Trust has signed up to an Apprenticeship Promise to give young people the opportunity to participate in the Trust's Apprenticeship Scheme or volunteering and then gaining substantive employment. The age profile of the workforce must be carefully monitored to ensure career opportunities are provided for young people that services are safeguarded against the increasing impact of retirements.

The proportion of staff from a Black or Minority Ethnic (BME) has slowly increased over the last few years. At present, 7.48% of our workforce (almost a 1% increase on the previous year) is recorded as BME. This compares to 9.6% of the total population

of Lancashire being BME (Lancashire census 2011) and a BME working age population of 5.3%. Compared to the working age population the Trust has a favourable representation of staff from a BME background. Further analysis indicates that employees from an ethnic minority tend to occupy lower band roles or medical roles. The HR team will continue to work closely with the Equality and Diversity Lead to ensure that opportunities are equitable for all staff across the Trust.

In terms of gender, the transfer of community services in June 2011 has led to a fairly significant change in the proportion of men and women employed by the Trust. 81.05% of our workforce is now female compared to 72% in 2010/11. The Trust's proactive commitment to the Equality Delivery System continues to promote activity to redress this balance and attract more men into roles within the Trust. However this remains a challenge due to limited external recruitment.

Disability is one of the most difficult equality areas to analyse as many people with a disability, as defined under the Equality Act 2010, do not regard themselves as having a disability, for example those who are deaf or those with blood borne viruses. 3.99% of the workforce are recorded as having a disability and this year there has been a slight increase in the number of people not declaring a disability. The Trust will continue to endeavour to improve data on disability through awareness sessions with teams and communication across the Trust.

The diversity of religions amongst our workforce demonstrates that the Trust is attracting staff across all cultural and religious groups. This can only support the Trust in becoming more culturally sensitive to the needs of all service users regardless of their cultural or religious background. Year on year there is a significant increase in the proportion of staff that do not wish to disclose their religion. As with disability the Trust must continue to raise awareness of the importance of collecting diversity data to help improve services.

Data regarding sexual orientation is also problematic due to the large proportion of staff that do not wish to disclose this information and the number of undefined records. Again the Trust will continue to improve the quality of sexual orientation data through awareness training across the Trust which may lead to greater understanding of the importance of collecting and analysing the data.

Following a review of the governance arrangements a Workforce Committee has been established as a formal sub-committee of the Executive Management Team. It will provide assurance in respect of workforce, organisational development and education strategies, all of which aim to develop a workforce (competencies, structure and numbers) that is motivated and capable of providing excellent, compassionate and safe care for every patient, every day. The first meeting is scheduled to take place in May 2013.

### Membership

Overall membership has decreased by 458 people across all age groups however the Trust is focused on positive engagement with its members rather than solely on recruitment. There has been a slight increase in the number of male members and

also an increase in those from a Black/ Black British and Chinese background which is encouraging.

Data about disability, religion/belief and sexual orientation has not been captured historically but since the Equality Act (2010) specific duties came into force in April 2011 the Trust is now required to demonstrate data quality improvements for all equality groups across the workforce and amongst service users.

The implementation of the Trust's membership engagement model is increasing dialogue with members and provides opportunities for them to be meaningfully involved in the development of the Trust's future plans. Affiliate membership formalises relationships with partner organisations and this will help the Trust to realise the potential and benefits of working with like-minded organisations to support the health and wellbeing of the people of Lancashire.

## Analysis of Staff and Membership

| Age | Staff 2011/12 | % | Staff 2012/13 | % | Membership 2011/12 | % | Membership 2012/13 | % |
|---|---|---|---|---|---|---|---|---|
| 0 – 16 | 0 | 0 | 0 | 0 | 27 | 0.34 | 5 | 0.06 |
| 17 – 21 | 5 | 0.07 | 20 | 0.43 | 534 | 6.66 | 451 | 5.95 |
| 22+ | 6735 | 99.93 | 6703 | 99.57 | 6893 | 85.96 | 6581 | 87.03 |
| Not provided | 0 | 0 | 0 | 0 | 565 | 7.04 | 524 | 6.92 |
| Total | 6740 | 100 | 6723 | 100 | 8019 | 100 | 7561 | 100 |

| Ethnicity | Staff 2011/12 | % | Staff 2012/13 | % | Membership 2011/12 | % | Membership 2012/13 | % |
|---|---|---|---|---|---|---|---|---|
| White | 5986 | 88.81 | 5976 | 88.64 | 7025 | 87.61 | 6611 | 87.44 |
| Mixed | 48 | 0.71 | 41 | 0.62 | 54 | 0.67 | 38 | 0.50 |
| Asian or Asian British | 304 | 4.51 | 312 | 5.01 | 425 | 5.30 | 413 | 5.46 |
| Black or Black British | 81 | 1.20 | 92 | 1.55 | 90 | 1.12 | 94 | 1.24 |
| Chinese | 7 | 0.10 | 5 | 0.09 | - | - | 7 | 0.09 |
| Other | 16 | 0.24 | 16 | 0.22 | 34 | 0.42 | 25 | 0.33 |
| Undefined | 298 | 4.42 | 2 | 0.04 | - | - | 350 | 4.63 |
| Not specified | 0 | 0 | 279 | 3.83 | 391 | 4.88 | 23 | 0.31 |
| Total | 6740 | 100 | 6723 | 100 | 8019 | 100 | 7561 | 100 |

| Gender | Staff 2011/12 | % | Staff 2012/13 | % | Membership 2011/12 | % | Membership 2012/13 | % |
|---|---|---|---|---|---|---|---|---|
| Male | 1262 | 18.72 | 1267 | 18.95 | 2814 | 35.09 | 2667 | 35.27 |
| Female | 5478 | 81.28 | 5456 | 81.05 | 5094 | 63.52 | 4790 | 63.35 |
| Not specified | 0 | 0 | 0 | 0 | 111 | 1.39 | 104 | 1.38 |
| Total | 6740 | 100 | 6723 | 100 | 8019 | 100 | 7561 | 100 |

| Recorded Disability | Staff 2011/12 | % | Staff 2012/13 | % | Membership 2011/12 | % | Membership 2012/13 | % |
|---|---|---|---|---|---|---|---|---|
| Yes | 274 | 4.07 | 280 | 3.99 | | | | |
| No/ undefined | 6402 | 94.98 | 6344 | 94.21 | | | | |
| Not declared | 64 | 0.95 | 99 | 1.80 | | | | |
| Total | 6740 | 100 | 6723 | 100 | | | | |

| Religion and Belief | Staff 2011/12 | % | Staff 2012/13 | % | Membership 2011/12 | % | Membership 2012/13 | % |
|---|---|---|---|---|---|---|---|---|
| Atheism | 388 | 5.76 | 430 | 7.44 | | | | |
| Buddhism | 26 | 0.39 | 23 | 0.33 | | | | |
| Christianity | 3141 | 46.60 | 3204 | 50.41 | | | | |
| Hinduism | 50 | 0.74 | 59 | 0.98 | | | | |
| Islam | 167 | 2.48 | 170 | 2.95 | | | | |
| Jainism | 1 | 0.01 | 1 | 0.01 | | | | |
| Judaism | 3 | 0.04 | 3 | 0.05 | | | | |
| Sikhism | 12 | 0.18 | 14 | 0.23 | | | | |
| I do not wish to disclose | 1766 | 26.20 | 2484 | 32.26 | | | | |
| Other | 336 | 4.99 | 332 | 5.30 | | | | |
| Undefined | 850 | 12.61 | 3 | 0.04 | | | | |
| Total | 6740 | 100 | 6723 | 100 | | | | |

| Sexual Orientation | Staff 2011/12 | % | Staff 2012/13 | % | Membership 2011/12 | % | Membership 2012/13 | % |
|---|---|---|---|---|---|---|---|---|
| Lesbian | 29 | 0.43 | 29 | 0.46 | | | | |
| Gay | 31 | 0.46 | 38 | 0.65 | | | | |
| Bisexual | 11 | 0.16 | 14 | 0.22 | | | | |
| Heterosexual | 4180 | 62.02 | 4305 | 68.67 | | | | |
| I do not wish to disclose | 1568 | 23.26 | 2286 | 29.44 | | | | |
| Undefined | 921 | 13.66 | 51 | 0.56 | | | | |
| Total | 6740 | 100 | 6723 | 100 | | | | |

### 1.1.8 Information about persons with whom the NHS Foundation Trust has contractual or other arrangements which are essential to the business of the NHS Foundation Trust (disclosure would, in the opinion of the directors, be seriously prejudicial to that person and contrary to the public interest)

Excepting the individuals included in the remuneration report, there are no other individuals on which the Trust is required to report.

### 1.1.9 An analysis using financial key performance indicators

This is addressed in section 1.1.3.

### 1.1.10 References to, and additional explanations of, amounts included in the NHS Foundation Trust's financial statement

This is addressed in section 1.1.3.

### 1.1.11 In relation to a Directors' report on consolidated accounts, these requirements apply to the activities and business of all entities included in the consolidation

Lancashire Care NHS Foundation Trust does not prepare consolidated accounts. It just prepares accounts for the Trust.

## 1.2 Patient Care

### 1.2.1 Descriptions of how the NHS Foundation Trust is using its Foundation Trust status to develop its services and improve patient care

The Trust and its Joint Venture Partnership with Ryhurst, Red Rose Corporate Services has made progress in line with the plan in delivering the new accommodation required for inpatient mental health services. The Trust, in collaboration with Ryhurst was shortlisted for the 'Best Pathfinder Project' in the 2012 Partnerships Bulletin Awards for work to deliver modern mental health services to the people of Lancashire.

Construction on the Trust's first planned development, The Harbour at Whyndyke Farm in Blackpool has commenced and the new facility will be operational during 2015. The Lancaster facility, which is a re-development of the existing Oaklands Unit will become operational in early 2014. Planning for the development of the East and Central Lancashire inpatient units has begun and will take into account the outcome of the Lancashire wide consultation on the future service model for dementia care.

In terms of the Trust's wider estate and accommodation, Red Rose Corporate Services is supporting the Trust with space utilisation work to improve the efficiency of buildings and reduce overhead costs.

The Trust's clinical networks are working towards achieving greater autonomy and have developed business plans for the next three years. The plans comprise proposals for developing services and the business. This includes income generation. An example of this is within the sexual health service which has generated income during this financial year through the provision of training to doctors (GPs) and external partners. The Adult Community Network has been involved in securing a contract with ATOS to act as a supply chain partner to provide health assessments on behalf of the Department of Work and Pensions, effective from April 2013. These initiatives and future plans aim to secure the Trust's position as a leading provider of health and wellbeing services.

Lancashire Care continues to find ways to involve members and Governors in service development. The membership strategy provides opportunities for members to contribute feedback to inform the Trust's plans and clinical networks have started to work alongside the Engagement Team to increase membership involvement in clinical services. The Children and Families Network have launched the Junior Associate membership constituency as a means of involving young people in their work. Governors also remain actively involved in service development and Trust initiatives. During the last twelve months, Governors supported the recruitment of new Governors through Awareness Session which took place in all constituencies. Governors are involved in Quality Practice visits across various clinical locations.

It has also been agreed that the Trust will host the North West Coast Academic Health Science Network (AHSN). Our Chief Executive has been leading on establishing this network over the last 12 months. The North West Coast AHSN is a

new type of organisational structure that aims to develop solutions to healthcare problems and accelerate the pace of innovation at scale by drawing on the expertise from external organisations such AQuA, all providers and commissioners and many others.

### 1.2.2 Performance against key patient targets

The Trust has reported compliance against the Governance component of the Compliance Framework throughout 2012/13.

Monitor introduced additional indicators for 2012/13 based on specific requirements for community services. The requirement is to report on progress in the development of the Community Information Dataset (CiDs), this requirement has been met in full.

The Trust is required to report on the Consultant Led Referral to Treatment Time for Rheumatology Service. This is the only service in the Trust which is eligible for reporting against this indicator. The Trust is compliant with the target.

Monitor has introduced a number of shadow indicators in quarter three, the rationale for the introduction of these indicators states; The National Mandate, the NHS Constitution and the NHS Outcomes framework incorporate a material number of new metrics and standards to reflect the Government's priorities for the delivery of NHS care in England.

Consequently, Monitor look to continue their oversight role of NHS Foundation Trusts and their governance post-licensing next year, they are considering the role of these new metrics as governance 'proxies' for NHS Foundation Trusts from 2013/14.

The Trust is reporting against these indicators as required and is working with Monitor on their design and relevance.

### 1.2.3 Arrangements for monitoring improvements in the quality of healthcare and progress towards meeting any national and local targets, incorporating Care Quality Commission assessments and reviews and the NHS Foundation Trust's response to any recommendations made

The Quality Strategy was approved by the Board of Directors in March 2012. The ultimate aim of the Quality Strategy is to support the delivery of the highest quality healthcare to people across the Trust and the populations we serve. We want to achieve this aim in a way that is recognisable and meaningful to everybody. This is an ambitious aim but the means to achieving it will be built from the ground up and will be evidenced by the combined effect of millions of individual care encounters that are consistently person-centred, clinically effective and safe, for every person, every time.

The Executive Management Team have established a Clinical Quality Committee that will provide assurance that the Quality Strategy is being deployed throughout the organisation.

Through establishing a shared understanding of quality, and a commitment to place it at the heart of everything we do, the Quality Strategy provides the basis for us all to focus our combined efforts on what is required. The Quality Strategy has five goals and describes four actions necessary for improving quality:

Goal 1: In comparisons with similar organisations we will always be in the top 25% for quality.

Goal 2: We will perform well in Care Quality Commission (CQC) inspections and the CQC will have no major concerns about our services.

Goal 3: Every clinical team will have an improvement plan based on feedback from service users.

Goal 4: Every clinical team will know how well it is doing in terms of safety, effectiveness and patient experience.

Goal 5: Our care pathways will meet NICE Quality standards and will show steady improvements in quality.

Actions

1. Collecting useful information on quality (that is: safety, effectiveness, and the patient experience) across all parts of the organisation.
2. Sharing this information quickly with the people who are best placed to improve care.
3. Empowering these people to get things done.
4. Making sure that the first three actions keep working.

The Quality SEEL (Safety, Effectiveness, Experience, Leadership) is a tool which has been developed for teams to assess themselves against the Care Quality Commission (CQC) “Essential Standards for Quality and Safety”. The tool enables leaders to self-assess the quality of the care provided, at the point of care, and identify and address any issues which may compromise this. The approach of ‘self-assessment’ is entirely consistent with our ambition to win the hearts and minds of staff and to grow clinical leaders who can lead their teams to deliver excellence. The assessment involves speaking to staff, patients, service users, carers, families, observation of the care setting and reviewing clinical records. During 2012/13 all clinical teams have self-assessed using the Quality SEEL.

The Quality SEEL is centred on the domains of Safety, Effectiveness, Experience and Leadership and allows the CQC Outcomes to be grouped under these domains. In presenting the outcomes in this way, the teams can start to build a picture of quality which forms their Quality Map, and have conversations as a team to continually monitor the quality of care provided and strive to constantly develop.

Risks identified to the Essential Standards of Quality and Safety will be included on team level risk registers with clear action plans which will be monitored and reviewed by the clinical team and escalated through Network governance processes as

appropriate. Work has been undertaken in 2012/13 to develop a single Datix system to replace the four from the previous organisations. This has included aligning identified risks to the CQC Essential Standards to strengthen the lessons learned process. As a result the Trust has a clear organisational picture regarding delivery of the CQC standards, at the point of care delivery, which will provide assurance to the board regarding compliance. This includes establishing and reinforcing relationships between organisational and network risk registers, and quality improvement mechanisms.

Year 2 of the Quality Strategy implementation continues with an ambitious plan to further develop a shared understanding of quality progressing from a focus on compliance with the Essential Standards of Quality and Safety to the implementation of development programmes supporting a culture of continuous quality improvement.

The Quality Strategy and Quality Priorities have informed the content of the 2012/13 Quality Account. The Standards and Assurance Committee (SAC), a sub-group of the Council of Governors (CoG), have continued to review a sample of evidence against each quality priority during the year. The SAC determine whether they are assured or not by the evidence they have seen and report back to the CoG. At the end of the year the SAC also reviews the draft Quality Account in detail and reports back to the CoG.

The Trust have received CQC unannounced visits and Mental Health Act Visits throughout the year and has responded to feedback from these visits. In October 2012 the CQC undertook an unannounced visit to the Scarisbrick Unit at Ormskirk. This was in response to concerns that standards were not being met regarding staffing. However, the outcome of the visit was that the Scarisbrick Unit was meeting the standard.

In February 2013, the CQC also undertook inspections of the following services:

Briar Crescent, which is a rehabilitation service in Nelson, East Lancashire. The review was positive overall and the CQC identified just one of the standards needed some further work. This was in relation to providing sufficient assurances that the service was assessing and monitoring the quality of service provision.

The review of Coniston Ward at Ribbleton Hospital in Preston identified four minor concerns. Due to this and difficulties in maintaining the right staffing level and skill mix on the ward the decision was taken to temporarily close it in March 2013. This will enable improvement work to be undertaken and the ward is planned to re-open in September 2013. A comprehensive plan has been developed and is being implemented.

The Trust continues to review the CQC's Quality Risk Profile in accordance with the updates received from the CQC. This process is being reviewed and further developed to provide exception reports relating to any changes to the Quality Risk Profile to the Clinical Quality Committee.

### 1.2.4 Progress towards targets as agreed with local commissioners, together with details of other key quality improvements

As part of the contractual arrangements for Community and Mental Health services, as well as those services defined as specialist, the Trust has a number of targets to meet relating to CQUIN (Commissioning through Quality and Innovation) and the Quality Schedule of the contract. The objective for the indicators under the CQUIN scheme is to incentivise improved performance within priority service delivery areas.

These targets are service specific and locally agreed and based around quality initiatives. The performance for these indicators is reported to commissioners on a quarterly basis and additional income is secured should the quality of services improve through demonstrable achievement of these challenging targets.

During 2012/13, the Trust has been fully compliant with both the quality and CQUIN returns across the community, mental health and specialist service contracts and is confident this will remain the case.

Key priorities reflected in the CQUIN indicators for 2012/13 for the community contract included:

- Service user experience of transition from children's services to adult services with a focus on children with complex needs
- Early intervention and lifestyle intervention with a focus on stop smoking services
- Dementia awareness for staff working in community based physical health services
- Communication with primary care

For the mental health contract, the CQUIN targets include the above and additional indicators as defined by Advancing Quality relating to dementia and psychosis services. We are also submitting data through the safety thermometer tool relating to harm free care which is a national CQUIN indicator.

In 2013/14 for all contracts, the CQUIN amount that providers can earn remains at 2.5% on top of actual outturn value. 2013/14 CQUIN indicators for both the community and mental health contracts are being agreed with the Lancashire Quality Leads and Clinical Commissioning Group representatives.

Initial proposals include continuation of the NHS Safety Thermometer to demonstrate improvements in harm free care, a dashboard to measure the impact of the service reconfiguration relating to inpatient care, and a number of indicators aligned to the roll out of the Quality Strategy and Quality SEEL, to ensure CQUIN is used as a further incentive to implement the strategy.

### 1.2.5 Any new or significantly revised services

During 2012/13, the Trust has continued to develop its services to support the health and wellbeing of people in Lancashire.

The integration of services has continued to enable the delivery of needs led care. The Trust's vision is to provide a one stop shop approach for local people. This will be achieved by working in partnership with likeminded organisations. In addition to providing care, the Trust will sign post people and assist them to access the support that they need. The Trust's Engaging for Excellence transformation programme has identified priority areas which include the development of services for people with long term conditions, dementia and children with complex needs.

There have been a number of service developments in the Trust's clinical networks. The Pan Lancashire Children and Family Psychology Services transferred into the Children and Families network on 01 March 2012 and a review of the service structure has been undertaken to achieve service integration across pathways of care. Also from 01 March 2012 the North Lancashire Child Adolescent Mental Health Service (CAMHS) (Fylde & Wyre) transferred into the Network from NHS Blackpool Provider Services. This means that the network now provides CAMHS on behalf of five of the eight Clinical Commissioning Groups in Lancashire.

The Chai Centre in Burnley has successfully bid for Early Intervention Grant funding to pilot Common Assessment Framework (CAF) cluster arrangements in three Burnley Primary Schools. CAF is a key part of delivering frontline services that are integrated and focused around the needs of children and young people. It is a standardised approach used by practitioners to assess children's additional needs and decide how these should be met. The centre has also gained approval as a centre to deliver Central YMCA Qualifications (CQA). A first cohort of training for volunteers in Fitness Instructor level two is currently underway.

In the Adult Community Network, a major programme of work is being progressed to support the delivery of services for people with long term conditions. Working together with social care partner organisations in Central Lancashire the long term conditions programme will change the way services are delivered to ensure that community based care and support can be offered to reduce the likelihood of hospital admission.

Services will be redesigned to be based in integrated teams wrapped around GP practices in local neighbourhoods. Referral pathways will be reviewed to ensure care is as seamless as possible and patients will be supported through a care co-ordination/ case management approach where required. In addition a joint review and remodelling of rehabilitation will be undertaken. Similar work streams are being explored in East Lancashire, Blackburn with Darwen and Blackpool, Fylde & Wyre.

District nurses are using technology to release time to care and provide a more responsive service out in the community. Mobile working using hand held tablets has improved efficiency across the service by supporting the allocation of case loads and reducing the amount of time nurses spend travelling. Another example of good practice is the Trust's Community Respiratory Team who were finalists in this year's North West Respiratory Awards which aim to recognise the best practices in Respiratory Care throughout the whole of the North West.

The Trust has started to gather greater insight around Personal Health Budgets (PHBs) and their potential impact on Lancashire Care Foundation NHS Trust (LCFT) when they are made available to up to 56,000 people throughout England who currently access NHS Continuing Health Care (CHC) with effect from April 2014. A review of the historic number of people across 5 former PCTs who have been receiving Continuing Healthcare for financial years 2009/ 2010 – 2011/2012 was undertaken. Data showed that the total number of people receiving CHC has historically increased annually and the last recorded annual figure was 1,487 people. This number gives us an idea of the scale of the impact the introduction of PHBs will have on the Trust.

Outcomes from original research undertaken by the Trust included that to successfully deliver PHBs, the Trust should focus on 3 factors:

- Delivering positive service user outcomes and experiences
- Services are aligned to the goals of the organisation
- Sustainable financial performance

It was felt that all of the above naturally fit either in the Trust's 'Quality Strategy' or 'Strategic Objectives.'

The implementation of the dementia strategy across Lancashire has continued. This has led to higher diagnostic rates and a reduction in the use of anti-psychotic medication. The development of community services for people with dementia has also continued to assist people to live well with dementia and provide support to their carers. DeVitre House opened in August 2012 as a resource centre for older people in Lancaster. Run in partnership with Lancashire County Council and the Alzheimer's Society, this centre provides an accessible location for people to attend outpatient appointments and receive support.

There are some great examples of practice in dementia care around the Trust. The Fylde and Wyre Memory Service has been accredited 'with excellence' by the Royal College of Psychiatrists' Memory Services National Accreditation programme. CCGs have committed to funding liaison workers in acute hospitals and nursing homes to provide specialist care for people with dementia in these settings. A public consultation has been undertaken to inform the development of the future model of care for people with dementia. The outcome of the consultation was to support our plans to have a single site with 30 specialist inpatient beds which will allow maximum investment in community based services. The NHS Lancashire Board have asked that an option appraisal is undertaken by Clinical Commissioning Groups with input from Lancashire Care to identify a central location for the dementia beds. It is likely that this process will conclude by the end of September, at which point the location of the specialist dementia beds will be determined. The NHS Lancashire Board also directed that local authorities and Clinical Commissioning Groups are to ensure that transport issues are resolved so that families and carers have support to access the dementia beds wherever they are located.

The substance misuse service is lead provider within the Horizon Integrated Treatment Partnership and was nominated for a Health Service Journal Awards for Primary Care and Community Services Re-design. Another development within specialist services is the establishment of the Blackburn and Hyndburn Community Volunteers project. This comprises 27 volunteers who are recruited and trained to help signpost people who are seeking help with drug and alcohol problems into treatment services. A future development in specialist services follows successful tendering with Lancashire Probation for the provision of a service for people with personality disorders in the community.

A Multi-Disciplinary Team approach to identification, assessment, diagnosis and support for people with Learning Disabilities has been set up in HMP Wymott. The Trust's Primary Care health team at the prison have been recognised for their outstanding service to the prison population.

The Adult Mental Health Network has received investment of £1.6 million for wave four and five Improving Access to Psychological Therapy services. This will improve access to services, reduce waiting times and result in better clinical outcomes. The network has also been successful in securing the contract to be the lead organisation in the delivery of social inclusion services in Central Lancashire working in partnership with the third sector.

The implementation of the stepped care model has continued to transform the way that community services are delivered and ensure that they are responsive to individual needs.

The model is designed to improve the experience for service users and provide the following benefits:

- Improved access to psychiatrists and advice on diagnoses and medication
- The transfer of resources from secondary care to primary care and to a new recovery service
- Specialist Complex Care and Treatment Teams that have extended operating hours to improve access to services and provide support to those that are most unwell
- Teams that provide effective treatments and interventions within a stepped care framework delivered by an appropriate and competent workforce including psychologists, occupational therapists and specialist practitioners in dual diagnosis, psychosis and personality disorder
- Support and co-ordination to improve the provision of physical health checks
- Improved outcomes by provision of a holistic service that addresses all aspects of health, lifestyle and wellbeing to support and maintain recovery
- Focus on promoting social inclusion and positive vocations that will result in an increased number of employed service users.

Over the last 12 months notable developments include:

- Single Point of Access teams in all localities, meaning a simplified referral process that ensures referrals reach the right team first time

- Primary Care Mental Health Teams (Step 2/3) now cover all areas of Lancashire. Work is underway with commissioners to reach more people with common mental health problems in the community including people with learning disabilities, military veterans and black and minority ethnic backgrounds.
- Improved GP access to Consultant Psychiatry telephone advice through the Single Point of Access
- Further supporting the physical health of service users has positioned the Trust at the forefront of national performance.

The next step for community services is to take stepped care to a new level with service users placed at the centre of care. Work is being undertaken in partnership with CCGs to ensure that services focus on the needs of their local communities.

The Trust has continued with its plans to move to new mental health inpatient facilities. This involves the implementation of transitional arrangements to gradually close existing wards as capacity is built into community services and new facilities become operational. This continues to be carefully monitored in response to service need. By 2016 all of the Trust's existing wards will have been replaced by alternative provision from community teams and improved accommodation from four sites across the county.

### 1.2.6 Service improvements following staff or patient surveys/comments and Care Quality Commission reports

The Trust has participated in the National Mental Health Community Survey 2012 and the National In-Patient Survey 2012. The Care Quality Commission compare Trusts on their results on the National Mental Health Community Survey and they rated Lancashire Care NHS Foundation Trust as being about the same as other Trusts on each criteria. Since the 2012 survey there have been a number of improvements. These include a focus upon Care Planning with the introduction of new standards, an intensive piece of work to ensure that out of hours contact numbers are included in Crisis and Contingency Plans and the launch of a Physical Health Check Tool.

The Trust took part in the National Audit of Schizophrenia which enables clinicians that treat people with schizophrenia in the community to measure service users' experience and monitor physical aspects of their health. As a Trust we recognise that there are significant inequalities in physical health outcomes for people with mental health disorders and as a result, have established a standard that all adult service users of secondary mental health services are to be offered an annual physical health check. This enables consideration of not only those physical health concerns which can arise from use of medication for mental health disorders, but a broad range of physical health problems such as weight difficulties or diabetes. By working closely with GP colleagues, the Trust can ensure that service users are given access to the most appropriate health checks for them.

The results of the audit showed that overall service user experience and service users reporting positive outcomes was higher than the national average, ranking 7th

and 13th respectively. Carers' satisfaction with support and information was higher than the national sample average. The Trust fared well in the physical health questions with upper quartile performance for most measures. The Trust was ranked 10th for the prescribing of antipsychotic medication within guidelines. This is a fantastic achievement and a reflection of the holistic care packages in place for people with mental illness.

Every inpatient unit has been subject to a Patient Environment Action Team (PEAT) Assessment. There was a change in the cleaning contractor used by the Trust with the new contractor commencing in July 2012. In 2013 the Trust will once again be participating in the National Mental Health Surveys and the new Patient Led Assessments of the Care Environment.

The Trust uses a range of methods to engage with people who use services to understand their experience and make service improvements. These include ward meetings, surveys, focus groups, video diaries and art events. This work will be strengthened through the implementation of the Quality Strategy. Improvements made include the development of a Junior Membership Scheme for children and young people, the improvement of health promotion campaigns, improvement to menus and mealtime experiences. The patient video diary programme has continued and the recordings made have been used across a range of forums such as induction events, staff training events, staff meetings and workshops to enhance staff understanding of the way it feels to experience our services and promote compassionate care.

There has also been a focus upon improved communication with people who use Trust services. This has included the introduction of a newsletter for service users and carers entitled Valued Opportunities for Involvement, Communication and Experience (VOICE) News and subscription to an independent website entitled Patient Opinion. This enables people to post their opinions about the Trust anonymously on a web based forum where they will receive public response from the Trust within a few days.

Further work has been on-going to develop the inpatient service at Pakwood, Blackpool into a centre of excellence. The Energising for Excellence programme comprises a number of initiatives including reviewing the model of care, developing clinical pathways for those on enhanced observations, reviewing the shift pattern and leadership structure. The service is also leading the way in terms of the care provided for people receiving psychiatric intensive care; supporting service users to recover and be discharged to the community. The Bowland Unit has been nominated for a national award in recognition of this and is acting as an exemplar for other physiological intensive care units across the Trust.

Following extensive refurbishment to the ward areas at Parkwood, the environment has been further enhanced with new furniture and art work created by service users in partnership with Shaw Trust. The Restart and Recovery service has also developed partnership working with housing, advocacy and carer services who now

provide direct support to people on the ward to ensure that the support mechanisms they need are in place for when they are discharged.

### 1.2.7 Improvements in patient/carer information

The Trust continues to work closely with service users and carers to improve their experience of our services and ensure that they are involved and well-informed. In 2012 the Trust signed up to the Lancashire Multiagency Carers Strategy to work collaboratively with partner organisations to support carers. In addition to this, the Trust has its own mental health carers strategy which was launched in 2010 and is subject to an annual audit. Services that implement the mental health carers strategy have undertaken further work to ensure that the recommendations from this audit are embedded in their day to day work.

The Trust continues to provide a portfolio of patient information leaflets. The Trust website continues to provide access to information including self-help materials. A small user group has contributed their views to inform the re-design of the website to improve accessibility to service information.

### 1.2.8 Information on complaints handling

The Trust works hard to listen and respond openly to complaints to ensure resolution where possible. There is a positive attitude to complaints as they provide an opportunity to review how things may have gone wrong, enable the chance to put things right, learn lessons and improve services for the future in relation to service users, their carers and families. A review of the Trust's Complaint Handling Policy and Procedures has recently commenced and the use of a web based system to ensure it is able to provide an effective and efficient service.

The Customer Care department works to achieve standards set out in the NHS Complaints Handling Regulations (2009) including the acknowledgement of formal complaints within three working days. The complainant can then expect a full response within 25 working days or within a timescale that is agreed between the complainant and the investigation lead. Whenever any delays are encountered within the investigation the complainant is advised.

During the year 2012/13 the Trust received a total of 317 formal complaints, 497 concerns, 26 comments and 2,315 compliments. There were 14 enquiries from GPs and 53 from MPs. The department provides more detailed quarterly and annual information to the Trust Board on achievement of targets, the main themes form complaints, and lessons learned and improvements made as a result of complaints.

The top themes of complaints during the year were:

- Care and Treatment
- Communication
- Staff relate issues including attitudes/behaviour
- Medication

The feedback from people who have used services is an important part of the Trust's Quality Strategy. One of the primary objectives for the next year will be to ensure this information is available to individual teams to ensure it used as effectively as possible. We will be implementing the friends and family test throughout the Trust as part of our Patient Experience Strategy.

### Parliamentary and Health Service Ombudsman (PHSO) summary

| Number | Current Status |
|---|---|
| 26 | The PHSO declined to investigate |
| 3 | These were referred back to the Trust for a further attempt at resolution. They have been completed and closed by the PHSO. |
| 1 | The PHSO has requested further information and the Trust is awaiting the decision of the PHSO. |
| 6 | The PHSO has requested copies of the medical records and complaint files and the Trust is awaiting the PHSO's decision. |
| 3 | These were referred back to the Trust as issues were raised which had not previously been investigated by the Trust. |

## 1.3 Stakeholder relations

### 1.3.1 Descriptions of significant partnerships and alliances entered into by the NHS Foundation Trust to facilitate the delivery of improved healthcare. These should be described together with the benefit to patients and the methods used to fund these activities

The Trust's joint venture partnership, Red Rose Corporate Services has continued to support the Trust with its plans to improve inpatient accommodation and implement its estate strategy. Further details are available in section 1.2.1.

The Trust recognises the complexity and importance of its stakeholder relationships and has sought to develop significant partnerships with a specific set of third sector organisations that directly represent the interests of service users and carers. The partnerships ensure that the designated stakeholder organisations have a strategic link into the Trust through identified Board members. The designated organisations have a clear route of communication through which strategic and operational issues impacting on patient experience can be raised and the Trust can act promptly on the issues if required.

By way of example, within the last six months the Chief Executive has visited the Board of all three Local Involvement Networks (LINk) in the area covered by the Trust's services. Each visit has given the LINk the opportunity to engage with the Trust about the plans and priorities and to give LINk members the opportunity to scrutinise and challenge the extent to which the Trust's proposed direction of travel is

in the best interest of the patients, carers and members of the public which LINk represent. These high level visits are reinforced by the Trust's consistent involvement in the infrastructure of LINk and its contribution to the management of the transition to Healthwatch. The Trust is represented on many LINk sub-groups and communicates regularly and transparently with LINk chairs and representatives of host organisations.

The Trust values the contribution which Lancashire's third sector can play in improving healthcare and delivering patient benefits. The Trust has sought to engage with the sector to inform and improve the regional bid for an Academic Health Science Network, through workshops, for example. The Trust has actively contributed to the third sector's work on improving its business processes undertaken under the brand name 'One Lancashire' and financed through the Government's Transforming Local Infrastructure initiative. The outcomes of this work will make it more straightforward for the Trust to work in partnership with the third sector in the new commissioning environment to put together service tenders that reflect the strengths of both the Trust and the third sector and which will ultimately provide interventions which better meet the needs of patients.

The Trust recognises the importance of developing positive relationships with Lancashire's eight Clinical Commissioning Groups (CCGs) both to improve patient care and to maintain and develop its leading position in the local health and social care economy. The Trust has appointed an Engagement Director and will shortly appoint three Relationship Managers with specific geographical and service network responsibilities to ensure that it has sufficient resource to engage with commissioners effectively. The Trust's engagement team will lead regular dialogue between provider and commissioner ensuring that our services are providing what patients need and contributing positively to Lancashire's wider health and wellbeing priorities. The Trust's Chief Executive represents local providers on the Lancashire health and wellbeing board working in partnership with the local authority, CCGs and third sector colleagues to shape the agenda that will deliver the greatest health and wellbeing gains for local people.

The Trust takes seriously its leadership role in providing partnership opportunities for learning about health and social care which can be applied directly for patient benefit. The Council of Governors Membership Committee oversees a comprehensive annual cycle of engagement which allows the Trusts public, staff and affiliate (stakeholder) members opportunities to give their views on aspects of the Trusts work and to exchange learning. The Trust has a membership panel which consults regularly on issues such as innovation and wellbeing. The Trust holds regular, well attended stakeholder conferences which seek to bring together professionals, patients and the public to open up what would otherwise be internal conversations about policy and service development.

The Trust's annual cycle of engagement is part of its strategy of making a clear, tangible 'offer' to stakeholders based on shared values and a respect for, and appreciation of, the role of stakeholders in improving the standards of the Trust's care. The numbers of stakeholders that are 'affiliate' members of the Trust continues

to increase and the Trust's management of its stakeholder relations is supported by a Customer Relationship Management system which records interactions between the Trust and its stakeholders and uses intelligence to improve the way those relationships are managed.

### 1.3.2 Development of services involving other local services/agencies and involvement in local activities

The Trust has strong links with a wide range of local services and organisations. Partnership working is key to meeting the needs of local people. Further developing partnerships is a priority for the Trust and supportive of its vision to provide a one stop shop approach to service delivery.

At a corporate level the Trust's affiliate membership scheme serves to strengthen and formalise partnerships with organisations. At an operational level the Trust's clinical networks work in partnership to provide services to local people and communities.

The Children and Families Network is working in partnership with Barnados and N-Compass on the delivery of Children's and Young People's Improving Access to Psychological Therapy (IAPT) services for North and Central Lancashire. The focus is on extending training to staff and service managers in Child and Adolescent Mental Health Services (CAMHS) and embedding evidence based practice across services. Another example of partnership working is the REACH project, which the network is leading on. This involves the implementation of routine enquiry about adversity in childhood (REACH), a process of routinely asking clients about traumatic experiences and offering psychosocial treatments to those who report traumatic life events in the context of psychotic experiences. Another key development for the network is that the Early Intervention Service was chosen as one of two national demonstration sites for 'Severe Mental Illness Improving Access to Psychological Therapies'. This achievement has raised the profile of the service and the Trust nationally and has been acknowledged by the Health Minister as an area of excellent practice.

A major work programme that will impact on the Network is Lancashire Improving Futures; a Lancashire wide work programme with a focus on – Multi Agency Safeguarding Hubs, Multi Agency Early Support Hubs and Working Together for Families that will significantly impact on the way those services are delivered in the future. Other developments in the Children and Families Network include:

- A joint pilot underway in Blackburn with Darwen for an integrated education, health and social care plan
- Development and implementation of the transition pack in Greater Preston coordinated between Lancashire Teaching Hospitals, therapy staff and complex nursing teams
- The development of a decision making tool for the assessment of complex needs across the Trust in conjunction with commissioners and providers.
- Partnering with Lancaster University has resulted in the development and delivery of training to Psychology Trainees by young people and the Participation Team.
- The sexual health service has established three partnership projects with financial

resources. Partners include Participation Works; Blackburn Borough Council; East Lancashire neighbourhood Partnership. The service has also secured funding to provide a Psychosexual service in collaboration with East Lancashire Hospitals Trust until March 2015.

The Adult Community Network is working with partners in Central Lancashire including Lancashire County Council, CCGs, and Lancashire Teaching Hospitals to improve services for people with long term conditions as described in section 1.2.5.

The Blackburn and Hyndburn Community Volunteers project referenced in section 1.2.5 was initially funded by the Lancashire and Cumbria HIEC partnership and has now been further funded by commissioners in Blackburn with Darwen.

Another key development in specialist services includes a successful bid by the Criminal Justice Liaison Service for national pathfinder status, which secured funding to further develop Criminal Justice Liaison and Diversion Services across Lancashire. This will take place over the next two years in collaboration with the National Offender Health Research Network at the University of Manchester. This will result in the development of a business case to be presented to the Government for the provision of a high standard service by 2014.

The Trust's Criminal Justice Liaison and Diversion Services are now operating over extended hours across the county. A second part of the project is to scope the feasibility of delivering court based services and further develop care pathways. A screening tool for custody sergeants is being designed in collaboration with Lancashire Constabulary and Manchester University as a way of identifying mental health needs or vulnerabilities amongst people taken into custody. Department of Health funding has enabled the recruitment of appropriately trained staff to deliver these developments.

Future planned developments in specialist services would increase activity in substance misuse services in partnership with Sodexo and Addiction Dependency Services. A joint tender for the North Lancashire Substance Misuse Services contract has been made.

The Adult Mental Health Network has also been undertaking partnership work with Lancashire MIND to provide counselling services to reduce waiting times and improve access to therapy from accessible clinics in the community. Lancashire MIND is also a key partner that the Trust has worked with to set up the Eco Centre in Central Lancashire. This innovative development enables service users to take part in horticultural activities as part of their recovery. The network has also worked with Shaw Trust on improving the environment at the Trust's mental health inpatient facility in Blackpool, Parkwood with artwork.

## 1.4 Statement as to disclosure to auditors

Each of the people who are directors at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- 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 provisions of s415-s418 of the Companies Act 2006.

For and on behalf of the Board

Chief Executive
29 May 2013

Chairman
29 May 2013

## 1.5 Additional disclosures

### Pensions Disclosure

The accounting policies for pensions and other retirement benefits are set out in note 1.3 to the accounts and details of senior employees' remuneration can be found in the remuneration report on page 49.

### Statement on accounts preparation

The accounts have been prepared under direction issued by Monitor, the independent regular for foundation trusts, as required by paragraphs 24 and 25 of Schedule 7 to the National Health Service Act 2006 and in accordance with the NHS Foundation Trust Annual Reporting Manual 2012/13 (FT ARM).

### Statement on register of interests' information

Company directorships and other significant interests held by directors (or governors) which may conflict with their management responsibilities are detailed in a Register of Interests maintained by the Trust. Access to the information in the register can be obtained by written request to the Trust's Company Secretary.

## 1.6 Going concern

After making enquiries, the directors have a reasonable expectation that the NHS Foundation Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

# 2. 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 Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) ("the Regulations") and;
- Elements of the NHS Foundation Trust Code of Governance.

Heather Tierney-Moore
Chief Executive
29 May 2013

## Salary and Pension entitlements of Senior Managers

(The tables below have been subject to audit review)

### a) Remuneration

| Employee Name and Title | Period 1April 2012 - 31 March 2013 | | | Period 1 April 2011 - 31th March 2012 | | |
|---|---|---|---|---|---|---|
| | Salary (bands of £5000) £000 | Other Remuneration (bands of £5000) £000 | Benefits in Kind Rounded to the nearest £100 | Salary (bands of £5000) £000 | Other Remuneration (bands of £5000) £000 | Benefits in Kind Rounded to the nearest £100 |
| Professor Heather Tierney-Moore OBE Chief Executive (01/04/2012 - 31/03/2013) | 190 - 195 | 10 - 15 | 200 | 190 - 195 | 0 | 300 |
| Mr David Tomlinson Director of Finance (01/04/2012 - 31/03/2013) | 135 - 140 | 5 - 10 | 4,200 | 130 - 135 | 0 | 4,200 |
| Mr Mark Hindle Director of Service Delivery and Transformation (01/04/2012 - 31/03/2013) | 115 - 120 | 10 - 15 | 300 | 110 - 115 | 0 | 1,100 |
| Professor Max Marshall Medical Director (01/04/2012 - 31/03/2013) | 25 - 30 | 110 - 115 | 2,000 | 40 - 45 | 135 - 140 | 4,000 |
| Mr Patrick Sullivan * Director of Nursing (01/04/2012- 31/05/2012) | 15 - 20 | 0 | 400 | 95 - 100 | 0 | 2,900 |
| Miss Hazel Richards* Director of Nursing (01/04/2012- 31/05/2012) | 100 - 105 | 0 | 6,000 | 0 | 0 | 0 |
| Mrs Joanne Marshall** Director of Workforce and Organisational Development (01/04/2012 - 31/12/2013) | 80 - 85 | 5 - 10 | 6,100 | 110 - 115 | 0 | 12,300 |
| Mrs Leila Grieves** Acting Director of Workforce and Organisational Development (01/10/2013 - 31/03/2013) | 20 - 25 | 0 | 300 | 0 | 0 | 0 |

* Mr Sullivan retired on 31 May 2012. Ms Richards replaced him from 1 June 2012.
** Mrs Marshall left the Trust in December 2012 with her role being acted into by Mrs Grieves.

| Appointees Name and Title ^ | Period 1April 2012 - 31 March 2013 | | | Period 1 April 2011 - 31 March 2012 | | |
|---|---|---|---|---|---|---|
| | Salary (bands of £5000) £000 | Other Remuneration (bands of £5000) £000 | Benefits in Kind Rounded to the nearest £100 | Salary (bands of £5000) £000 | Other Remuneration (bands of £5000) £000 | Benefits in Kind Rounded to the nearest £100 |
| Mr Stephen Jones CBE<br>Chair (01/04/2012 - 31/03/2013) | 45 - 50 | 0 | 600 | 40 - 45 | 0 | 0 |
| Mr Samuel Jones ***<br>Non-Executive Director (01/04/2012 - 30/09/2012) | 5 - 10 | 0 | 500 | 10 - 15 | 0 | 900 |
| Mr Derek Brown<br>Non-Executive Director (01/04/2012 - 31/03/2013) | 15 - 20 | 0 | 0 | 10 - 15 | 0 | 0 |
| Mrs Teresa Whittaker<br>Non-Executive Director (01/04/2012 - 31/03/2013) | 20 - 25 | 0 | 200 | 15 - 20 | 0 | 400 |
| Professor Christopher Heginbotham<br>Non-Executive Director (01/04/2012 - 31/03/2013) | 15 - 20 | 0 | 0 | 10 - 15 | 0 | 0 |
| Mr Peter Ballard<br>Non-Executive Director (01/04/2012 - 31/03/2013) | 15 - 20 | 0 | 400 | 10 - 15 | 0 | 0 |
| Ms Belinda Weir****<br>Non-Executive Director (01/04/2011 - 19/03/12) | 0 - 5 | 0 | 0 | 10 - 15 | 0 | 700 |
| Mr James Taylor *****<br>Non-Executive Director (14/08/2012 - 31/03/2013) | 5 - 10 | 0 | 300 | 0 | 0 | 0 |
| Mr Gwynne Furlong *****<br>Non-Executive Director (14/08/2012 - 31/03/2013) | 5 - 10 | 0 | 300 | 0 | 0 | 0 |

*** Mr Sam Jones term of office ended on 30 September 2012.

**** Ms Weir resigned from her position as of 19 March 2012. The remuneration reported above relates to outstanding business mileage claims.

***** The Trust has appointed two new Non-Executive Directors Mr James Taylor and Mr Gwynne Furlong both taking office on 14 August 2013 replacing the vacant seats left by Ms Weir and Mr Sam Jones.

^ 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.

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 Council of Governors 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 Trust Board Remuneration Committee. Posts are advertised in relevant media and

interviews are undertaken by a panel comprising members of the Trust Board Remuneration Committee and external assessors. Non-Executive Director positions, including the Chairman, are terminable by the Council of Governors Remuneration Committee. Executive Director positions are terminable by the Trust Board Remuneration Committee. In the case of directors other than the Chief Executive, the Chief Executive would also take part in the decision.

Benefits in kind relate to the provision of a lease car or taxable mileage benefits.

## b) Pension

| **Name and Title of Senior Manager** | Real Increase in Pension (Bands of £2,500) | Real Increase in Lump Sum (Bands of £2,500) | Pension at 31 March 2013 (Bands of £2,500) | Lump Sum at 31 March 2013 (Bands of £2,500) | CETV at 31 March 2013 (Rounded to nearest £1,000) | CETV at 31 March 2012 (Rounded to nearest £1,000) | Real Increase in CETV as funded by employer (Rounded to nearest £1,000) | Employers contribution to stakeholder pension |
|---|---|---|---|---|---|---|---|---|
| Professor Heather Tierney-Moore * Chief Executive (01/04/2012 - 31/03/2013) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Dave Tomlinson Director of Finance (01/04/2012 - 31/03/2013) | 0 - 2.5 | 2.5 - 5 | 37.5 - 40 | 115 - 117.5 | 746 | 665 | 33 | 0 |
| Professor Max Marshall ** Medical Director (01/04/2012 - 31/03/2013) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Patrick Sullivan *** Director of Nursing (01/04/2012-31/05/2012) | N/A | N/A | 50 - 52.5 | 150 - 152.5 | N/A | N/A | N/A | N/A |
| Miss Hazel Richards Director of Nursing (01/06/2012-31/03/2013) | 32.5 - 35 | 97.5 - 100 | 32.5 - 35 | 97.5 - 100 | 455 | 0 | 319 | 0 |
| Joanne Marshall Director of Workforce and Organisational Development (01/04/2012 - 31/10/2013) | 0 - 2.5 | 0 - 2.5 | 20 - 22.5 | 65 - 67.5 | 285 | 255 | 12 | 0 |
| Mrs Leila Grieves Acting Director of Workforce and Organisational Development (01/01/2013 - 31/03/2013) | 17.5 - 20 | 55 - 57.5 | 17.5 - 20 | 55 - 57.5 | 257 | 0 | 180 | 0 |
| Mr Mark Hindle Director of Service Delivery and Transformation (01/04/2012 - 31/03/2013) | 2.5 - 5 | 7.5 - 10 | 50 - 52.5 | 155 - 157.5 | 986 | 858 | 59 | 0 |

* Professor Tierney-Moore has now left the pension scheme.
** Professor Max Marshall is not a member of the pension scheme.
*** Mr Sullivan retired during the year and is now in receipt of his pension.

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

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.

| Other Remuneration Disclosure | £'000 |
|---|---|
| The highest paid senior manager in the organisation is the Chief Executive, being: | 207 |
| The median remuneration of Trust staff is: | 27 |
| The ratio therefore highest and the median salary is: | 7.8 |

*The calculation is based on full-time equivalent staff of the Trust at 31 March 2013 on an annualised basis

## Review of Tax Arrangements of Public Sector Appointees

The Trust had two off-payroll engagements at a cost exceeding £58,200 per annum in place at 31 January 2012. One has subsequently been brought onto payroll and the other has expired without renewal.

The Trust has entered into five off-payroll engagements since August 2013 that have had a term exceeding six months at a cost of £220 per day or more. Assurance regarding the individuals tax obligations are being obtained.

## Expenses Disclosure

As required by section 156 (1) of the Health and Social Care Act 2012 the following expenses were remunerated.

| Reporting Group | Travel Expenses |
|---|---|
| | £'000 |
| Executive Directors | 8 |
| Appointees (Chair and Non-Executive Directors) | 4 |
| Council of Governors | 5 |

# 3. Disclosures set out in the NHS Foundation Trust Code of Governance

## 3.1 Description of how the Foundation Trust applies the main and supporting principles of the Code

The Board of Directors strives to operate according to the highest corporate governance standards. It is a Unitary board with collective responsibility for a range of matters and is legally accountable for the following key responsibilities:

- Setting the strategic direction of the Trust
- Ensuring robust governance arrangements are in place, with an effective assurance framework and sound systems of internal control
- Rigorous performance management ensuring all targets are met
- Ensuring Trust compliance with its Terms of Authorisation

There is clear division of responsibility between the Chair and the Chief Executive. The Chair ensures the Board has a clear strategy for the delivery of services and the development of the organisation and facilitates Non-Executive Director contribution. The Chief Executive is responsible for executing the strategy and the delivery of key targets, allocation of resource and management decision making.

The Board of Directors maintains a schedule of matters reserved to itself and has in place a Scheme of Delegation for the further discharge of responsibilities through the Chief Executive and executive directors, who provide strong leadership and oversee the day to day operations of the Trust. The Board holds the Executive to account and receives assurance from them in relation to the effective and proper performance under those delegated authorities.

## 3.2 The Board of Directors

Membership of the Board of Directors for the reporting period was:

### Chair: Steve Jones

Steve Jones in leading the Board has seen Lancashire Care not simply consolidate its position as the pan-Lancashire health provider, but also embark upon a very ambitious transformation programme to better equip the Trust to meet increased expectations from the public and the changing configuration of the National Health Service as a whole. The Board has been refreshed with two new Non-Executive Directors to enhance the skillset of the Board.

The year ahead is one of great opportunity for the Trust with new developments planned, a collaborative approach to the integration of many services underway, and a very positive dialogue already taking place with the new Clinical Commissioning Groups.

Listening to patients and their carers, our Members and Governors, and our staff and stakeholders, continues to be at the heart of what we do and Steve will continue visiting and meeting with all of those groups in order that our strategic decisions are sensitive to the needs of the people that we serve.

## Executive Directors

### Chief Executive: Heather Tierney-Moore

Professor Heather Tierney-Moore OBE joined the Trust in January 2009 with a background in nursing, a distinguished track record of achievement in the NHS at board and national level in England and Scotland. She has an MSc in Managing Change and is a visiting professor at Edinburgh Napier University.

Over the past twelve months she has focused on the major transformational programme across the Trust, Engaging for Excellence. She has also been led on the establishment of the North West Coast Academic Health Science Network across Lancashire, South Cumbria, Cheshire and Merseyside and supported the development of the new arrangements for commissioning education for the North West Region.

### Director of Service Delivery and Transformation: Mark Hindle

Mark is the Executive Director lead for service delivery across the organisation with particular focus on the integration of community services into the organisation to improve care for the people who access Trust services in Lancashire.

Mark Hindle was previously the Managing Director of the community services for Blackburn with Darwen and Central and East Lancashire PCTs. Prior to joining Central Lancashire, he worked at Preston PCT where he was Director of Corporate Development. Previous roles include Director of Operations at Lancashire Teaching Hospitals and various directorate management roles in secondary care.

## Director of Nursing: Hazel Richards

Hazel began her career in the NHS as a Registered Nurse working in Nephrology and since then has held a number of clinical and management posts. During her time as Executive Director of Nursing in Liverpool Heart and Chest Hospital NHS Foundation she was awarded a Florence Nightingale Leadership Scholarship and in 2011 was finalist for the Nursing Times “Nurse of the Year” award for her work and leadership around enhancing patient experience.

## Medical Director: Max Marshall

Max Marshall has been the Trust’s Medical Director since it was established in 2002. He is currently a professor of community psychiatry at the University of Manchester.

Over the last 12 months he has concentrated on improving safety and effectiveness, and in delivering the Trust’s quality and innovation strategies. He has also been clinically involved in setting up a system to support revalidation of Trust doctors. He was responsible for the launch of the Trust charter for Primary Care and has been working to improve the Trust relationships with local General Practitioners.

## Director of Finance: Dave Tomlinson

Dave Tomlinson has been the Trust’s Director of Finance since it was established in 2002. In addition to finance, he has responsibility for property services, information management and technology and business development. Prior to that he held the same position in another local NHS Trust for five years and worked in the private sector for twenty years. He qualified as an accountant in 1985 and gained an MBA at the University of Strathclyde in 1994.

Over the last twelve months he has been heavily involved in the Trust’s service transformation programme, securing capital funding for the construction of The Harbour and developing Red Rose Corporate Services, the Trust’s joint venture. Another key area of work has been leading on the introduction of Service Line Management and preparations for the introduction of clinically led business units.

### Acting Director of Workforce and Organisational Development: Leila Grieves

Leila has worked in HR within the Health Service for 18 years, beginning her career in London Acute Hospitals before moving to the North West. Prior to working for Lancashire Care she was the Head of HR for Central Lancashire Primary Care Trust and spent some time seconded to the Department of Health representing management side in national development and implementation of the national job evaluation scheme.

## Non-Executive Directors

### Derek Brown

Derek served as a Royal Air Force Officer and pilot for 14 years until joining BAE SYSTEMS. He spent 14 of his 28 years with the Company overseas directing and managing large scale programmes for customers. These included delivery of design and construction projects and running a flying training academy. On return to the UK he was appointed Director New Programmes in which role he developed, contracted and delivered and managed high value projects. He retired in 2007 and joined the Trust in November of that year.

In the last 12 months, in addition to Trust Board duties, he has worked with the Director of Finance setting up a joint venture company (Red Rose Corporate Services) to deliver the Trust's new In -patient facilities.

### Peter Ballard

Peter has a long history of developing partnerships with Local Authorities, Statutory Bodies, Regional and Central Government Departments and many of the newer private sector service providers. He has supported charities, and not for profit companies, in establishing links with major consulting and contracting company's links which have provided them with professional support and services which otherwise would be beyond their means.

He is currently Chief Executive of DBE Services a company founded to deliver high quality bespoke services to public bodies on a not for profit basis. The company has doubled its turnover in each of the last four years.

He has focused in the last year on the transfer and integration of

community services into the Trust and developing new partnership opportunities.

He holds a number of local and national trusteeships and non-executive roles. He has recently been appointed as the national treasurer of a large education charity.

## Teresa Whittaker

Teresa Whittaker has over 30 years of industry experience, primarily in the complex, highly regulated nuclear sector. Her experience at board and senior executive level in industry has given her extensive knowledge of internal control, risk management and corporate governance, as well as acquisition integration and change management.

Over the past year Teresa has continued to support the organisation in the further development of the risk management approach and of the management systems in general, to ensure they fully reflect the enlarged organisation.

## Gwynne Furlong

Gwynne has over 40 years' experience as a qualified professional in business, involved primarily in the commercial property industry. He has been a partner in professional practice and has been a director and MD of both private and publically listed companies. Gwynne's last post prior to retiring in 2008 was as a director within the Asset Management division of Close Brothers Plc. Merchant Bank.

Gwynne is also a Non-Executive Director with two north-west based Housing Associations one of which specialises in providing independent living for the disabled and people with learning difficulties.

Gwynne is a Trustee of a locally based charity providing opportunities for the local community to become involved in Art, Dance, Music and Drama, and he has recently taken over as part time CEO of the national charity Regain which specialises in helping those who have become paralysed/tetraplegic through sporting accident.

## Jim Taylor

Jim Taylor has worked at a senior level for over 30 years, initially within the automotive/manufacturing industry but latterly in the medical device sector. For the past 18 years he has been a member of Executive Committees and Boards for leading global medical device businesses. He has lived in the USA, during which time he led the largest sports medicine business in the world as Global President.

By degree Jim is a mathematician and he also has a MSc in Operational Research and a HR qualification. During his career Jim has gained extensive experience in the development of strategy, monitoring of performance, development of talent and financial control in a regulated environment. He has overseen significant mergers and acquisitions and is experienced in dealing with financial institutions.

Jim is semi-retired but maintains a close interest in the medical device industry, especially in respect of emerging technologies.

## Chris Heginbotham

Chris Heginbotham is Emeritus Professor of Mental Health Policy and Management at the University of Central Lancashire, Honorary Professor in the Institute of Clinical Education, Warwick University Medical School, and Visiting Professor at the University of Cumbria. He is a Director of the Institute of Social Commissioning and Senior Advisor and Board member of the Global Health Equity Foundation based in Geneva, Switzerland. Working in the field of health and social care for most of his career, Chris has been Chief Executive of both mental health and acute trusts, in addition to leading the National Association for Mental Health (Mind) for much of the 1980s. Later, he was Chief Executive of the Mental Health Act Commission from 2003 to 2008 where he was responsible amongst other things for setting up and running the census 'Count me in' which provided information to help tackle disadvantages suffered in mental health services by Black and minority ethnic service users.

He has a strong commitment to service user engagement and this has shaped his contribution to the Board. He chairs the Mental Health Act Manager's Forum and is a member of the Trust's CARE committee. He recently published a book on values-based practice in health and social care, and a further book on commissioning health and wellbeing (co-written with Karen Newbigging - University of Central Lancashire) will be published by Sage in 2013.

The Board of Directors are required to disclose and keep up to date details of their interests and other material time commitments. At each meeting of the Board of Directors a standing agenda item also requires all Executive and Non-Executive Directors to make known any interest in relation to the agenda and any changes to their declared interests.

The Register of Interests is held by the Company Secretary and is available for public inspection by arrangement.

### Executive Director Appointments

The Board has considered the overall skill needs and alignment of portfolios in order to deliver the strategic objectives and forward plans. A new post, Executive Director of Innovation and Transformation has been established and recruitment to this post is underway.

### Non-Executive Director Appointments

The Council of Governors made two new non-executive director appointments during the year to fill vacancies left by the retirement of a non-executive director on the expiry of a maximum term of office and to fill a casual vacancy.

Following a comprehensive review process which involved collation of views from a range of stakeholders including Governors, directors and employees, the Council of Governors considered the recommendation of the Senior Independent Director to re-appoint the Chair of the Board for a second three year term of office. The Council of Governors approved the re-appointment from 1 April 2013 by unanimous decision.

The Board currently meets monthly. During the year its meetings were held in private but with effect from 1 April 2013 formal Board meetings will be held bi-monthly in public in accordance with the published schedule. The Board will also continue to meet informally on a regular basis to develop strategy and consider specific issues in depth.

Board papers are published on the Trust website within three weeks of the meeting subject to exemption under the Freedom of Information Act.

Up to two members of the Council of Governors are invited to attend formal Board meetings as observers at each meeting.

## Attendance at Board of Director Meetings and Sub-Committees
## 01 April 2012 – 31 March 2013

| Board Member | Term of Appointment | Trust Board | Audit Committee | Cost and Resource Effectiveness Committee | Remuneration /Nomination Committee |
|---|---|---|---|---|---|
| | | Attendance (actual/max) | | | |
| **Non-Executive Directors** | | | | | |
| Steve Jones* | 01/04/10 – 31/03/13 | 11/12 | | 3/3 | 5/5 |
| Derek Brown* | 01/10/06 – 30/09/13 | 11/12 | 6/7 | 3/3 | 5/5 |
| Chris Heginbotham* | 01/09/08 – 31/08/14 | 12/12 | 5/7 | 3/3 | 4/5 |
| Teresa Whittaker* | 01/10/06 – 30/09/13 | 12/12 | 6/7 | | 4/5 |
| Peter Ballard* | | 11/12 | | 3/3 | 3/5 |
| Gwynne Furlong | 01/10/12 – 31/08/15 | 6/6 | | | 2/2 |
| James Taylor | 01/10/12 – 31/08/15 | 5/6 | 1/2 | 2/2 | 2/2 |
| Sam Jones *(retired 30/09/12)* | 01/01/06 – 30/09/12 | 6/6 | 5/5 | | 3/3 |
| **Executive Directors** | | | | | |
| Heather Tierney-Moore | | 11/12 | | 2/3 | 5/5 |
| Mark Hindle | | 12/12 | | 3/3 | |
| Dave Tomlinson | | 12/12 | | | |
| Max Marshall | | 11/12 | | | |
| Hazel Richards *(in post 07/05/2012)* | | 8/8 | | 2/3 | |
| Leila Grieves *(in post 23/09/2012)* | | 4/4 | | | |
| Patrick Sullivan *(retired 31/05/12)* | | 4/4 | | | |
| Joanne Marshall | | 6/8 | | | |

*Non-Executive Director serving under a second and final three year term of office

The constitution sets out the required number of directors in each category. There should be 13 members of the Board, six executive directors, six independent non-executive directors plus a non-executive Chair. All non-executive directors of the Trust are considered to be independent in character and judgement and have no cross directorships or significant links which could materially interfere with the exercise of their independent judgement.

The Board continues to review the effectiveness of its process in the light of experience as a Foundation Trust and has undertaken a number of board development sessions in the year as part of a fundamental review of its own effectiveness and efficiency. Members of the Board are offered appropriate training

as required. Work on the Scheme of Delegation and key governance systems has been carried out during 2012/13.

## 3.3 Sub-Committees of the Board of Directors

The Board of Directors has established the following sub-committees:

- Audit Committee
- Cost and Resource Effectiveness Committee
- Policy and Strategy Development
- Nomination Committee
- Remuneration Committee

During the year the Board decided to establish a strategic planning and development Committee to further formalise its on-going informal discussion in this area and to strengthen and regularise the assurance regime.

### Audit Committee

The Audit Committee provides an independent and objective review of the Trusts system of integrated governance, risk management and internal control (both clinical and non-clinical).

The Audit Committee comprises four non-executive members. The Trust's Chair is specifically excluded from membership. Membership of the committee and attendance at meetings during the reporting period is detailed in the table above.

Normally the Chief Executive, Director of Finance, Company Secretary, external and internal auditors including Local Counter Fraud are invited to attend each meeting.

A review of the effectiveness of the Audit Committee was conducted during 2012 and a development plan has been written for implementation during 2013/14.

### Cost and Resource Effectiveness Committee

The Cost and Resource Effectiveness Committee is responsible for reviewing the efficiency and effectiveness of resource allocation in support of strategy and evaluating the Trust's approach to value for money on behalf of the Board. It reports its findings in relation to the systems that support value for money to the Audit Committee. Membership of the committee and attendance at meetings during the reporting period is detailed in the table on page 61.

### Strategy and Policy Development

In order to facilitate informed decision making at Board meetings, the Board establish a new sub-committee. The Strategy and Policy Development Committee provides an opportunity for Trust Board members to review outline plans and contribute to their development at an early stage.

### Nomination Committee

The Nomination Committee is responsible for the identification and nomination of executive directors. The Nomination Committee comprises all Non-Executive Directors and attendance at meetings during the reporting period is detailed in the table on page 61.

### Remuneration Committee

The role of the Remuneration Committee is to decide the remuneration and allowances, and other terms and conditions of office, of the Chief Executive and other executive directors and the Company Secretary. Membership of the Committee comprises all Non-Executive Directors and attendance during the reporting period is detailed in the table on page 61.

## 3.4 Council of Governors

Lancashire Care NHS Foundation Trust is accountable to its members through a Council of Governors (CoG). The CoG is responsible for representing the interests and views of our Trust members and partner organisations in the governance of the Trust.

The Council of Governors meets in public at least four times a year. The Chairman of the Board is the Chairman of the Council of Governors. The Council invites members of the Board to attend meetings and in particular, the Deputy Chair and Senior Independent Director. The Council meets with the whole Board at least four times a year to discuss a range of relevant issues to the Trust, and to facilitate meaningful engagement and listening and to exercise their responsibility to hold the Non-Executive Directors to account for the performance of the Trust.

Statutory responsibilities of the Council of Governors include:

- Appoint and, if appropriate, remove the Chair
- Appoint and, if appropriate, remove the other Non-Executive Directors
- Decide the remuneration and allowances and other terms and conditions of office of the Chair and the other Non-Executive Directors
- Approve the appointment of the Chief Executive;
- Appoint and, if appropriate, remove the NHS Foundation Trust's auditor
- Receive the NHS Foundation Trust's annual accounts, any report of the auditor on them, and the annual report
- Hold the Non-Executive Directors, individually and collectively, to account for the performance of the Board of Directors.

To become a member of the Council of Governors, applicants must be over 16 years of age and a member of the Trust's public or staff constituencies. The CoG also includes a number of governors nominated by identified partner organisations or stakeholders.

At its meeting on 16 April 2013 CoG agreed to reduce the number of Governors on the Council from 34 to 23 over a three year period as vacancies arise and align representation to the new CCG Constituencies.

Governors participate in a formal training and on-going development programme and mentoring/coaching scheme to support them in the discharge of their role.

## Membership of the Council of Governors and Sub-Committees as of 31 March 2013

| Governor | Term expires | Council of Governors | Membership Committee | Patient Experience Oversight Group | Standards & Assurance Committee | Remuneration Committee | Nomination Committee |
|---|---|---|---|---|---|---|---|
| | | Attendance (actual/max) | | | | | |
| **Chairman** | | | | | | | |
| Steve Jones | 31/03/2016 | 8/10 | | | | 2/2 | 1/2 |
| **East Lancashire** | | | | | | | |
| Les Bond | 31/12/2012 | 6/7 | | 2/4 | | | |
| Tom Lawman | 26/11/2015 | 10/10 | | | 7/8 | 1/1 | |
| Catherine Dobson | 15/12/2014 | 9/10 | | | 5/8 | 1/1 | 2/2 |
| Hilary Whitworth | 15/12/2014 | 8/10 | | 2/2 | 4/6 | | |
| Alan Ravenscroft | 26/11/2015 | 3/3 | | 1/2 | | | |
| Michael Wedgeworth | 26/11/2015 | 2/3 | 1/1 | | | | |
| **North Lancashire** | | | | | | | |
| Ian Clift* | 31/12/2012 | 5/7 | | 3/4 | | | 1/1 |
| Christina McKenzie-Townsend | 26/11/2013 | 10/10 | | 3/3 | 8/8 | 2/2 | 1/1 |
| John MacLeod† | 26/11/2015 | 3/3 | | 2/2 | | | |
| Jack Owen | Resigned 04/04/12 | 0/0 | | | | | |
| Peter Hill | Resigned 07/07/12 | 1/3 | | 1/1 | | | |
| Jeffrey Harrison-Turner | 26/11/2015 | 1/1 | | | 0/1 | | |
| David Jackson | 26/11/2015 | 3/3 | | 1/2 | | | |
| **Blackpool** | | | | | | | |
| Linda Jones | 26/11/2015 | 9/10 | 4/4 | 5/5 | | 2/2 | |
| Andrea Walker | 26/11/2013 | 4/10 | | | 0/6 | | |
| **Central Lancashire** | | | | | | | |
| Moira Mondesire* | 31/12/2012 | 7/7 | | | 5/6 | | |
| Christine Pownall | 01/07/2012 | 1/3 | 1/1 | | | 0/1 | 0/1 |
| Jane Kay | 15/12/2014 | 6/10 | 4/5 | | | | |

| Governor | Term expires | Council of Governors | Membership Committee | Patient Experience Oversight Group | Standards & Assurance Committee | Remuneration Committee | Nomination Committee |
|---|---|---|---|---|---|---|---|
| | | Attendance (actual/max) | | | | | |
| Selvizhi Subramanian | 15/12/2014 | 9/10 | 0/1 | | 4/7 | | |
| Frances Maguire | 26/11/2015 | 0/3 | | 0/2 | | | |
| Mike Marsden | 26/11/2015 | 3/3 | | 1/2 | | | |
| Brian Taylor | 26/11/2015 | 3/3 | 1/1 | | | | |
| **Blackburn with Darwen** | | | | | | | |
| Alfred Olaiya* | 30/06/2012 | 6/7 | | 3/4 | | | |
| Brian Spencer | 13/12/2013 | 10/10 | | 2/3 | 8/8 | 2/2 | 1/1 |
| **Out of Area** | | | | | | | |
| Tahir Khan | 15/12/2014 | 8/10 | 3/5 | | | | |
| **Staff Elected Governors** | | | | | | | |
| Paul Morris | 08/12/2013 | 9/10 | 5/5 | | | | |
| Caroline Johnson | 08/12/2013 | 7/10 | | 4/6 | | | |
| Graham Ash | 06/12/2013 | 7/10 | | | 3/8 | | |
| Linda Ravenscroft | 14/01/2014 | 9/10 | | | 8/8 | | |
| Barbara Hummer | 15/12/2014 | 10/10 | 1/1 | | 4/6 | | |
| Andrew Kirkby | 15/12/2014 | 8/10 | | 4/6 | | | |
| **Nominated Governors** | | | | | | | |
| Education Lancashire: Nigel Harrison | | 8/10 | | | | 2/2 | 2/2 |
| Lancashire County Council: Valerie Wilson | | 4/10 | 1/4 | | | | |
| Lancashire Constabulary: Andy Rhodes | Resigned 14/09/12 | 1/3 | | | | | 1/1 |
| Lancashire Constabulary: Steve Sansbury | | 1/2 | | | | | |
| Making Space: David Jones | | 8/10 | 1/1 | | | | |
| MIND: Mark Lunney | Resigned 05/03/13 | 7/9 | 4/5 | | | | |
| 5 PCT's: Andrew Bennett | | 0/10 | | | | | |

*Maximum term of office expired

## 3.5 Sub-Committees of the Council of Governors

The Council of Governors has established the following sub-committees:

- Membership & Governance Committee
- Standards and Assurance Committee
- Patient Experience Oversight Group
- Nomination Committee
- Remuneration Committee

### Membership & Governance Committee

The role of the Membership & Governance Committee is to develop the membership strategy to both increase membership numbers and sustain the existing membership and to put in place a programme that ensures the Council of Governors hear members views on the future plans or services provided by the Trust. The Committee monitors the effectiveness of the Membership Strategy in sustaining a representative stable and engaged membership base. Membership of the Committee and attendance during the reporting period is detailed on page 64/65

The Committee is also responsible for monitoring the governance arrangements of the Council of Governors and Membership and in particular for leading the on-going evaluation of the effectiveness of the Council of Governors.

### Standards and Assurance Committee

The Standards and Assurance Committee has been established to review the Care Quality Commission outcomes and the Trust process to provide assurance on compliance. The committee considers the content and presentation of the Quality Report. Membership of the Committee and attendance during the reporting period is detailed in the table on page 64/65.

### Patient Experience Oversight Group

The role of this committee is to monitor that effective mechanisms are in place to receive the views of the Trust's service users and carers. This is established through analysis of data and scrutiny of the Trust's arrangements for gathering information on the Patient Experience. Membership of the Committee and attendance during the reporting period is detailed in the table on page 64/65

### Nomination & Remuneration Committee

The Committees are responsible for the discharge of statutory responsibilities in relation to the recommendation to the Council of Governors in respect of the appointment and removal of the Chair, Non-Executive Directors and the setting of the remuneration and other terms of office for the Chair and Non-Executive Directors. Membership of the Committee and attendance during the reporting period is detailed in the table on page 64/65

## 3.6 Membership

### 3.6.1 Eligibility requirements

The Trust has a public and staff constituency. The public constituency is divided into six voting areas to represent the geographical area served by the Trust.

| Public Constituency | Electoral divisions comprising the electoral boroughs, cities or districts as set out in The County of Lancashire (Electoral Changes) Order 2005, The Borough of Blackburn with Darwen (Electoral Changes) Order 2002 and The Borough of Blackpool (Electoral Changes) Order 2002 | Minimum number of Members |
|---|---|---|
| East Lancashire | Hyndburn, Ribble Valley, Burnley, Pendle and Rossendale | 75 |
| North Lancashire | Lancaster, Wyre and Fylde | 60 |
| Blackburn with Darwen | Blackburn with Darwen | 30 |
| Blackpool | Blackpool | 30 |
| Central Lancashire | Preston, Chorley, South Ribble and West Lancashire | 75 |
| Out of Area | All electoral divisions within the boundaries of the Strategic Health Authority NHS North West excluding those within any other area of the Public Constituency of the Trust. | 15 |

### 3.6.2 Number of members

As of 31 March 2013, the Trust had a total of 17,741 members.

| Area | Public Member | Staff |
|---|---|---|
| Blackburn with Darwen | 935 | - |
| Blackpool | 982 | - |
| Central Lancashire | 3227 | - |
| East Lancashire | 2308 | - |
| North Lancashire | 2806 | - |
| Out of Area | 815 | - |
| Medics | - | 221 |
| Nursing (reg & non reg) | - | 971 |
| Psychologists, Occupational Therapists and Pharmacy Social Care | - | 3830 |
| Corporate Support | - | 1646 |

The Trust also has schemes for non-voting members drawn from key stakeholders (Affiliate Members) and young people under 16 (Junior Members).

### 3.6.3 Membership Strategy

During 2012/13, the Trust has continued with the implementation of its revised strategic approach to membership. This has involved prioritising engagement with members and with measuring the value and benefit which the Trust derives from integrating the perspectives of members into its decision making rather than a focus on numbers of members alone.

### 3.6.4 Contact procedures for members

The Trust's website sets out how members who wish to communicate with the Council of Governors can do so via contacting the membership office. A dedicated telephone number and email address is publicised. In addition, a reply slip has been included in Foundation News for members who wish to send in a question for their governors.

## 3.7 Risk and Control

A risk management policy and process has been agreed and operational risk management processes are embedded in the organisation at all levels. The level and nature of operational risk information that should be subject to Board scrutiny has been determined and the Board receives regular reports on the status of those risks. The policy contains escalation processes for the rapid identification and reporting to the Board of emerging risks or concerns about risk mitigation.

An Enterprise Assurance Management approach to targeted and systematic risk and assurance identification and reporting has been adopted. This has developed a closer relationship between risk, strategy, the optimisation of risk control measures, assurance mechanisms and the accountability framework.

## 3.8 Statement of Compliance with the Code of Governance Provisions

In setting its governance arrangements, the Trust has regard for the provisions of The UK Corporate Governance Code 2012 issued by the Financial Reporting Council; the Code of Governance and other relevant guidance issued by Monitor and other sector bodies to the extent that the provisions apply to the responsibilities of the Trust.

In year, there has been a review of the governance arrangements and have outlined a revised governance structure at Board and Executive Management Team level which will be implemented on a phased basis during 2013/14. Details of the key committees can be found under relevant sections of this report.

The Audit Committee has received assurances relating to the evidence base for compliance with the Monitor Code of Governance (published March 2010) for the 2012/13 year and is of the opinion that the Trust is compliant with all of the code provisions.

Whilst the Board of Directors continues to be of the view that the Trust complies with the provisions and spirit of the Code of Governance it recognises the need for continuous review and development. Last year the Board identified five areas for further development:

- Comprehensive review of the Constitution
- Continue to develop and embed a comprehensive and revised scheme of delegation throughout the organisation
- Appoint new-executive directors as part of the overall succession plan
- Continue to develop the membership profile and promote governorship
- Introduce governor development plans to meet the changing role arising from the Health and Social Bill.

These areas have been addressed and the outcomes reported in the relevant areas of disclosure. During 2013/14 the following areas will be subject to further continuous improvement and development:

- Effectiveness of the Council of Governors with plans to reduce the overall number of Governors; strengthen the subcommittee governance structure and realign the constituencies to Clinical Commissioning Group areas
- The Constitution was reviewed and revised in line with the requirements of the Health and Social Care Act 2012 during 2012/13 but a further review and revision will be necessary during 2013/14 following implementation of the above plan regarding changes to Council of Governors
- Implementation of a Balanced Score Card for data reported to Board
- Introduction of standard operating procedures and corporate branding for all meetings that form part of the formal governance structure of the Trust.

# 4. Other disclosures in the public interest

## 4.1 Action taken by the NHS Foundation Trust to maintain or develop the provision of information, and consultation with, employees

A range of internal communication channels are in place to provide staff with information and the opportunity to feedback on key issues. These include a quarterly staff newsletter, the Chief Executive's monthly team talk, the weekly email bulletin and intranet. Staff also receive information through their line managers, team meetings and network Engage events. During 2012/13, a series of senior leadership team events have been held linked to the annual planning cycle.

Engage events are held quarterly for the Trust's top leaders to provide information and a forum to discuss the Trust's strategic plans. A similar event has also been launched for the Trust's aspiring leaders which will take place on a bi-annual basis.

The Trust's membership strategy provides opportunities for staff, alongside members of the public, to receive information, attend events and take part in surveys as members of the Foundation Trust. More information can be found in section 1.3.1.

The Trust has successfully embraced partnership working with the staff unions. There is a Partnership Forum which meets regularly and represents all staff groups excluding medical staff, who are represented through the Joint Local Negotiating Committee (JLNC). Both committees have a partnership agreement in place. Representatives from the JLNC attend the Partnership Forum to enable effective communication between both groups.

## 4.2 The NHS Foundation Trust's policies in relation to disabled employees and equal opportunities

The Trust has adopted the Department of Health's Equality Delivery System (EDS) and has carried out its first scrutiny event in 2012. This activity involved Trust services providing evidence to demonstrate inclusion for all diverse groups, including service users and staff with disabilities in terms of equitable access and engagement. In relation to disability, all EDS action plans across the organisation include 'reasonable adjustments' as defined within the Equality Act 2010. The Trust is also committed to ensuring Equality Impact Assessments are carried out on all policies, procedures and other activities strategically. Access Audits are carried out on all new buildings and refurbishments which address access for service users, carers, other visitors and staff.

Further information can be found on page 26.

## 4.3 Information on Health and Safety Performance and Occupational Health

The Trust continues to promote and develop a maturing safety culture across all areas of the organisation. The emphasis on patient safety continues to focus on transparency and enabling an open learning environment as an essential aspect of improving care. A key component of patient safety is providing a system for comprehensive incident reporting and risk management across the Trust.

Work has been completed to improve the incident reporting system and process including the procurement and roll out of one new Datix system across the whole organisation. A new risk assessment template has also been populated onto the Datix system which provides guidance information to assist in the risk management process and allows this to be recorded on the system and pulled into a risk register.

A risk assessment and management plan has been rolled out across the Trust including guidance toolkits to assist in embedding and sustaining a risk management culture.

The Occupational Health Service, provided by People Asset Management (PAM) has been further embedded within the Trust during 2012/13 with the service specification being closely monitored through bi-monthly contract monitoring meetings. The key performance indicators contained within the contract have been regularly met, and on many occasions exceeded.

A revised physiotherapy service provision has commenced during the year (Physiotherapy Information Line – PhIL), again provided via People Asset Management. The provision is a telephone-triage service run by qualified physiotherapists, and allows for rapid access to physiotherapy services with immediate interventions for acute conditions. Early feedback from this has been very encouraging, with staff reporting positive experiences and earlier than anticipated improvements in medical conditions.

A further development during the year has been the introduction of a new Employee Assistance Provider, called PAM Assist. This is a free confidential life management and personal support service available to staff and their immediate family, with access available 24/7, 365 days a year via a telephone helpline or on-line.

For the coming year the Trust and PAM, along with PhIL and PAM Assist, will be working together to provide health promotion activities and advice to underpin and complement the Trusts Health and Wellbeing strategy. This has already commenced with PAM providing support to the National Flu campaign and further health promotion and prevention activities are planned for 2013/14.

The Health and Wellbeing Steering Group has been set up to ensure that the Trust has put support in place for staff in a number of key areas including; how to help employees to stop smoking, promoting physical activity in the workplace, management of long term sickness and incapacity and promoting mental wellbeing through productive and healthy working conditions. Mindfulness training is provided for staff as a means of reducing stress and anxiety through mediation based techniques. The Looking After Me Looking After You has also been put in place to provide psychological training to staff so that they can use their experiences in a positive way. Employees are able to access a range of support for their physical and mental health and wellbeing via the e-HR portal which has been in place for almost a year to enable staff to access information and resources 24/7.

## 4.4 Information on policies and procedures with respect to countering fraud and corruption

The Trust has a Counter Fraud and Corruption Policy in place and as part of this an annual work plan is agreed by the Director or Finance. This covers areas such as creating an antifraud culture, deterring fraud and preventing fraud. The Trust engages the services of a Local Counter Fraud Specialist who attends the Audit Committee to provide updates on the progress of the annual work plan.

## 4.5 A statement describing the better payment practice code, or any other policy adopted on payment of suppliers, and performance achieved together with disclosure on any interest paid under Late Payment of Commercial Debts (interest) Act 1998

The Better Payment Practice Code (BBPC) requires the Trust aims to pay all valid non-NHS invoice by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later, unless other payment terms have been agreed with a supplier.

As a result of the general economic crisis, and at the request of the Prime Minister and Monitor, the Trust now endeavours to pay all smaller non public sector suppliers within 10 days in order to ease their cash flows.

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).

Details of compliance with the above are detailed in note 7 to the accounts.

## 4.6 Details of any consultations completed in the previous year, consultations in progress at the date of the report, or consultations planned for the coming year

The Trust has not undertaken any formal public consultations in its own right during 2012/13. However, it has worked in partnership with NHS Lancashire to undertake a public consultation to inform the future development of services for people with dementia. The consultation ran from December 2012 to February 2013 and independent analysis of the feedback received was undertaken by the University of Central Lancashire. Further information about the consultation and process is available at http://www.lancashirementalhealth.co.uk/index.html

## 4.7 Consultation with local groups and organisations, including the Overview and Scrutiny Committees of local authorities covering the membership areas

The Trust has an established working protocol with the three Local Involvement Networks (LINks) and is committed to working closely with LINks. A monthly information briefing is sent to each LINk and the Trust attends LINk meetings as appropriate. This is in the form of staff attendance on steering groups and Executive attendance at LINk Board meetings by invitation. Trust representatives have also taken part in workshops in support of the transition from LINKs to Healthwatch.

The Trust will work closely with local Healthwatch partners to organise and undertake Patient-Led Assessments of the Care Environment (PLACE) Inspections across Trust inpatient sites. PLACE Inspections replaced Patient Environment Action Team (PEAT) Inspections from April 2013.

The Trust keeps Overview and Scrutiny Committees up to date about its plans to develop new mental health inpatient units and the related transitional arrangements. In terms of the Trust's wider engagement strategy Executive and Non-Executive Directors attend meetings of partner organisations to share information and respond to queries. Consultation with local GPs is undertaken via an annual survey that is supported by the Local Medical Committee (LMC). The Trust values feedback from GPs about their perception of its services and is committed to providing an excellent standard of service to primary care which is underpinned by a charter. The Trust is pleased to have been given the opportunity to participate as a member of the Lancashire Health and Wellbeing Board which serve as a means of sharing information with colleagues from the Clinical Commission Groups (CCGs) and local authorities.

## 4.8 Any other patient and public involvement activities

A new Service User and Carer Experience and Involvement team was created at the start of 2012 with the aim of improving the quality of experience the Trust provides across all its services in both community and mental health care. Patient experience is one of the Trust priorities and is highlighted as a priority across the NHS. The National Institute of Clinical Excellence (NICE) has also produced Quality Standards for NHS Trusts which describe what a good experience for service users and patient should consist of. These have been used to produce a baseline assessment across all the Trusts services which measure the quality of experience we are providing for our service users and carers.

Service users and carers from across all the Trusts services were invited to a consultation event in May 2012, which has helped shape our approach to experience and involvement. The event looked at what was working well and how we could build upon these strengths. This has included launching a newsletter – Your Voice – for service users and carers, as well involving service users and carers in our staff induction programme.

Obtaining and acting upon service user experiences of services is an important element of the Trust Quality Strategy. The Experience and Involvement Team have been supporting local services and teams to use a variety of methods to obtain information and feedback from the people using their services. These have included web based opinion forums, questions by text, paper questionnaires, meetings and forums for service users. Using a wide variety of methods is important as the Trust provides a wide range of services to a diverse population.

Finally the Trust has continued to invest in the collection of service user and carer stories to help improve experience. More than 100 stories have now been recorded and shared with staff as part of a programme of service improvement.

## 4.9 The number of, and average additional pension liabilities for, individuals who retired early on ill-health grounds during the year

Costs of ill health retirements are borne by the NHS Pensions Agency. Details of numbers and estimates of associated liabilities are supplied by the NHS Pension Agency and detailed in note 6.4 to the accounts.

## 4.10 Management costs calculated in accordance with the Department of Health's definitions

Best practice requires the Trust to report expenditure on management and administration costs as defined in the Department of Health document 'NHS Management Costs 2002/03'.

Under the agreed definition the Trust's management costs were 9.68% of Trust income (2011/12 9.19%). The increase is largely resultant from additional corporate costs following the transfer of community services transaction in 2011/12.

## 4.11 Detailed disclosures in relation to 'other income' where 'other income' in the notes to the accounts is significant

The Trust does not consider 'Other Income' figure in the annual accounts significant enough to disclose detail on.

## 4.12 Sickness absence data

The Trust's average sickness rate for 2012/13 was 5.26%. Over recent years sickness absence at Lancashire Care has fallen considerably from 6.64% in 2009/10, to 5.98% in 2010/11 and to 5.08% in 2011/12. Whilst our 2012/13 rate demonstrates a slight increase on the 2011/12 figure, Trust managers are continuing to proactively manage and monitor attendance to reduce the number of days lost due to sickness. Our robust policy and procedure continues to aid attendance management and new and existing managers have access to training modules to support them through the process, which is well attended. People Asset Management (PAM) our Occupational Health provider have become more actively involved and attend management meetings across the organisation to discuss absence cases with a view to getting staff back to work. The Workforce team and PAM meet on a monthly basis to review high sickness areas to ensure these are being managed effectively and that PAM are aware of each case. In addition to these interventions, enhanced reporting mechanisms, continue to support the Trust to work towards its target rate.

## 4.13 A statement that the NHS Foundation Trust has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information Guidance

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

## 4.14 Details of Serious Untoward Incidents involving data loss or confidentiality breach (required as part of NHS Information Governance rules)

There have been no Serious Untoward Incidents involving data loss or confidentiality breach during 2012/13.

## 4.15 Income disclosures required by Section 43(2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012)

The Trust can confirm 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 over 90% of the Trusts income. The remainder is all classed as operating income, split approximately evenly 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 overarching objective to provide goods and services for the purposes of the health service in England.

# 5. Statement of Accounting Officer's Responsibility

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 Monitor.

Under the NHS Act 2006, Monitor has directed Lancashire Care NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Lancashire Care NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the NHS Foundation Trust Annual Reporting Manual and in particular to:

- observe the Accounts Direction issued by Monitor, 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 have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

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.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in Monitor's NHS Foundation Trust Accounting Officer Memorandum.

Professor Heather Tierney-Moore
Chief Executive
29 May 2013

# 6. Annual Governance Statement

## 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 on-going process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Lancashire Care NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them effectively, efficiently and economically. The system of internal control has been in place in Lancashire Care NHS Foundation Trust for the year ended 31 March 2013 and up to the date of approval of the Annual Report and Accounts.

## Capacity to Handle Risk

The Risk Management Strategy sets out the responsibility and role of the Chief Executive and the Executive Directors in relation to risk management. All staff within the organisation have a responsibility for risk management. These responsibilities are outlined in the Strategy.

The Trust has in place a structure to support the process of integrated governance. There is a direct line from the executive to the senior management team through to each team with local services having risk management forums that report through the governance systems to the board.

Risk registers are in place that outline the key risks and how these are managed. These also outline the control measures in place and the assurances available to demonstrate risks are being managed effectively. Any gaps in control must be clearly documented.

Staff are trained to manage risk in a way appropriate to their authority and duties. Good practice is promoted throughout the organisation and the current policy and procedural framework supporting risk management is assessed as at level one by the NHS Litigation Authority. The Trust gained 100% compliance in its recent assessment. The policies in place support a learning approach if things do go wrong and this is demonstrated through the Daring to Share, Oxford Model events and Bluelights that support learning and the dissemination of the lessons learnt following analysis of serious untoward incidents.

An effective process is in place to support the trusts on-going registration with the Care Quality Commission and evidence has been collated to demonstrate compliance with the

Essential Standards for Quality and Safety. This has been assessed as providing substantial assurance through the internal audit process.

### The Risk and Control Framework

The Trust's risk management framework is set out in the Board approved Risk Management Strategy.

The Strategy promotes proactive risk management whereby the risks to the Trust's strategic objectives are identified and monitored on an on-going basis. Gaps in control and assurance have clear corrective actions to address them and these are reviewed on a regular basis.

The Board and the service networks are able to identify the main areas of risk to the Trust's Terms of Authorisation. The Board has adopted a robust approach and identified the risks to its strategic objectives and priorities and the Terms of Authorisation in so far as is reasonably possible to foresee and these are included in the Board Assurance Framework.

The Board Assurance Framework is subject to twice yearly review by the full Board. The risk and associated controls and assurance are described in detail in the framework and there are currently no significant gaps in control or assurance.

This framework is supported by risk registers constructed by each Executive Director and covering their portfolio of responsibilities. These risk registers support this process and in the current year, there has been a review of the governance arrangements, the outcome of which is a revised governance structure at Board and Executive Management Team level which will be implemented on a phased basis during 2013/14. An Executive Risk Management Committee has been formed and its purpose will be to provide assurance s that the Risk Management Strategy is being deployed throughout the Trust. The Committee is chaired by the Chief Executive and the membership includes Executive Directors; Network Directors and Professional leads.

Where there are emerging issues such as the compliance action involving Balmoral ward at Parkwood, in-depth and detailed analysis is undertaken to resolve concerns and this includes immediate resolution of clinical risk. The Trust maintains robust oversight of these issues to ensure that satisfactory progress is made against resultant action plans and the longer term approach involves consideration of the lessons learnt.

The major strategic risks facing the Trust are outlined in the Board Assurance Framework and are as follows:

- Insufficient executive capacity and capability to improve organisational delivery, compliance and quality through large scale organisational and system change
- Insufficient management and organisational capacity to develop effective processes
- Resource and enabling strategies not designed for and aligned to priorities
- Variable alignment of enabling strategies to improve quality and meet regulatory standards
- Transformation plans are not aligned to resource utilisation over short, medium and long term planning timeframes

- Unforeseen or unmanageable cost pressures
- Discontinuity of commissioning arrangements
- Changes in policy effect income flows and continued integration of care pathways
- Inability to sustain a culture supporting organisational change
- Insufficient capability within senior management to implement the transformation programme
- Workforce plans not aligned to commissioner intentions
- Insufficient ability to design and deliver services to meet demand and deliver the contractual service specification
- Organisational structures and systems not aligned to implications of activity based costing systems
- Variable implementation of engagement strategies in a complex changing environment
- Organisational capacity to deliver effective engagement across all stakeholders
- Unacceptable performance levels against the Monitor Compliance Framework
- Sufficient management capacity and capability to ensure the Trust interprets and adapts statutory, regulatory and professional guidance and defines monitoring arrangements through a period of significant organisational change

Control measures are in place to ensure that the Service complies with the organisations obligations under equality, diversity and human rights legislation.

The Trust manages its information risks in accordance with the Information Management and Technology strategy and the accompanying policy and procedural framework. This includes data security and any key risks are discussed at the relevant governance meeting and recorded on the risk register if this is appropriate.

The Foundation Trust is fully compliant with the registration requirements of the Care Quality Commission.

As an employer with staff entitled to membership of the NHS pension scheme, control measures to ensure employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deduction from salary, employer's contribution 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 Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and Adaptation Reporting requirements are complied with.

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

The Trust has effective systems and processes in place to support a robust system of integrated governance. This is underpinned by a clear structure and focused reporting arrangements. Detailed financial, performance and governance reports are received by the Trust Board on a monthly basis. These reports are structured to provide assurance in relation to the following areas:

- Terms of authorisation and the compliance framework
- Delivery of the Quality Strategy – patient safety, patient experience and clinical effectiveness
- Delivery of commissioned activity and targets
- Workforce
- Information governance
- Financial performance (including Cost Improvement Programmes)
- Key areas of risk

These reports are supplemented with exception reports in respect of any areas of significant concern, inclusive of those that would impact on the Trusts financial or governance rating.

Performance data is reviewed on a weekly basis by the Executive Team. Further in depth reviews of each Network and Corporate service are conducted through the "Chief Executive Challenge". This is a regular performance review process which gives the Executive Team the opportunity to test the assurances given and ensure that identified risks have effective controls in place to mitigate them.

There is a clear programme of review in place to ensure robust scrutiny is part of the Trusts culture and approach and to ensure that assurance systems are both efficient and effective.

The Board considers the risks regarding the capacity and capability of senior staff to its ability to deliver its plan using the Board Assurance Framework. The Board is satisfied that all executive and non-executive directors have the appropriate qualifications, experience and skills to discharge their functions effectively, including setting strategy, monitoring and managing performance and risks and ensuring management capacity and capability. This is supported through robust recruitment and appraisal processes.

## Annual Quality Report

The Directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year. Monitor has issued guidance to NHS Foundation Trust Boards on the form and content of annual quality reports which incorporate the above legal requirements in the NHS Foundation Trust Annual Reporting Manual.

The Trust has effective systems, processes and mechanisms in place to produce the Quality Account and to ensure that it presents a balanced view and that appropriate controls are in place to ensure the accuracy of the data. The executive lead is the Director of Nursing and operationally the process is managed by the Programme Lead for Clinical Safety and Effectiveness. The content of the report reflects the Trust's overall Quality Strategy and the priorities included in this document.

The development of the report includes input from service users and carers, staff, senior managers, senior clinicians, the Council of Governors (through the Standards and Assurance committee) the executive directors and non-executive directors. A project plan is in place which ensures that all key stakeholders have input into the report and are able to comment on the content and the overall format of the report. The Account is considered by the Standards and Assurance Committee, reviewed by the Audit Committee and approved by the Trust Board.

In developing the report consideration has been given to the comments made by the Trusts External Auditors on previous reports and this supports the Trust's approach to the overall production of the Account and the validation of the data which is included in it. The External Auditors have undertaken a review of the content of the quality reports and completed testing on targets. This assesses the reliability and validity of the data.

Finally commissioners, overview and scrutiny committees and local Healthwatch are asked to comment on the report and senior members of the Trust attend relevant forums to present and discuss this report when this is required.

## 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, the Executive Directors, senior managers and clinical leads within the NHS Foundation Trust that have responsibility for the development and maintenance of the Internal Control framework. I have drawn on the content of the quality report attached to this Annual Report and other performance Information available to me. My review is also informed by comments by the External Auditors in their management letter, the Head of Internal Audit Opinion 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 the Governance committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

This letter provides assurances that I have complied with my responsibilities for the development and maintenance of the system of internal control. I am able to provide evidence of this on request. I have set out in this letter some examples of the work undertaken to inform this process. These include:

- The crucial role of the full board in developing and reviewing the Board Assurance Framework and paying attention to the key risks facing the Trust and the controls in place to mitigate the impact
- The ability to respond to threats to compliance
- Quarterly reports to the Audit Committee by the Internal, external and clinical audit functions and the robust scrutiny of this work that is applied by the committee to all these functions. There is a clear process in place to address recommendations arising from the internal audits and this ensures that all actions have been closed off appropriately. This is overseen by the Company Secretary. A similar process is in place to support the clinical audit function and this is overseen by the Director of Nursing.

Where significant internal control issues arise and gaps in control are identified robust action is taken.

### Conclusion

No significant internal control issues have been identified.

Heather Tierney-Moore
Chief Executive
Lancashire Care NHS Foundation Trust
29 May 2013

## FOREWORD TO THE ACCOUNTS

## LANCASHIRE CARE NHS FOUNDATION TRUST

These accounts for the year ended 31 March 2013 have been prepared by the Lancashire Care NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 7 to the National Health Service Act 2006.

Lancashire Care NHS Foundation Trust received its authorisation as an NHS Foundation Trust on 1 December 2007 in line with Section 35 of the National Health Service Act 2003.

Its registered headquarters address is:

Lancashire Care NHS Foundation Trust
Sceptre Way
Walton Summit
Bamber Bridge
Preston
PR5 6AW
Tel: 01772 695 300
E-mail: lct.enquiries@lancashirecare.nhs.uk
Web: www.lancashirecare.nhs.uk

Signed  Dated 29th May 2013

Professor Heather Tierney-Moore
Chief Executive

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013

| | NOTE | Year to 31 March 2013 £000 | £000 | Year to 31 March 2012 £000 | £000 |
|---|---|---|---|---|---|
| **Income from continuing activities** | 3 | **304,133** | | 298,244 | |
| **Other operating income** | 4 | **17,606** | | 19,477 | |
| **Operating expenses from continuing operations** | 5 | **(314,233)** | | (311,081) | |
| **OPERATING SURPLUS** | | | **7,506** | | 6,640 |
| **Finance Costs** | | | | | |
| Finance income | 9 | **118** | | 91 | |
| Finance expense - financial liabilities | 10 | **(422)** | | (407) | |
| Finance expense - unwinding of discount on provisions | 10 | **(43)** | | (35) | |
| Public Dividend Capital dividends payable | | **(3,229)** | | (3,340) | |
| **Net finance costs** | | | **(3,576)** | | (3,691) |
| Share of loss of Joint Venture accounted for using the equity method | | | **(105)** | | (73) |
| Corporation tax expense | | | **0** | | 0 |
| **Surplus from operations** | | | **3,825** | | 2,876 |
| **Surplus/(deficit) of discontinued operations and the gain/(loss) from disposal of discontinued operations** | | | **0** | | 0 |
| **SURPLUS FOR THE FINANCIAL YEAR** | | | **3,825** | | 2,876 |
| **Other comprehensive income:** | | | | | |
| Impairments | | | **(4)** | | 0 |
| Revaluations | | | **4,138** | | 417 |
| Other reserve movements | | | **1** | | (1) |
| **FOR THE FINANCIAL YEAR** | | | **7,960** | | 3,292 |

The notes on pages 88 to 117 form part of these accounts.

The trust employed a professionally qualified valuer to perform a valuation of its land and buildings in accordance with RICS Appraisal and Valuation as at 31 March 2013. This resulted in :-

- An increase in assets of £1.6m
- A net revaluation gain of £4.1m
- Reduced surplus for the year by £2.5m being impairment of trust assets

These adjustments are included in these accounts, however, it should be noted that these are technical adjustments and as such do not affect the underlying operational performance of the trust.

## STATEMENT OF FINANCIAL POSITION (SOFP) AS AT 31 MARCH 2013

| | NOTE | 31 March 2013 £000 | 31 March 2012 £000 |
|---|---|---|---|
| **NON-CURRENT ASSETS:** | | | |
| Intangible assets | 11 | **385** | 229 |
| Property, plant and equipment | 12 | **130,467** | 117,827 |
| Investments in Joint Venture | | **116** | 93 |
| Other Financial assets | 30 | **575** | 355 |
| **Total non-current assets** | | **131,543** | 118,504 |
| **CURRENT ASSETS:** | | | |
| Inventories | 15 | **249** | 207 |
| Trade and other receivables | 16 | **10,932** | 13,205 |
| Cash and cash equivalents | 18 | **33,285** | 27,327 |
| **Total current assets** | | **44,466** | 40,739 |
| **CURRENT LIABILITIES:** | | | |
| Trade and other payables | 19 | **(28,472)** | (29,955) |
| Borrowings | 20 | **(301)** | (139) |
| Provisions | 21 | **(2,135)** | (1,444) |
| Other Liabilities - Deferred Income | 22 | **(4,973)** | (4,657) |
| **Total current liabilities** | | **(35,881)** | (36,195) |
| **NON-CURRENT LIABILITIES:** | | | |
| Borrowings | 20 | **(11,487)** | (2,963) |
| Provisions | 21 | **(1,760)** | (1,788) |
| **Total non-current liabilities** | | **(13,247)** | (4,751) |
| **TOTAL ASSETS EMPLOYED** | | **126,881** | 118,297 |
| **TAXPAYERS' EQUITY** | | | |
| Public dividend capital | | **100,889** | 100,265 |
| Revaluation reserve | | **19,741** | 15,919 |
| Income and expenditure reserve | | **6,251** | 2,113 |
| **TOTAL TAXPAYERS' EQUITY** | | **126,881** | 118,297 |

The financial statements on pages 84 to 87 and notes on pages 88 to 117 were approved by the Board on 29th May 2013 and signed on its behalf by Professor Heather Tierney-Moore, Chief Executive:

Professor Heather Tierney-Moore
Chief Executive

Date: 29th May 2013

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY AS AT 31 MARCH 2013

| | Total | Public Dividend Capital | Revaluation Reserve ** | Income and Expenditure Reserve * |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Taxpayers' equity at 1 April 2012** | **118,297** | 100,265 | 15,919 | 2,113 |
| Surplus/(deficit) for the year | **3,825** | 0 | 0 | 3,825 |
| Transfers between reserves | **0** | 0 | 0 | 0 |
| Impairments | **(4)** | 0 | (4) | 0 |
| Revaluations - property, plant and equipment | **4,138** | 0 | 4,138 | 0 |
| Asset disposals | **0** | 0 | (21) | 21 |
| Public Dividend Capital received | **624** | 624 | 0 | 0 |
| Transfer of excess of current cost depreciation over historical cost depreciation to the income and expenditure reserve | **1** | 0 | (291) | 292 |
| **Taxpayers' equity at Year Ended 31 March 2013** | **126,881** | **100,889** | **19,741** | **6,251** |

* The I&E reserve is the cumulative surplus/deficit made by the trust since its inception. It is held in perpetuity and cannot be released to the SOCI.

** The revaluation reserve reflects movements in the value of assets as set out in the accounting policy. The revaluation reserve balance relating to each asset is released to the I&E reserve on disposal of that asset. It should be noted that none of the revaluation reserve balance relates to intangible assets as these are carried fair value in the accounts and there has been no change to their value in the financial year.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

| | NOTE | Year to 31 March 2013 £000 | Year to 31 March 2012 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Total operating surplus from continuing operations | | **7,506** | 6,640 |
| Depreciation and amortisation | 5.1 | **4,868** | 4,373 |
| Impairments | 13 | **2,707** | 4,521 |
| Gain on disposal | | **(2)** | (35) |
| Decrease in Trade and Other Receivables | | **2,186** | (5,717) |
| Increase in Other Assets | | **(220)** | (355) |
| Increase in Inventories | | **(42)** | (198) |
| Decrease in Trade and Other Payables | | **(67)** | 12,760 |
| Increase in Other Liabilities | | **316** | (892) |
| Increase in Provisions | | **664** | 722 |
| Tax paid | | **(95)** | 1,660 |
| Other movements in operating cash flows | | **(1)** | 70 |
| **Net cash generated from operations** | | **17,820** | 23,549 |
| **Cash flows from investing activities** | | | |
| Interest received | 9 | **118** | 91 |
| Sales of financial assets | | **0** | 123 |
| Purchase of intangible assets | 11 | **(285)** | (107) |
| Purchase of Property, Plant and Equipment | 12 | **(17,538)** | (7,543) |
| Sales of Property, Plant and Equipment | 12 | **267** | 448 |
| Cash from investment in Joint Venture | | **(128)** | (166) |
| **Net cash used in investing activities** | | **(17,566)** | (7,154) |
| **Cash flows from financing activities** | | | |
| Public dividend capital received | | **624** | 0 |
| Loans received from the Foundation trust Financing Facility | | **8,800** | 0 |
| Capital element of Private Finance Initiative Obligations | | **(114)** | (111) |
| Interest element of Foundation Trust Financing Facility | 10 | **(4)** | 0 |
| Interest element of Private Finance Initiative obligations | 10 | **(418)** | (407) |
| PDC Dividend paid | | **(3,142)** | (3,588) |
| Cash flows from (used in) other financing activities | 10 | **(42)** | (37) |
| **Net cash used in financing activities** | | **5,704** | (4,143) |
| **Increase in cash and cash equivalents** | | **5,958** | 12,252 |
| **Cash and cash equivalents prior year** | 18 | **27,327** | 15,075 |
| **Cash and cash equivalents** | 18 | **33,285** | 27,327 |

## NOTES TO THE ACCOUNTS

### 1 ACCOUNTING POLICIES

Monitor has directed that the financial statements of NHS foundation trusts shall meet the accounting requirements of the *NHS Foundation Trust Annual Reporting Manual* which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the *2012/13 NHS Foundation Trust Annual Reporting Manual* issued by Monitor. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) and HM Treasury's *Financial Reporting Manual* to the extent that they are meaningful and appropriate to NHS foundation trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The accounts have been prepared under the historic cost convention modified to account for the revaluation of property, plant, equipment and intangible assets.

### 1.1 Income

Income in respect of services provided is recognised when, and to the extent that, performance occurs and is measured at the fair value of the consideration receivable. The main source of income for the trust is contracts with commissioners in respect of healthcare services. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred. 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.

### 1.2 Expenditure on goods and services

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

### 1.3 Expenditure on Employee Benefits

***Short-term Employee Benefits***

Salaries, wages and employment-related payments 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***

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is 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, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the 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 the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2013, is based on the valuation data as 31 March 2012, updated to 31 March 2013 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 scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts, published annually. These accounts can be viewed on the NHS Pensions website. 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 scheme (taking into account its recent demographic experience), and to recommend the contribution rates.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

The Scheme Regulations were changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next formal valuation to be used for funding purposes will be carried out at as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

**c) Scheme provisions**
The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI).
Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

### 1.4 Intangible fixed 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.

***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. Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred and amortised over the shorter of the term of the licence and their useful economic lives.

***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. They are capitalised when they are capable of being used in a trust's activities for more than one year; they can be valued; and they have a cost of at least £5,000. Subsequently intangible assets are measured using the valuation model. Where there is no value in use as there is no active market the asset is valued at historic cost as a proxy for depreciated replacement cost. These measures are a proxy for fair value. Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in operating expenses, in which case they are recognised in operating income. 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. The carrying value the asset is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'. 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 economic lives on a straight line basis in a manner consistent with the consumption of economic or service delivery benefits.

**1.5 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; and
- the cost of the item can be measured reliably.

Further, property, plant and equipment assets are capitalised if they:
- individually have a cost of at least £5,000; or
- form a group of assets which individually have a cost of more than £250, collectively have a cost of at least £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial setting-up cost of a new building or refurbishment of a ward or unit, irrespective of their individual or collective cost.

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 economic lives.

***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. All assets are measured subsequently at fair value. Valuations are carried out primarily on the basis of depreciated replacement cost for specialised operational property and existing use value for non-specialised operational property. The value of land for existing use purposes is assessed at existing use value. For non-operational properties including surplus land, the valuations are carried out at open market value. The costs arising from financing the construction of the asset are not capitalised but are charged to the income and expenditure account in the year to which they relate.

IFRS quinquennial compliant valuations of land & buildings are carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The latest one being as at 31 March 2010.

Interim valuation of trust estate is carried out on a three yearly basis, the latest one being as at 31 March 2013.

Assets in the course of construction are valued at cost and are valued by professional valuers as part of the five or three-yearly valuation or when they are brought into use.

As part of their valuation of our buildings the valuers assign useful economic lives to individual properties. Non property assets are valued using the following asset lives:

| | Years |
|---|---|
| Medical equipment and engineering plant and equipment | 5 to 15 |
| Furniture | 5 to 10 |
| Mainframe information technology installations | 5 to 8 |
| Soft furnishings | 7 |
| Office and information technology equipment | 5 |
| Set-up costs in new buildings | 10 |
| Vehicles | 7 |

*Subsequent expenditure*

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the asset's carrying value. Where subsequent expenditure is simply restoring the asset to the specification assumed by its economic useful life then the expenditure is charged to operating expenses.

*Depreciation*

Items of Property, Plant and Equipment are depreciated on a straight-line basis 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 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 and impairment*

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in operating expenses, in which case they are recognised in operating income. Carrying values 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. Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'

Operational equipment is valued at net current replacement cost. Equipment surplus to requirements is valued at net recoverable amount.

***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
- the sale must be highly probable i.e.

1. management are committed to a plan to sell the asset;
2. an active programme has begun to find a buyer and complete the sale;
3. the asset is being actively marketed at a reasonable price;
4. the sale is expected to be completed within 12 months of the date of classification as 'Held for Sale'; and
5. the actions needed to complete the plan indicate it is unlikely that the plan will be dropped 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 and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

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

**1.6 Private Finance Initiative (PFI) transactions**

PFI transactions which meet the IFRIC 12 definition of a service concession i.e. where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement, as interpreted in HM Treasury's FReM, are accounted for as 'on-SOFP' by the Trust. The underlying assets are recognised as Property, Plant and Equipment at their fair value. An equivalent financial liability is recognised in accordance with IAS 17. The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme. 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'.

***Services received***

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.

**1.7 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.

**1.8 Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost is calculated as weighted average cost.

### 1.9 Leases

***Finance leases***

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS foundation 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 inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to Finance Costs in the Statement of Comprehensive Income.

***Operating leases***

Other leases are regarded as operating leases and the rentals are charged to operating expenses on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to operating expenses over the life of the lease.

***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. Leased land is treated as an operating lease.

### 1.10 Provisions

The NHS foundation trust provides for legal or constructive obligations that are of uncertain timing or amount at the SOFP date on the basis of the best estimate of the expenditure 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.

### 1.11 Contingencies

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

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

### 1.12 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS foundation trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the NHS foundation trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the NHS foundation trust is disclosed at note 21.

### 1.13 Non-clinical risk pooling

The NHS foundation 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 the NHS Litigation Authority 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.

### 1.14 Value Added Tax

Most of the activities of the NHS foundation 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.

### 1.15 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS foundation trust has no beneficial interest in them. However, they are disclosed in a separate note to the accounts in accordance with the requirements of the HM Treasury *Financial Reporting Manual* .

### 1.16 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 trust. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

A charge, reflecting the cost of capital utilised by the NHS foundation 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 NHS foundation 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 assets, (ii) net cash balances held with the Government Banking Services and (iii) any PDC dividend balance receivable or payable. In accordance with the requirements laid down by the Department of Health (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the 'pre-audit' version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

### 1.17 Research and Development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Statement of Comprehensive Income on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

### 1.18 Financial instruments and financial liabilities

***Recognition***

Financial assets and financial liabilities which arise from contracts for 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, are recognised when, and to the extent which, performance occurs i.e. when receipt or delivery of the goods or services is made.

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 earlier. All other financial assets and financial liabilities are recognised when the trust becomes a party to the contractual provisions of the instrument.

***De-recognition***

All financial assets are de-recognised when the rights to receive cashflows from the assets have expired or the trust has transferred substantially all of the risks and rewards of ownership.
Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

The trust will commonly have the following financial assets and liabilities.

***Classification and Measurement***

Financial assets are categorised as 'Fair Value through Income and Expenditure', Loans and receivables or 'Available-for-sale financial assets'. Financial liabilities are classified as 'Fair value through Income and Expenditure' or as 'Other Financial liabilities'.

***Financial assets and financial liabilities at 'Fair Value through Income and Expenditure'***

Financial assets and financial liabilities at 'fair value through income and expenditure' are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Derivatives which are embedded in other contracts but which are not 'closely-related' to those contracts are separated-out from those contracts and measured in this category. Assets and liabilities in this category are classified as current assets and current liabilities. These financial assets and financial liabilities are recognised initially at fair value, with transaction costs expensed in the income and expenditure account. Subsequent movements in the fair value 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 with are not quoted in an active market. They are included in current assets. The Trust's loans and receivables comprise: cash and cash equivalents, NHS debtors, accrued income and 'other debtors'. 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 SOFP 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 SOFP 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.

***Determination of fair value***

For financial assets and financial liabilities carried at fair value, the carrying amounts where material are determined using discounted cash flow.

***Impairment of financial assets***

At the SOFP date, the Trust assesses whether any financial assets, other than those held at 'fair value through income and expenditure' are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cashflows of the asset. For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

The loss is recognised in the Statement of Comprehensive Income and the carrying amount of the asset is reduced through the use of a bad debt provision. The carrying amount of individual debts is written down directly where it is certain that the debt cannot be recovered. Where there is a level of uncertainty as to the recoverablility of individual debts, an appropriate provision is made.

**1.19 Accounting standards issued but not yet required to be adopted**

The Trust has considered the below new standards, interpretations and amendments to published standards that are not yet effective and concluded that they are either not relevant to the Trust or that they would not have a significant impact on the Trust's financial statements, apart from some additional disclosures.

| | **Financial Year for which the change first** |
|---|---|
| IFRS 9 - Financial Instruments: Financial Assets: Financial Liabilities | Uncertain |
| IFRS 10 Consolidated Financial Statements | 2013/14 |
| IFRS 11 Joint Arrangements | 2013/14 |
| IFRS 12 Disclosure of interests in other entities | 2013/14 |
| IFRS 13 Fair Value Measurement | 2013/14 |
| IAS 12 Income Taxes amendments | 2013/14 |
| IAS 1 Presentation of financial statements, on other comprehensive income (OCI) | 2013/14 |
| IAS 27 Separate Financial Statements | 2013/14 |
| IAS 28 Associates and joint ventures. | 2013/14 |
| IAS 19 (Revised 2011) Employee Benefits | 2013/14 |
| IAS 32 Financial Instruments: Presentation - amendment Offsetting financial assets and liabilities | 2014/15 |
| IFRS 7 Financial Instruments: Disclosures – amendment Offsetting financial assets and liabilities | 2013/14 |

**1.20 Critical management judgements made when preparing these accounts**

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 diclosing its leases. It decided that all current leases fall to be treated as operating leases.

- PFI asset recognition.

The trust followed IFRS guidance to assess how to diclose 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.

- Provisions

The trust has provided for expected liabilities in line with accounting guidance. Details of the provisions can be found in note 21 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.

**1.21 Accounting for Joint Ventures**

The trust has also entered into an equally owned Joint Venture Partnership with Ryhurst Ltd. The venture, Red Rose

A review of RRCS's management arrangements and ownership structure has concluded that this venture is accounted for under equity accounting guidance within these financial statements.

Further details surrounding the joint venture can be found in note 28 to these accounts.

**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 revenue from healthcare activities by type and also by source with the majority of our income coming from PCT commisioners.

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.

## 3. Income from activities

### 3.1 Income from Activities by type

| | Year to 31 March 2013 £000 | Year to 31 March 2012 £000 |
|---|---|---|
| **Income from Mental Health and Community Activities** | | |
| Block contract income | **295,472** | 288,960 |
| Clinical partnershisp providing mandatory services | | |
| Clinical Partnerships providing mandatory services (including S31 agreements) | **0** | 2,418 |
| Other clinical income from mandatory services | **6,596** | 4,740 |
| **Other** | | |
| Private patient income | **0** | 10 |
| Other non-protected clinical income | **2,065** | 2,116 |
| | **304,133** | 298,244 |

### 3.2 Private Patient Income

The statutory limitation on private patient income in section 44 of the 2006 Health Act was repealed with effect from 1 October 2012 by the Health and Social Care Act 2012. The financial statements disclosures that were provided previously are no longer required.

### 3.3 Income from Activities by source

| | Year to 31 March 2013 £000 | Year to 31 March 2012 £000 |
|---|---|---|
| Foundation Trusts | **0** | 54 |
| NHS Trusts | **531** | 236 |
| Strategic Health Authorities | **0** | 247 |
| Primary Care Trusts | **300,343** | 292,572 |
| Local Authorities | **176** | 3,009 |
| Department of Health | **970** | 0 |
| NHS Other | **48** | 0 |
| Non NHS: | | |
| - Private patients | **0** | 10 |
| - Other | **2,065** | 2,116 |
| | **304,133** | 298,244 |

### 3.4 Income from activities arising from manadatory and non-mandatory services

| | Year to 31 March 2013 £000 | Year to 31 March 2012 £000 |
|---|---|---|
| Mandatory Income | **302,068** | 296,118 |
| Non-mandatory Income | **2,065** | 2,126 |
| | **304,133** | 298,244 |

## 4. Other Operating Income

| | Year to 31 March 2013 £000 | Year to 31 March 2012 £000 |
|---|---|---|
| Research and development | **1,376** | 1,641 |
| Education, training | **7,780** | 7,334 |
| Non-patient care services to other bodies | **8,338** | 10,122 |
| Other income | **112** | 380 |
| | **17,606** | 19,477 |

## 5. Operating Expenses

### 5.1 Operating expenses comprise:

| | Year to 31 March 2013 £000 | Year to 31 March 2012 £000 |
|---|---|---|
| Services from Foundation Trusts | **8,448** | 7,294 |
| Services from NHS Trusts | **4,044** | 4,487 |
| Services from PCTs | **7,423** | 8,632 |
| Services from other NHS bodies | **7** | 265 |
| Purchase of healthcare from non NHS bodies | **4,592** | 2,259 |
| Executive directors' costs | **911** | 865 |
| Non-executive directors costs | **149** | 142 |
| Employee costs (excluding executive directors' costs) | **237,675** | 233,601 |
| Drug Costs | **7,561** | 8,797 |
| Operating lease rental | **3,208** | 4,591 |
| Supplies and services - clinical (excluding drug costs) | **5,490** | 4,852 |
| Supplies and services - general | **1,258** | 1,294 |
| Establishment | **7,465** | 7,192 |
| Transport | **942** | 1,030 |
| Premises | **8,278** | 8,566 |
| Increase/(Decrease) in bad debt provision | **91** | (348) |
| Depreciation and amortisation | **4,868** | 4,370 |
| Audit services - statutory audit | **72** | 82 |
| Other auditor's remuneration | **25** | 125 |
| Clinical negligence | **531** | 504 |
| Non-current asset impairments | **2,707** | 4,521 |
| Redundancy Payments | **1,840** | 1,613 |
| Retirements | **233** | 93 |
| Training | **1,821** | 1,639 |
| Other | **4,594** | 4,615 |
| | **314,233** | 311,081 |

### 5.2 Other external auditor's remuneration

| | Year to 31 March 2013 £000 | Year to 31 March 2012 £000 |
|---|---|---|
| Other auditor's remuneration comprises: | | |
| - Assurance services | **0** | 110 |
| - Other non audit services | **25** | 15 |
| | **25** | 125 |

### 5.3 Auditor liability limitation agreements

Our auditors accept liability to pay damages for losses arising as a direct result of breach of contract or negligence on their part in respect of services provided in connection with or arising out of their letter of engagement (or any variation or addition thereto) but the liability of our auditors, its members, partners and staff (whether in contract, negligence or otherwise) shall in no circumstances exceed £1 million in the aggregate in respect of all such services.

### 5.4 Operating leases

**As Lessee**

| **Payments recognised as an expense** | **Year to 31 March 2013 £000** | Year to 31 March 2012 £000 |
|---|---|---|
| Minimum lease payments | **3,208** | 4,591 |
| Sub-lease payments received | **(58)** | (48) |
| | **3,150** | 4,543 |

**Total future minimum lease payments**

| | **£000** | £000 |
|---|---|---|
| Payable: | | |
| Not later than one year | **3,208** | 4,284 |
| Between one and five years | **7,635** | 13,494 |
| After five years | **2,310** | 3,750 |
| | **13,153** | 21,528 |

The trust has 30 operating lease arrangements in place. All of which are arrangements for accommodation. These arrangements do not have an option to purchase or to transfer title to the trust at the end of the lease term, nor are any of them for the majority of the asset life. None of the leases on an individual basis are deemed to be significant, however, 7 of the properties when aggregated account for £2.8m of the minimum lease payments.

| The lease terms expire as follows: | Years | Number of Leases |
|---|---|---|
| | 0 - 1 | 1 |
| | 1 - 5 | 27 |
| | Over 5 | 2 |

**As Lessor**

| **Rental revenue** | **Year to 31 March 2013 £000** | Year to 31 March 2012 £000 |
|---|---|---|
| Contingent rent | 58 | 108 |
| Sub-lease receipts | **58** | **108** |

**Total future minimum lease receipts**

| | **£000** | **£000** |
|---|---|---|
| Receivable: | | |
| Not later than one year | **58** | 108 |
| Between one and five years | **232** | 432 |
| After five years | **340** | 742 |
| | **630** | 1,282 |

Sub-lease receipts represent income from PFI accommodation occupied by North Lancs PCT

## 6. Employee costs and numbers

### 6.1 Employee costs

| | Year to 31 March 2013 | | | Year to 31 March 2012 |
|---|---|---|---|---|
| | **Total** | **Permanently Employed** | **Other** | |
| | **£000** | **£000** | **£000** | £000 |
| Salaries and wages | **193,901** | 193,901 | 0 | 195,174 |
| Social Security Costs | **13,277** | 13,277 | 0 | 12,053 |
| Employer contributions to NHS Pension Sche | **23,636** | 23,636 | 0 | 21,443 |
| Agency/contract staff | **7,772** | 0 | 7,772 | 6,986 |
| **Total** | **238,586** | 230,814 | 7,772 | 235,656 |

Employee costs are reconcilable to note 5 as they include the following categories of spend: executive directors, non-executive directors, employee costs, redundancies and retirements.

### 6.2 Average number of persons employed

| | Year to 31 March 2013 | | | Year to 31 March 2012 |
|---|---|---|---|---|
| | **Total** | **Permanently Employed** | **Other** | |
| | **Number** | **Number** | **Number** | Number |
| Medical and dental | **282** | 282 | 0 | 328 |
| Administration and estates | **1,224** | 1,224 | 0 | 1,153 |
| Healthcare assistants and other support staff | **876** | 876 | 0 | 908 |
| Nursing, midwifery and health visiting staff | **2,341** | 2,341 | 0 | 2,314 |
| Nursing, midwifery and health visiting learners | **11** | 11 | 0 | 11 |
| Scientific, therapeutic and technical staff | **991** | 991 | 0 | 925 |
| Bank and agency staff | **529** | 0 | 529 | 441 |
| Other | **56** | 56 | 0 | 59 |
| Total | **6,312** | 5,783 | 529 | 6,139 |

### 6.3 Retirement benefits

Past and present employees are covered by the provisions of the NHS Pensions 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 to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. As a consequence it is not possible for the NHS foundation trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme under IAS 19. The NHS Pension Scheme (England and Wales) Resource Account is published annually and can be found on the Business Service Authority - Pensions Division website at www.nhspa.gov.uk.

The Scheme is subject to a full actuarial investigation every four years. The last such investigation, published in December 2007, covered the period from 1 April 1999 to 31 March 2004. The conclusion of this investigation was that the scheme had accumulated a notional deficit of £3.3bn against notional assets at 31 March 2004. The basis for this conclusion is set out in the report by the government actuary which can be found on http://www.nhspa.gov.uk/nhspa_site/foi/foi1/Scheme_Valuation_Report/NHSPS_Valuation_report.pdf.

Following this review, and after consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, his Valuation report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay from 1 April 2008. For employee contributions a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings was introduced from 1 April 2008. The Funding Valuation report undertaken as at 31 March 2008 has not yet been published.

The 2010 Spending Review set out the Government's intention to increase employee contribution percentage rates in public service pension schemes by 3.2% by March 2015, and for schemes to set rates for scheme year 2012-2013, designed to secure the first 'instalment' of this increase.

Following consultation ending 21 October 2011, the Department has confirmed the following new distribution of contribution rates to secure the increase for 2012-2013. The new rates spread across seven pay (or earnings) bands, to replace the existing four. A formal response to the consultation and detailed confirmation of the Department's intentions is available on the DH website (www.dh.gov.uk).

| **Annual pensionable pay (full -time equivalent)** | **Contribution rate (before tax relief) 2011/12** | **Contribution rate (before tax relief) 2012/13** |
|---|---|---|
| Up to £15,000 | 5.0% | 5.0% |
| £15,001 to £21,175 | 5.0% | 5.6% |
| £21,176 to £26,557 | 6.5% | 7.1% |
| £26,558 to £48,982 | 6.5% | 7.7% |
| £48,983 to £69,931 | 6.5% | 8.5% |
| £69,932 to £110,273 | 7.5% | 9.8% |
| Over £110,273 | 8.5% | 10.9% |

Employers 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 income and expenditure account at the time the trust commits itself to the retirement, regardless of the method of payment.

### 6.4 Retirements due to ill-health

During the period to 31 March 2013 there were 7 early retirements from the NHS Trust on the grounds of ill-health (7 in 2011/12 totalling £510k). The estimated additional pension liabilities of these ill-health retirements will be £282k. The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

**6.5 Staff Exit Packages**

| Exit package cost band | Number of Compulsory Redundancies | Number of other agreed departures | Total number of exit packages by band |
|---|---|---|---|
| <£10,000 | 18 | 6 | 24 |
| £10,00 - £25,000 | 9 | 11 | 20 |
| £25001 - £50,000 | 7 | 14 | 21 |
| £50,001 - £100,000 | 2 | 3 | 5 |
| £100,001 - £150,000 | 2 | 0 | 2 |
| £150,001 - £200,000 | 1 | 0 | 1 |
| £200,001 - £350,000 | 0 | 0 | 0 |
| Total number of exit packages by type | 39 | 34 | 73 |
| Total resource cost £'000 | 954 | 881 | 1,835 |

The details for compulsory redundancies are for those members of staff who have been compensated as a result of their positions being lost due to departmental reorganisation or clincial service transformation.

The other agreed departures figures include individuals who have received compensation under either compromise agreements or the trusts voluntary severance scheme.

## 7. Better Payment Practice Code

### 7.1 Better Payment Practice Code - measure of compliance

| | Year to 31 March 2013 | | Year to 31 March 2012 | |
|---|---|---|---|---|
| | **Number** | **£000** | Number | £000 |
| Total Non-NHS trade invoices paid in the year | **50,239** | **56,819** | 40,373 | 47,437 |
| Total Non NHS trade invoices paid within 30 day target | **48,647** | **53,432** | 39,235 | 46,123 |
| Percentage of Non-NHS trade invoices paid within 30 day target | **97%** | **94%** | 97% | 97% |
| Total NHS trade invoices paid in the year | **2,385** | **23,331** | 2,729 | 29,011 |
| Total NHS trade invoices paid within 30 day target | **2,287** | **23,102** | 2,657 | 28,593 |
| Percentage of NHS trade invoices paid within 30 day target | **96%** | **99%** | 97% | 99% |

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.

As a result of the general economic crisis, and at the request of the Prime Minister and Monitor, the trust now endeavours to pay all smaller non public sector suppliers within 10 days in order to ease their cash flows.

### 7.2 The Late Payment of Commercial Debts (Interest) Act 1998

| | **Year to 31 March 2013** | Year to 31 March 2012 |
|---|---|---|
| | **£000** | £000 |
| Amounts included within Finance Expenses (Note 10) arising from claims made under this legislation | **0** | 0 |
| Compensation paid to cover debt recovery costs under this legislation | **0** | 0 |

## 8. Other gains and losses

### 8.1 Other gains and losses

| | **Year to 31 March 2013** | Year to 31 March 2012 |
|---|---|---|
| | **£000** | £000 |
| Gain on disposal of property, plant and equipment | 2 | 32 |
| | **2** | 32 |

### 8.2 Gains/(losses) on disposal of assets

| | **Year to 31 March 2013** | Year to 31 March 2012 |
|---|---|---|
| | **£000** | £000 |
| Gains on disposal of non-protected assets | 2 | 32 |
| | **2** | 32 |

## 9. Finance income

| | **Year to 31 March 2013** | Year to 31 March 2012 |
|---|---|---|
| | **£000** | £000 |
| Interest from bank accounts | **118** | 91 |
| | **118** | 91 |

## 10. Finance expense - financial liabilities

| | **Year to 31 March 2013** | Year to 31 March 2012 |
|---|---|---|
| | **£000** | £000 |
| Interest on obligations under finance leases and on-SOFP PFI | **418** | 407 |
| Interest on loan | **4** | 0 |
| Interest on late payment of commercial debt | **0** | 0 |
| Other finance expenses | **43** | 35 |
| | **465** | 442 |

## 11. Intangible Assets

### 11.1 Intangible assets at the SOFP date comprise the following elements:

| | Software licences | Total |
|---|---|---|
| | £000 | £000 |
| Gross cost at 1 April 2012 | 1,079 | 1,079 |
| Additions - purchased | 285 | 285 |
| **Gross cost at 31 March 2013** | **1,364** | **1,364** |
| Amortisation at 1 April 2012 | 850 | 850 |
| Provided during the year | 129 | 129 |
| **Amortisation at 31 March 2013** | **979** | **979** |
| **Net book value at 31 March 2011** | **385** | **385** |
| - Purchased at 31 March 2013 | 385 | 385 |
| **- Total at 31 March 2013** | **385** | **385** |

## 12. Property, plant and equipment

### 12.1 Property, plant and equipment at the SOFP date comprise the following elements:

| | Land | Buildings excluding dwellings | Dwellings | Assets under construction | Plant and machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation at 1 April 2012 | 15,074 | 114,973 | 0 | 9,795 | 715 | 40 | 10,616 | 772 | **151,985** |
| Additions - purchased | 4,193 | 2,830 | 0 | 7,528 | 0 | 0 | 1,625 | 41 | **16,217** |
| Impairments | 0 | (4) | 0 | 0 | 0 | 0 | 0 | 0 | **(4)** |
| Reclassifications | 650 | 442 | 0 | (1,092) | 0 | 0 | 0 | 0 | **0** |
| Revaluations | (71) | (3,703) | 0 | 0 | 0 | 0 | 0 | 0 | **(3,774)** |
| Disposals | (70) | (213) | 0 | 0 | 0 | 0 | 0 | 0 | **(283)** |
| **Cost or Valuation at 31 March 2013** | **19,776** | **114,325** | **0** | **16,231** | **715** | **40** | **12,241** | **813** | **164,141** |
| Depreciation at 1 April 2012 | 0 | 20,315 | 0 | 6,141 | 605 | 40 | 6,588 | 469 | **34,158** |
| Provided during the year | 0 | 3,551 | 0 | 0 | 40 | 0 | 1,076 | 72 | **4,739** |
| Impairments | 0 | 2,707 | 0 | 0 | 0 | 0 | 0 | 0 | **2,707** |
| Revaluations | 0 | (7,912) | 0 | 0 | 0 | 0 | 0 | 0 | **(7,912)** |
| Disposals | 0 | (18) | 0 | 0 | 0 | 0 | 0 | 0 | **(18)** |
| **Depreciation at 31 March 2013** | **0** | **18,643** | **0** | **6,141** | **645** | **40** | **7,664** | **541** | **33,674** |
| **Net book value at at 31 March 2013** | 19,776 | 95,682 | 0 | 10,090 | 70 | 0 | 4,577 | 272 | **130,467** |
| Purchased at 31 March 2013 | 19,776 | 95,682 | 0 | 10,090 | 70 | 0 | 4,577 | 272 | **130,467** |
| **Total at 31 March 2013** | **19,776** | **95,682** | **0** | **10,090** | **70** | **0** | **4,577** | **272** | **130,467** |
| **Asset financing at 31 March 2013** | | | | | | | | | |
| Owned | 19,776 | 93,086 | 0 | 10,090 | 70 | 0 | 4,577 | 272 | 127,871 |
| On-SOFP PFI contract | 0 | 2,596 | 0 | 0 | 0 | 0 | 0 | 0 | 2,596 |
| **Net book value at 31 March 2013** | **19,776** | **95,682** | **0** | **10,090** | **70** | **0** | **4,577** | **272** | **130,467** |

There were no donated assets during the period.

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual.

The trust adopted the Modern Equivalent Asset basis for valuing its property assets.

The value of land for existing use purposes is assessed at existing use value. For non-operational properties including surplus land, the valuations are carried out at open market value.

Assets in the course of construction are valued at cost and are valued by professional valuers as part of the five or three-yearly valuation or when they are brought into use.

Operational equipment is valued at net current replacement cost. Equipment surplus to requirements is valued at net recoverable amount.

The trust employed a professionally qualified valuer to perform a valuation of its land and buildings in accordance with RICS Appraisal and Valuation as at 31 March 2013. This resulted in:

- Fixed assets increasing by £1.6m
- increase in Revaluation Reserves of £4.1m
- Reduce surplus for the year of £2.5m being impairment of trust assets

**12.2 Analysis of property, plant and equipment by asset status**

| | Land | Buildings excluding dwellings | Dwellings | Assets under construction | Plant and machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| NBV - Protected assets at 31 March 2013 | 16,383 | 92,434 | 0 | 0 | 0 | 0 | 0 | 0 | 108,817 |
| NBV - Unprotected assets at 31 March 2013 | 3,393 | 3,248 | 0 | 10,090 | 70 | 0 | 4,577 | 272 | 21,650 |
| **- Total at 31 March 2013** | **19,776** | **95,682** | **0** | **10,090** | **70** | **0** | **4,577** | **272** | **130,467** |

| **Prior Year** | Land | Buildings excluding dwellings | Dwellings | Assets under construction | Plant and machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| NBV - Protected assets at 31 March 2012 | 11,681 | 91,672 | 0 | 0 | 0 | 0 | 0 | 0 | 103,353 |
| NBV - Unprotected assets at 31 March 2012 | 3,393 | 2,986 | 0 | 3,654 | 110 | 0 | 4,028 | 303 | 14,474 |
| **- Total at 31 March 2012** | **15,074** | **94,658** | **0** | **3,654** | **110** | **0** | **4,028** | **303** | **117,827** |

**13. Impairments**

| Impairments in the year arose from: | Intangible | | Tangible | |
|---|---|---|---|---|
| | **Year Ended 31 March 2013** | Year Ended 31 March 2012 | **Year Ended 31 March 2013** | Year Ended 31 March 2012 |
| | **£000** | £000 | **£000** | £000 |
| Loss or damage from normal operations | 0 | 0 | 0 | 0 |
| Loss as a result of a catastrophe | 0 | 0 | 0 | 0 |
| Abandonment of assets in the course of construction | 0 | 0 | 0 | 1,190 |
| Unforeseen obsolescence | 0 | 0 | 0 | 0 |
| Over-specification of assets | 0 | 0 | 0 | 0 |
| Change in market price | 0 | 0 | 0 | 0 |
| Other * | 0 | 0 | 2,711 | 3,331 |
| **Total** | **0** | 0 | **2,711** | 4,521 |

* The trust employed a professionally qualified valuer to perform a valuation of its land and buildings in accordance with RICS Appraisal and Valuation as at 31 March 2013. This resulted in:

- Fixed assets increasing by £1.6m

- Increase in Revaluation Reserves of £4.1m

- Reduce surplus for the year of £2.5m being impairment of trust assets

The balance of the impairment arose from the demiolishing of an building no longer fit for purpose on our main hospital site.

**14. Capital commitments**

Commitments under capital expenditure contracts at the SOFP date were:

| | **31 March 2013** | 31 March 2012 |
|---|---|---|
| | **£000** | £000 |
| Property, plant and equipment | **45,017** | 129 |
| **Total** | **45,017** | 129 |

**15. Investments**

| | **31 March 2013** | 31 March 2012 |
|---|---|---|
| | **£000** | £000 |
| **Cost or valuation** | | |
| Investments in associates | **116** | 93 |
| **Total cost or valuation** | **116** | 93 |

This represents the trusts investment in 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. See note 28 for further details.

## 15. Inventories

| | 31 March 2013 £000 | 31 March 2012 £000 |
|---|---|---|
| Drugs | **0** | 0 |
| Work in progress | **0** | 0 |
| Consumables | **20** | 24 |
| Energy | **6** | 4 |
| Inventories carried at fair value less costs to sell | **0** | 0 |
| Other | **223** | 179 |
| **TOTAL** | **249** | 207 |

## 16. Trade and other receivables

### 16.1 Trade and other receivables

| | 31 March 2013 £000 | 31 March 2012 £000 |
|---|---|---|
| NHS receivables | **5,597** | 6,853 |
| Other receivables with related parties | **1,775** | 2,116 |
| Provision for impairment of receivables | **(431)** | (348) |
| Prepayments and accrued income | **1,677** | 977 |
| Other receivables | **2,314** | 3,607 |
| **Trade and other receivables falling due within one year** | **10,932** | 13,205 |
| **TOTAL** | **10,932** | 13,205 |

### 16.2 Provision for impairment of receivables

| | 31 March 2013 £000 | 31 March 2012 £000 |
|---|---|---|
| Balance at beginning of the year | **348** | 697 |
| Amount reversed during the year | **0** | (155) |
| Amount recovered during the year | **(8)** | (325) |
| Increase in allowance recognised in income statement | **91** | 131 |
| **Balance at 31 March 2013** | **431** | 348 |

The provision consists of overpayments of salary to current and former staff alongside items identified by review of outstanding debt, including items of a unique nature or that are greater then 12 months old.

### 16.3 Ageing of Impaired Receivables

| | 31 March 2013 £000 | 31 March 2012 £000 |
|---|---|---|
| By up to three months | **0** | 13 |
| By three to six months | **0** | 12 |
| By more than six months | **431** | 322 |
| **TOTAL** | **431** | 347 |

### 16.4 Receivables past their due date but not impaired

| | 31 March 2013 £000 | 31 March 2012 £000 |
|---|---|---|
| By up to three months | **659** | 1,374 |
| By three to six months | **351** | 559 |
| By more than six months | **301** | 644 |
| **TOTAL** | **1,311** | 2,577 |

## 17. Non-current assets held for sale and assets in disposal groups classified as held for sale

| | **31 March 2013 £000** | 31 March 2012 £000 |
|---|---|---|
| Property, plant and equipment | **0** | 0 |
| Intangible assets | **0** | 0 |
| Investments | **0** | 0 |
| Trade and other receivables | **0** | 0 |
| **TOTAL** | **0** | 0 |

## 18. Cash and cash equivalents

| | **31 March 2013 £000** | 31 March 2012 £000 |
|---|---|---|
| Balance at beginning of the year | **27,327** | 15,075 |
| Net change in the year | **5,958** | 12,252 |
| **Balance at 31 March 2013** | **33,285** | 27,327 |
| **Made up of:** | | |
| Cash at commercial banks and in hand | **278** | 76 |
| Cash with the Government Banking Service | **33,007** | 27,251 |
| | **33,285** | 27,327 |

## 19. Trade and other payables

| | 31 March 2013 £000 | 31 March 2012 £000 |
|---|---|---|
| NHS payables | **6,467** | 10,005 |
| Amounts due to other related parties | **13** | 5 |
| Other trade creditors | **4,883** | 2,355 |
| Capital creditors | **1,810** | 3,131 |
| Other taxes payable | **4,338** | 4,433 |
| Other payables | **3,345** | 2,918 |
| Accruals | **7,616** | 7,108 |
| **Trade and other payables falling due within one year** | **28,472** | 29,955 |
| **Trade and other payables falling due after more than one year** | **0** | 0 |
| **TOTAL** | **28,472** | 29,955 |

Other creditors include;

- £3,036k outstanding superannuation contributions at 31 March 2013 (£2,824k 31 March 2012).
- £38k outstanding pensions contributions at 31 March 2013 (£34k 31 March 2012).

## 20. Borrowings

| | 31 March 2013 £000 | 31 March 2012 £000 |
|---|---|---|
| Loans from Foundation Trust Financing Facility | **176** | 0 |
| Obligations under PFI contracts | **125** | 139 |
| **Borrowings falling due within one year** | **301** | 139 |
| Loans from Foundation Trust Financing Facility | **8,624** | 0 |
| Obligations under Private Finance Initiative contracts | **2,863** | 2,903 |
| **Borrowings falling due after more than one year** | **11,487** | 2,903 |
| **TOTAL** | **11,788** | 3,042 |

**Expected timing of cashflows:**

| | 31 March 2013 £000 | 31 March 2012 £000 |
|---|---|---|
| Within one year | **301** | 139 |
| Between one and five years | **125** | 717 |
| After five years | **11,362** | 2,186 |
| **TOTAL** | **11,788** | 3,042 |

The Foundation Trust Financing Facility loan is to fund the development of the trusts new in-patient hospital, The Harbour. Additional loans will be accessed over the project life.

## 21. Provisions

| | **31 March 2013** | 31 March 2012 |
|---|---|---|
| | **£000** | £000 |
| Pensions relating to other staff | **189** | 138 |
| Other legal claims | **169** | 352 |
| Redundancy | **1,553** | 761 |
| Other * | **224** | 193 |
| **Provisions falling due within one year** | **2,135** | 1,444 |
| Pensions relating to other staff | **1,760** | 1,788 |
| Other legal claims | **0** | 0 |
| Redundancy | **0** | 0 |
| Other * | **0** | 0 |
| **Provisions falling after more than one year** | **1,760** | 1,788 |
| **TOTAL** | **3,895** | 3,232 |

| | Pensions relating to other staff | Legal claims | Other | **Total** |
|---|---|---|---|---|
| | £000 | £000 | £000 | **£000** |
| At 1 April 2011 | 1,813 | 227 | 470 | **2,510** |
| Change in discount rate | 125 | 0 | 0 | **125** |
| Arising during the period | 99 | 305 | 949 | **1,353** |
| Utilised during the period | (138) | (148) | (465) | **(751)** |
| Reversed unused | (8) | (32) | 0 | **(40)** |
| Unwinding of discount | 35 | 0 | 0 | **35** |
| 1 April 2012 | 1,926 | 352 | 954 | **3,232** |
| Change in the discount rate | (28) | 0 | 0 | **(28)** |
| Arising during the year | 171 | 135 | 1,618 | **1,924** |
| Utilised during the year | (142) | (106) | (581) | **(829)** |
| Reversed unused | (21) | (212) | (214) | **(447)** |
| Unwinding of discount | 43 | 0 | 0 | **43** |
| **At 31 March 2013** | **1,949** | **169** | **1,777** | **3,895** |

| **Expected timing of cashflows:** | Pensions relating to other staff | Legal claims | Other | |
|---|---|---|---|---|
| | £000 | £000 | £000 | **£000** |
| Within one year | 189 | 169 | 1,777 | **2,135** |
| Between one and five years | 756 | 0 | 0 | **756** |
| After five years | 1,004 | 0 | 0 | **1,004** |

The pensions provisions are ongoing provisions which are regularly reviewed and revalued.

* Other provisions £186k Carbon Reduction Commitment tax and £38 dilapidation costs.

£5,178k is included in the provisions of the NHS Litigation Authority at 31 March 2013 (2011/12 £3,241k) in respect of clinical negligence liabilities of the Trust.

## 22. Other liabilities

| | **31 March 2013** | 31 March 2012 |
|---|---|---|
| | **£000** | £000 |
| Other Deferred income | **4,973** | 4,657 |
| **Other liabilities falling due within one year** | **4,973** | 4,657 |
| **Other liabilities falling due after more than one year** | **0** | 0 |
| **TOTAL** | **4,973** | 4,657 |

**23. Finance lease obligations (ie as a lessee)**

The trust has no finance lease obligations.

**24. Finance lease commitments**

The trust has no finance lease commitments

**25. Private Finance Initiative (PFI) Transactions**

**25.1 PFI schemes deemed to be off-SOFP**

The trust has no off-SOFP PFI schemes

**25.2 Obligations in respect of on-SOFP PFI schemes**

| | **31 March 2013** | 31 March 2012 |
|---|---|---|
| | **£000** | £000 |
| **Gross PFI liabilities:** | | |
| due in less than one year | **470** | 470 |
| later than one year and less than five years | **1,880** | 1,880 |
| later than 5 years | **2,773** | 3,243 |
| Finance charges allocated to future periods | **(2,135)** | (2,491) |
| **Net PFI obligation** | **2,988** | 3,102 |
| Not later than one year | **125** | 138 |
| Later than one year and less than five years | **648** | 717 |
| Later than 5 years | **2,215** | 2,247 |

**25.3 Commitments in respect of the "Service" element of on-SOFP PFI schemes**

| | **31 March 2013** | 31 March 2012 |
|---|---|---|
| | **£000** | £000 |
| Within one year | **1,141** | 905 |
| 2nd to 5th years inclusive | **4,562** | 3,618 |
| Later than 5 years | **6,690** | 6,247 |
| | **12,393** | 10,770 |

**25.4 Imputed finance lease obligations in respect of on-SOFP PFI schemes**

| | **31 March 2013** | 31 March 2012 |
|---|---|---|
| | **£000** | £000 |
| Rentals due within one year | **470** | 470 |
| Rentals due within two to five years | **1,880** | 1,880 |
| Rentals due thereafter | **2,773** | 3,243 |
| | **5,123** | 5,593 |
| Less: interest element | **(2,135)** | (2,491) |
| Total | **2,988** | 3,102 |

**25.5 Additional Information**
The Trust has one PFI scheme on-SOFP.

On 1 October 2006 the trust inherited a PFI development from Morecambe Bay PCT (MB). MB was in turn successor to the original NHS body that agreed the deal, Bay Community NHS Trust (BC).
The agreement in Feb 1999 between BC and the PFI provider, Flagship Care (Lancaster) Limited was for 25 years with the provider delivering:
• 3 fully serviced Elderly Mentally Ill Continuing Care Units plus attached Day Facilities,
• A single Resource Centre, and
• An office building.

The contract with Flagship Care (Lancaster), later transferred to Equitix Healthcare (Lancaster), expires on 8 February 2024 and there is no provision within the contract to re-price or re-negotiate the prices and dates. There is however the facility for variations to the contract and the NHS Foundation Trust has procedures to manage those variations in line with Standing Financial Instructions. The annual contract payments will be indexed each year using preceeding December RPI figures.

The Trust has the right to use the buildings, however Equitix have the responsibility for maintaining the buildings to an agreed standard. All lifecycle replacement is also the responsibility of Equitix.

A key feature of PFI schemes is that the operator is responsible for ensuring that the property is maintained to an agreed standard for the entire life of the contract. These are known as lifecycle costs. The cost which the operator expects to incur in doing this is reflected in the unitary payment and reflects two elements:
• maintenance (planned and reactive); and
• replacement of components as they wear out during the contract – this is known as capital lifecycle.

Under the terms of the contract at the end of the concession the trust has 3 options: Walk away from the arrangement, renegotiate a new contract, or acquire the residual interest at market value.

The trust initially did not recognise the properties as being on-SOFP, however, with the adoption of IFRS accounting by the NHS in 2009/10 the trust subsequently recognised the properties as being on-SOFP. This resulted in the introduction to the SOFP of a depreciating asset and an interest bearing liability.

Under IFRIC 12 the substance of the contract is that the trust has entered in to a finance lease. As such the the annual contract payments are apportioned, using appropriate estimation techniques, between repayment of the liability, interest costs and service charges. The payments are subject to annual indexation.

**26. Contingencies**

The trust had £87k (11/12 £112k) of contingent liabilities in relation to the Risk Pooling Schemes for Trust's.

| | **31 March 2013** | 31 March 2012 |
|---|---|---|
| | **£000** | £000 |
| Contingent liabilities | **(87)** | (112) |
| Amounts recoverable against contingent liabilities | **0** | 0 |
| **Net value of contingent liabiliies** | **(87)** | (112) |

**27. Events after the Reporting Period**

The trust has been working for several years in developing its strategy to deliver high quality mental health services from modern state of the art facilities fit for the 21st century. After much consultation and analysis work on the first of these facilities, The Harbour, began on the 2nd April 2013. This is the first step for the trust in achieving its vision, work is continuing on progressing the other projects.

The Harbour development was initially to have been delivered by the Trust joint venture, Red Rose Corporate Services, but following a rigorous options appraisal the trusts decided that it would deliver the project itself, funded by loans from the Foundation Trust Financing Facility.

See notes 20 and 28 for further details.

On the 1st April 2013 seven properties of value totalling £6.7m transferred to the trust from NHS East Lancashire. The trust will include these properties in its estates strategy plans. In addition some equipment of value £220k also transferred from NHS East Lancashire to the trust.

**28. Joint Venture Arrangement**

The trust has 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. The partnership was established with two primary objectives:

- To deliver estate and other commercial activities that enable the Trust to implement its services strategy and satisfy commissioners etc; and

- To capitalise on the combined skills and capabilities of the parties to exploit other estates and commercial opportunities.

RRCS's mission is that it will work with the health and social care communities to deliver vibrant, efficient and effective services that enhance customer service provision and deliver a sustainable profit.

RRCS is committed to doing alll this whilst:
- acting with integrity in all it does;
- being transparent at all times;
- empathising with everyone it works with; and
- promoting teamwork in all areas.

**29. Financial Instruments**

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 Trusts commisioners are NHS, which minimises the credit risk from these customers. Non-NHS customers do not represent a 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 16 "Debtors".

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 the local primary care trust's, 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 Independant 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.

### 30.1 Financial assets by category

All assets are denominated in sterling

| | **31 March 2013** | 31 March 2012 |
|---|---|---|
| | **Loans and receivables £000** | Loans and receivables £000 |
| Investments | **116** | 93 |
| NHS receivables (net of impairment) | **5,597** | 6,853 |
| Accrued income | **170** | (51) |
| Other receivables | **5,165** | 6,403 |
| Cash at bank and in hand | **33,285** | 27,327 |
| **Total Financial assets** | **44,333** | 40,625 |

The investments above relates solely to thet trusts investment in a joint venture, Red Rose Corporate Services LLP, see note 28 for further details.

### 30.2 Financial liabilities by category

All liabilities are denominated in sterling

| | **31 March 2013** | 31 March 2012 |
|---|---|---|
| | **Other financial liabilities £000** | Other financial liabilities £000 |
| Loans | **8,800** | 0 |
| NHS payables | **6,467** | 10,005 |
| Other payables | **22,005** | 19,950 |
| Obligations under PFI contracts | **2,988** | 3,102 |
| Provisions under contract | **3,895** | 3,232 |
| **Total Financial Liabilities** | **44,155** | 36,289 |

**31. Third Party Assets**

The Trust held £297k cash at bank and in hand at 31 March 2013 that relates to monies held by the NHS Trust on behalf of patients (£293k at 31 March 2012). This has been excluded from cash at bank and in hand figure reported in the accounts.

**32. Prudential borrowing limit**

The NHS foundation trust is required to comply and remain within Monitor's prudential borrowing limit. This is made up of two elements:

- the Maximum cumulative amount of long-term borrowing. This is set by reference to the five ratio tests set out in Monitor's Prudential Borrowing Code. The financial risk rating set under Monitor's Compliance Framework determines one of the ratios and therefore can impact on the long term borrowing limit; and

- the amount of any working capital facility approved by Monitor.

Further information on the NHS foundation trusts Prudential Borrowing Code and Compliance Framework can be found on the website of Monitor, the Independent Regulator of Foundation Trusts

| | Year to 31 March 2013 | | Year to 31 March 2012 | |
|---|---|---|---|---|
| | Actual Ratios | Approved PBL Ratios | Actual Ratios | Approved PBL Ratios |
| Minimum dividend cover | 4.8x | 1.0x | 4.5x | 1.0x |
| Minimum interest cover | 35.6x | 3.0x | 38.0x | 3.0x |
| Minimum debt service cover | 32.0x | 2.0x | 30.0x | 2.0x |
| Maximum debt service to revenue | 0.15% | 2.50% | 0.18% | 2.50% |

The Trust has a Prudential Borrowing Limit (PBL) of £53.5m (£51.2m at 31 March 2012). The trust took out an initial loan of £8.8m from the Foundation Trust Financing Facility to finance the development of its new in-patient hospital. Also per IFRS guidance the financing element of the Trust's PFI scheme of £3.0m is set against the PBL. The Trust was within the approved limit.

The Trust had an approved working capital facility of £16 million during the period covered, this was not utilised.

**33. Related Party Transactions**

Lancashire Care NHS Foundation Trust is a body corporate established by order of the Secretary of State for Health.

During the year the trust has had material transactions with the trust Board members as follows:

| | Year to 31 March 2013 | | Year to 31 March 2012 | |
|---|---|---|---|---|
| | Salaries & BIK £'000 | Pension Costs £'000 | Salaries & BIK £'000 | Pension Costs £'000 |
| Executive & Non-Executive Directors | 986 | 138 | 813 | 110 |

The highest paid director of Lancashire Care NHS Foundation Trust received £207k in salary, benefit in kind and pension contributions (£194k in 11/12).

| | 2012/13 | 2011/12 |
|---|---|---|
| Number of Directors to whom pension benefits are accruing under: | | |
| - Money Purchase Scheme | 0 | 0 |
| - Defined Benefit Scheme | 4 | 5 |

Full details of Directors' remuneration and other benefits are set out in the trust's Remuneration Report contained within our annual report.

**Council of Governors**

The roles and responsibilities of the council of governors of the Foundation Trust are carried out in accordance with the trust's constitution and its terms of authorisation.

The Council has specific powers including
- appointment and removal of the Chair and non executive directors
- approval of appointment of the Chair and non executive directors
- to decide the remuneration and allowances and the
- to appoint and remove the auditors

The trust maintains a register of interests for members of the Governing Council.

Of the total 34 members of the Council of Governors, 9 represent the interests of other organisations who the Trust has identified as key partners in the delivery of healthcare and 6 are staff members with the remainder being members of the public.

**Members of Council of Governors**

The Trust has had a significant number of material transactions with entities for who have commissioned our healthcare services for which the Department of Health is regarded as the parent department. These entities are:

| | 2012/13 Debtor £'000 | 2012/13 Creditor £'000 | 2012/13 Income £'000 | 2012/13 Expenditure £'000 |
|---|---|---|---|---|
| Blackburn with Darwen PCT | **636** | **12** | **40,182** | **1,370** |
| Blackpool PCT | **453** | **0** | **16,436** | **412** |
| Central Lancashire PCT | **1,989** | **2,905** | **109,968** | **2,513** |
| East Lancashire PCT | **327** | **251** | **66,641** | **3,073** |
| North Lancashire PCT | **665** | **87** | **37,136** | **148** |
| | **4,070** | **3,255** | **270,363** | **7,516** |

The Trust has also had a significant number of material transactions with other entities who have commissioned our healthcare services. These entities are:

| | 2012/13 Debtor £'000 | 2012/13 Creditor £'000 | 2012/13 Income £'000 | 2012/13 Expenditure £'000 |
|---|---|---|---|---|
| UCLAN | **0** | **0** | **31** | **176** |
| MIND | **0** | **0** | **0** | **69** |
| Making Space | **0** | **0** | **1** | **0** |
| Alzheimer's Society | **0** | **0** | **0** | **95** |
| Lancashire County Council | **1,689** | **6** | **3,948** | **1,312** |
| Blackpool County Council | **0** | **0** | **36** | **100** |
| Blackburn with Darwen Borough Council | **77** | **7** | **216** | **466** |
| Lancashire Constabulary | **0** | **0** | **28** | **0** |
| | **1,766** | **13** | **4,260** | **2,218** |

All income was received as income to commission heathcare services, and all expenditure relates to the associated operating expenses.

All transactions were conducted during the normal course of business in delivering healthcare.

The trust has also entered into an loan arrangement with a Social Enterprise organisation that focusses on delivering increased choice and access to detoxification services across Lancashire; contributing to the successful provision of a whole treatment system thereby increasing positive outcomes for service users, carers and families.

| | 2012/13 Debtor £'000 | 2012/13 Creditor £'000 | 2012/13 Income £'000 | 2012/13 Expenditure £'000 |
|---|---|---|---|---|
| Harvey House, Lancaster | **575** | **0** | **0** | **220** |
| | **575** | **0** | **0** | **220** |

The trust has also entered into an equally owned Joint Venture Partnership with Ryhurst Ltd, The venture, Red Rose Corporate Services LLP, has been established to support the development of state-of-the-art facilities to deliver modern mental health services in the future, and capitalise on the combined skills & capabilities of tyhe parties to exploit estates and other commercial opportunities.

| | 2012/13 Debtor £'000 | 2012/13 Creditor £'000 | 2012/13 Income £'000 | 2012/13 Expenditure £'000 |
|---|---|---|---|---|
| Red Rose Corporate Services LLP | **7** | **0** | **0** | **3,374** |
| **Total** | **6,418** | **3,268** | **274,623** | **13,328** |

In addition the Trust had material transactions with the NHS Pensions Agency for which the Department of Health is regarded as the parent department as follows:

| | 2012/13 Contributions Paid £'000 | 2011/12 Contributions Paid £'000 |
|---|---|---|
| NHS Pensions Agency | 36,325 | 31,382 |

**Lancashire Care NHS Trust Charity**

The trust is a corporate trustee of the Lancashire Care NHS Foundation Trust Charity and Other Related Charities. The trust has received monies from the charity in respect of it's management of the charity to the value of £7k (£7k to 31 March 2012). The charity is registered with the charities commission (Charity Number 1099568) and produces its own annual report and accounts. These documents are available on request from the Finance Department of the Foundation Trust.

The accounts of the charity have not been consolidated with the trust's own accounts. This is as a result of treasury dispensation.

**34. Losses and Special Payments**

There were 56 cases of losses and special payments totalling £40k paid during Year to 31 March 2013 (54 totalling £72k for year to 31 March 2012). Special payments are recognised on an accruals basis.

**35. Intra-Government and Other Balances**

**2012/13 Balances £000's**

**Receivables**

| | | Total | Non-WGA amounts | FTs | NHS Trusts | Department of Health | SHAs | PCTs | Special Health Authorities | NDPBs and Skipton Fund | Local Government | Central Government |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Current | NHS Receivables | 5,820 | 0 | 664 | 174 | 293 | 86 | 4,590 | 0 | 13 | 0 | 0 |
| Current | Other receivables with related parties | 1,775 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,775 | 0 |
| Current | Prepayments | 1,497 | 1,497 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current | Accrued income | 170 | 170 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current | Other receivables | 797 | 797 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current | VAT, SS and other taxes receivable, Curren | 879 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 879 |
| Non-Current | NHS Receivables | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Current | Other receivables with related parties | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Current | Prepayments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Current | Accrued income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Current | Other receivables | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Balance as at 31 March 2013** | **10,938** | **2,464** | **664** | **174** | **293** | **86** | **4,590** | **0** | **13** | **1,775** | **879** |

**Payables**

| | | Total | Non-WGA amounts | FTs | NHS Trusts | Department of Health | SHAs | PCTs | Special Health Authorities | NDPBs and Skipton Fund | Local Government | Central Government |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Current | NHS payables | 6,467 | 0 | 2,407 | 785 | 0 | 2 | 3,266 | 4 | 3 | 0 | 0 |
| Current | Amounts due to other related parties | 13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13 | 0 |
| Current | Accruals | 7,616 | 7,616 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current | Other payables | 2,620 | 2,620 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current | VAT, SS and other taxes payable, Current | 11,712 | 4,338 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,374 |
| Non-Current | NHS payables | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Current | Amounts due to other related parties | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Current | Accruals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Current | Other payables | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Balance as at 31 March 2013** | **28,428** | **14,574** | **2,407** | **785** | **0** | **2** | **3,266** | **4** | **3** | **13** | **7,374** |

**2011/12 Balances £000's**

**Receivables**

| | | Total | Non-WGA amounts | FTs | NHS Trusts | Department of Health | SHAs | PCTs | Special Health Authorities | NDPBs and Skipton Fund | Local Government | Central Government |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Current | NHS Receivables | 6,853 | 0 | 587 | 516 | 0 | 112 | 5,638 | 0 | 0 | 0 | 0 |
| Current | Other receivables with related parties | 2,116 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,116 | 0 |
| Current | Prepayments | 1,028 | 1,028 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current | Accrued income | (51) | (51) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current | Other receivables | 2,844 | 2,844 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current | VAT, SS and other taxes receivable, Curren | 415 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 415 |
| Non-Current | NHS Receivables | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Current | Other receivables with related parties | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Current | Prepayments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Current | Accrued income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Current | Other receivables | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Balance as at 31 March 2012** | **13,205** | **3,821** | **587** | **516** | **0** | **112** | **5,638** | **0** | **0** | **2,116** | **415** |

**Payables**

| | | Total | Non-WGA amounts | FTs | NHS Trusts | Department of Health | SHAs | PCTs | Special Health Authorities | NDPBs and Skipton Fund | Local Government | Central Government |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Current | NHS payables | 10,005 | 0 | 1,212 | 1,223 | 299 | 6 | 7,242 | 23 | 0 | 0 | 0 |
| Current | Amounts due to other related parties | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 0 |
| Current | Accruals | 7,108 | 7,108 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current | Other payables | 8,444 | 8,444 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current | VAT, SS and other taxes payable, Current | 4,433 | 4,433 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Current | NHS payables | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Current | Amounts due to other related parties | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Current | Accruals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Current | Other payables | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Balance as at 31 March 2012** | **29,995** | **19,985** | **1,212** | **1,223** | **299** | **6** | **7,242** | **23** | **0** | **5** | **0** |

## INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF GOVERNORS OF LANCASHIRE CARE NHS FOUNDATION TRUST

We have audited the financial statements of Lancashire Care NHS Foundation Trust for the year ended 31 March 2013 on pages 83 to 117. These financial statements have been prepared under applicable law and the NHS Foundation Trust Annual Reporting Manual 2012/13.

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

### Respective responsibilities of the accounting officer and the auditor

As described more fully in the Statement of Accounting Officer's Responsibilities on page 76 the accounting officer is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the accounting officer and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of Lancashire Care NHS Foundation Trust's affairs as at 31 March 2013 and of its income and expenditure for the year then ended; and

- have been prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2012/13.

## Opinion on other matters prescribed by the Audit Code for NHS Foundation Trusts

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report where under the Audit Code for NHS Foundation Trusts we are required to report to you if, in our opinion, the Annual Governance Statement does not reflect the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual, is misleading or is not consistent with our knowledge of the Trust and other information of which we are aware from our audit of the financial statements

We are not required to assess, nor have we assessed, whether all risks and controls have been addressed by the Annual Governance Statement or that risks are satisfactorily addressed by internal controls.

## Certificate

We certify that we have completed the audit of the accounts of Lancashire Care NHS Foundation Trust in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts issued by Monitor.

Timothy Cutler for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 St James Square
Manchester
M2 6DS

29th May 2013