



Mid and
South Essex
NHS Foundation Trust

Basildon and Thurrock
University Hospitals
NHS Foundation Trust

Annual Report and Accounts

for the year ended **31 March 2020**

**Basildon and Thurrock University
Hospitals NHS Foundation Trust**

**From 1 April 2020 now known as Mid and
South Essex NHS Foundation Trust**

**Annual Report and Accounts for the year
ended 31 March 2020**

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

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Performance report

Overview

The purpose of the Overview to the Performance Report is to provide a short summary with sufficient information to understand the organisation, its purpose, the key risks to the achievement of its objectives and how it has performed during the year.

Overview – a word from our chair and chief executive

The 2019/20 year has truly been unprecedented. We faced the COVID-19 pandemic in the final quarter of the year (whose impact will continue well into the 2020/21 year).

We successfully completed the merger of the three acute trusts in Mid and South Essex. These trusts were ourselves, Mid Essex Hospital Services NHS Trust (MEHT) and Southend University Hospital NHS Foundation Trust (SUHT). Our new organisation, Mid and South Essex NHS Foundation Trust (MSE), came into being on 1st April 2020.

Before we proceed with this final annual report and accounts for Basildon and Thurrock University Hospitals NHS Foundation Trust (BTUH), we want to pay tribute to our staff, those in front-line clinical roles and the clinical support and corporate staff on whom they depend. Over the years, our team have stepped up on so many occasions to provide high quality care for patients but the dedication and commitment shown during the pandemic has been truly exceptional and we thank each and every one of them.

Care Quality Commission (CQC) Inspections

In July 2019 the CQC published their report following the inspection conducted at Basildon Hospital in February and March 2019. We were pleased to retain our overall rating of “Good”. The CQC’s report highlighted a number of areas that the Trust needed to improve upon, particularly compliance in areas of the hospital against the Safe, Responsive and Use of Resources domains, all of which were rated as “Requires Improvement”.

Details of how BTUH has responded to the recommendations of the CQC for the remainder of 2019/20 and how the merged trust will continue to do so can be found in the Annual Governance Statement.

Our partner trusts also underwent CQC inspections during the year. Both SUHT and MEHT retained their overall ratings of “Requires Improvement”. We were pleased that all three trusts were rated as “Good” for Well Led, Effective and Caring. The CQC reports highlighted many areas of good practice at each hospital, particularly at MEHT where significant steps forward were noted since the previous inspection.

The new trust will have an overall rating of “Requires Improvement” on 1st April 2020. We are in discussions with the CQC about the right time for them to undertake a review of the new organisation so that we can improve upon this rating.

Improving services for patients

During 2019/20, our group of three trusts (hereafter referred to as “the MSE Group”) delivered on a number of changes to clinical services upon which our commissioners consulted during 2017/18. Highlights of phase one are summarised over the page.

In early December 2019, the Interventional Radiology hub became fully operational at Basildon Hospital, providing a 24 hours a day, 7 days a week service.

In January 2020, we commenced the transfer of cardiology services from Broomfield Hospital to Basildon Hospital. This project has been initiated as a pilot over the winter 2019, in order to make better use of bed capacity whilst evaluating the potential benefits of a consolidated service, with 7 day consultant cover.

Phase one of orthopaedic clinical reconfiguration has seen the reconfiguration of spinal elective inpatients to Southend from Basildon, as well as the extension of choice to low-risk patients requiring a Hip and Knee replacements to receive their surgery at Braintree Community Hospital. This is resulting in lower waiting times for patients.

Phase one vascular reconfiguration of emergency vascular services at Basildon, became operational in March 2020. This will improve patient outcomes by consolidating specialist vascular surgeons on a single site as a centre of excellence.

Phase 2 of the clinical changes was due to commence during the first quarter of 2020/21. However these changes will be delayed due to the impact of COVID-19. The planned phase 2 schemes include:

- Consolidation of spinal day case activity alongside elective inpatient activity that was reconfigured in phase one.
- Further development of the Braintree orthopaedic elective centre to take more complex hip and knee replacement patients.
- Consolidation of vascular elective aortic aneurysm repairs at Basildon.
- Implementation of the recurrent cardiology model between Basildon and Broomfield Hospitals following the pilot in phase 1.
- Ensuring a long term solution for the provision of ophthalmology day case procedures that were consolidated for a period of one year.

Phase 3 implementation of changes was planned for implementation in the second half of the 2020/21 year, subject to the duration of the pandemic.

Providing care during the COVID-19 pandemic

The pandemic illustrates clearly the tangible benefits of operating as a single, large new trust bringing together all of our hospitals and staff. We have been able to co-ordinate our resources, including bed space, clinical supplies such as ventilators and personal protective equipment and of course our staff to provide seamless care through much more resilient clinical services.

Recognising that managing a public health emergency of this scale cannot be undertaken by one sector alone, the MSE Group implemented a range of measures to protect patients, visitors and staff. Further details can be found in the Annual Governance Statement.

At the time of writing, the country remained under some restrictions to minimise the spread of COVID-19. Through our well-tested major incident management processes, we will continue to adapt our response to balance the need to safeguard our staff, patients and visitors, with the need to transition safely to restore levels of service, particularly the reset of elective inpatient and outpatient care.

Readers can be assured that the safety and wellbeing of our patients and staff will always be paramount in any decisions we take.

Financial position of BTUH and of the MSE Group

We are very pleased to report that overall as a system, the control total has been delivered for 2019/20.

Pre-COVID related adjustments, all three trusts in the MSE Group delivered their control totals for the year and therefore full Provider Sustainability Fund (PSF) and Financial Recovery Fund (FRF) monies were achieved by the organisations. This does not detract from the challenge of 2020/21, however it is a positive outcome to a challenging 2019/20.

Basildon Hospital reported in month 6 as being off plan and in October 2019 a recovery plan commenced with support from the region.

Discussions within the system facilitated a solution which has allowed BTUH to retain PSF/FRF of £22.3m in the year. The BTUH outturn for 2019/20 was a £10.8m deficit after receipt of PSF/FRF.

Operational performance

Regrettably, this year has seen all of the trusts in our Group achieving below the standards set out in the NHS Constitution for access to services. This replicates the picture across the majority of acute trusts in the UK.

The reasons for this are complex and all of our trusts were on trajectory for delivering significant improvement in operational performance this year. However COVID-19 significantly impacted upon our achievement of these standards as we cancelled non-urgent elective inpatient work and outpatient appointments so that clinical time could be focused upon caring for patients affected by the pandemic. A summary of the three trusts' performance against the principal NHS Constitution standards is shown in the table on the next page.

Readers should note that, for operational reasons, MEHT was exempted from national reporting requirements for RTT during 2019/20.

This means that we are unable to report against this standard as an MSE Group. Reporting against RTT for the merged trust is expected to include data from the Mid Essex sites during 2020/21.

Constitutional Standard	Target	BTUH 2019/20 average	MEHT 2019/20 average	SUHT 2019/20 average	MSE Group 2019/20 average
4 hour maximum wait in A&E	95%	89.4%	79.0%	80.8%	83.6%
Referral to Treatment Times (RTT) – 18 weeks in aggregate, admitted patients	90%	66.9%	Dispensation not to report	52.7%	Cannot calculate MSE Group figure due to MEHT dispensation not to report
Referral to Treatment Times (RTT) – 18 weeks in aggregate, non-admitted patients	92%	76.4%		87.4%	
Referral to Treatment Times (RTT) – 18 weeks in aggregate, incomplete pathways	92%	69.3%		78.8%	
Cancer 62 day waits for first treatment (from urgent GP referral)	85%	74.9%	60.9%	65.5%	66.3%
Cancer 62 day waits for first treatment (from NHS Cancer Screening Service referral)	90%	63.2%	59.9%	89.1%	70.7%
Cancer 2 week wait (all cancers)	93%	94.0%	82.6%	93.3%	89.7%
Cancer 2 week wait (breast symptoms)	93%	87.2%	55.8%	96.6%	79.8%
Diagnostic – 6 week wait	99%	97.9%	92.0%	88.1%	92.9%

Creating a new organisation

Readers will be aware that our Trust has been formally working in ever closer collaboration with MEHT and SUHT for over four years.

In January 2018, the boards of the three trusts decided to pursue a merger to create a brand new organisation which would help us to deliver the clinical changes, as well as taking a significant step to resolving the longstanding financial deficits in the Mid and South Essex NHS.

Between January 2018 and March 2020, we developed a Merger Strategic Case, a Merger Business Case, a Patient Benefits Case and a Post Transaction Integration Plan (PTIP). These documents were assessed in detail by our main regulator, NHS Improvement (NHSI) against statutory requirements to ensure that a merger was the right move for patients, staff and taxpayers.

NHSI approved the merger to take effect from 1st April 2020, assigning the transaction an “amber” risk-rating overall. This means that NHSI were satisfied that the merger was safe and in the interests of patients, staff and taxpayers, although there were a number of issues that arose from their detailed review that the enlarged trust will need to address the financial and operational challenges, and to deliver the full range of benefits from the merger.

There will be enhanced reporting and monitoring arrangements between the new trust and NHSI. However discussions as to the form and frequency of these will take were deferred until the resolution of the COVID-19 pandemic. We look forward to working closely with NHSI to provide them, our Board of Directors and our Governors with the necessary assurance to resolve these outstanding issues.

Our new Board of Directors

The Board of Directors for the Mid and South Essex NHS Foundation Trust was appointed through an open competitive process led by Governors of the two predecessor Foundation Trusts alongside representatives of the Patient Council of MEHT.

Nigel Beverley was honoured to be appointed as Chair of the merged Trust. Following Nigel's appointment, 8 non-executive directors were appointed by Governors, in line with target skill sets that they determined. The non-executive team comprises a positive mix of those who served on the Boards of the predecessor trusts and those with experience and skills gained outside the local acute sector, achieving a balance between fresh insight and perspectives and corporate memory at board-level.

Goodbye and Thank You

On 31st March 2020, we said goodbye and thank you to several non-executive directors who played a significant role in the governance of BTUH, in the collaborative arrangements with our partner trusts and in ensuring that the new organisation would be safe from day one and would bring the benefits that we set out in our submissions to NHSI.

John Govett served on the BTUH Board since April 2012. He chaired the Finance and Performance Committee throughout that period and was Trust Deputy Chair from April 2018. We wish John well in his exciting new role as Independent Chair of the Cornwall and Isles of

Scilly Health and Care System (STP).

We also thank Renata Drinkwater for her excellent service as a non-executive director since April 2016. Renata made a particular contribution to the quality and patient safety agenda at BTUH, through chairing the Quality and Patient Safety Committee and fulfilling the role of Freedom to Speak Up Champion on the Trust Board. No doubt Renata will continue to support the development of health and care services in her local and national roles.

It is only right that we formally thank the Governors of BTUH and SUHT, and the Patient Council Leaders of MEHT, for their commitment, support and respectful challenge during the merger preparation process.

For over two years, the Governors have participated in a wide range of meetings, discussions and conferences where critical issues of governance and of patient experience were developed in an equal partnership between the Governors, Patient Council members, Board members and senior officers. Tangible outcomes from this work included key aspects of the Trust Constitution, such as the public membership constituencies, composition of the Council of Governors, agreement of the target skill sets for non-executives and ultimately the appointment of the Trust Chair and the eight non-executives for the new Board. This followed a process where all three trusts had an equal voice.

The dedication of the Governors and Patient Council Leaders is further shown by their willingness to continue to fulfil their roles in an informal “caretaker” capacity for the new trust until the elections for the MSE Council of Governors takes place. This interim measure will help us to uphold the spirit of the Foundation Trust legislation in terms of accountability to members and to the wider public. We hope that many of the former Governors and Patient Council members will remain with us and stand for election to the MSE Council of Governors or to the MSE patient experience infrastructure.

Closing remarks

The 2019/20 annual report reflects a truly unprecedented final year for our Foundation Trust. The local, group-wide and national strategic and operational challenges throughout the year, as described in this annual report have tested our business continuity planning to the greatest extent experienced for many years. We have all seen by the public response to the pandemic how much the herculean efforts of NHS staff to deliver the best care possible to patients in extremely difficult circumstances is appreciated by the Board, our communities and the nation as a whole.

We look forward to the first year as Mid and South Essex NHS Foundation Trust in pursuit of the goals of the Mid and South Essex Health and Care Partnership to build a future which is clinically and financially sustainable for the long term.



Nigel Beverley
Chairman



Clare Panniker
Chief executive

24 June 2020

24 June 2020

Overview - going concern statement

After taking into account all relevant factors, the Board has determined that the accounts should be prepared on a going concern basis for the year ended 31st March 2020 based on the following factors:

In March 2020, NHS Improvement (and Secretary of State for Mid Essex Hospital NHS Trust) approved the acquisition of that Trust, along with Basildon and Thurrock University Hospital NHS Foundation Trust by Southend University Hospital NHS Foundation Trust and for the combined organisation to be subsequently known as Mid and South Essex NHS Foundation Trust. Following that decision, the Board had a clear and fixed intention for the acquisition to proceed on 1 April 2020 and that there was no reason to believe that this would not be achieved.

The predecessor trusts had submitted a joint financial plan for the financial year 2020/21 and main commissioners had supported the acquisition proposal and the continuation of previously agreed contracts.

As directed by the Group Accounting Manual (GAM) 2019/20, the Directors have prepared the financial statements on a going concern basis as they consider that the services currently provided by Basildon and Thurrock University Hospitals NHS Foundation Trust will continue to be provided in the foreseeable future. In that respect, all of the services provided previously by Basildon and Thurrock University Hospitals NHS Foundation Trust have now been taken on and are being provided by Mid and South Essex NHS Foundation Trust, and these services will continue to be delivered using the same assets as acquired from the Trust.

Overview - statement of purpose and activities of the Trust

The Annual Report and Accounts 2019/20 have been prepared under the direction issued by NHS Improvement under the National Health Service Act 2006.

Introduction to the Trust

Trust profile and history

In April 2004, BTUH was authorised as one of the first ten NHS foundation trusts in the country. Foundation status gave us more control over how we spent our money and planned our services. The Trust remained firmly part of the NHS and was subject to NHS standards, performance ratings and inspections.

The Trust had a Council of Governors with local, elected public and staff governors and appointed stakeholder governors. The Council of Governors was responsible for holding the Board of Directors to account through the non-executive directors and for the appointment of the chairman and non-executive directors. The Trust had a duty to consult and involve the governors in the strategic plans of the organisation. The governors acted as a communications channel for our foundation trust members, ensuring their views were represented when important decisions were taken about services and the future direction of the organisation.

The Trust was regulated and licensed by Monitor (operating as part of NHS Improvement - NHSI), the independent regulator of foundation trusts and was registered with the Care Quality Commission (CQC) for the services we provide.

The Trust's main purpose was the provision of healthcare. There had been no significant changes in the range of services provided during 2019/20, but there had been some significant steps taken to reconfigure clinical services across Mid and South Essex. In addition, the range of services that we provided was temporarily limited out of necessity during the COVID-19 pandemic during the final quarter of the year.

Our services

The Trust provided an extensive range of acute healthcare services at Basildon and Orsett Hospitals, as well as x-ray and blood testing facilities at the St Andrews Centre in Billericay.

The Trust primarily served the 406,000 (based on 2011 census) population of south-west Essex covering Basildon and Thurrock, together with parts of Brentwood and Castle Point. We also provided dermatology services from seven sites across the south Essex area.

The Essex Cardiothoracic Centre was part of the Trust and provided a full range of specialist cardiothoracic services for the whole county and further afield.

How our organisation was structured

Details of the Trust's organisational structure can be found in the Directors Report.



Nigel Beverley
Chairman



Clare Panniker
Chief executive

24 June 2020

24 June 2020

Accountability report

Directors report

This section provides information on the way the Trust was run and improvements made to services during the year.

The Board of Directors

The people who served on the Board of Directors during the 2019/20 year are set out below, together with a brief biography, their term of office and membership of committees.

The Directors' Register of Interests, which was updated annually, was available on the Trust website.

Composition and completeness of the Board of Directors

How our Foundation Trust was run

This section explains how we made decisions and managed the services that we provided to the local community.

The Trust was run by the Board of Directors, who were collectively responsible for the quality of healthcare delivery and financial performance. The Board of Directors was held to account for stewardship of public money and delivery of services by NHS Improvement, and locally by the Council of Governors. The Board of Directors is held to account for quality of services by the Care Quality Commission (CQC).

Leadership

The chairman was responsible for leadership of both the Board of Directors and the Council of Governors.

As chairman of the Board of Directors, the chairman ensured the Board's effectiveness and set its agenda. The chairman facilitated the effective contribution and performance of all Board members who collectively were responsible for the Trust's long-term success and sustainability as a unitary board. The chairman also ensured that there was sufficient and effective communication with stakeholders to understand their issues and concerns.

As chairman of the Council of Governors, the chairman provided a pivotal link between governors and directors, especially the non-executive directors (NEDs). Listening to the governors was one of the ways in which the chairman could hear and respond to the views of the local community and local stakeholders. The chairman regularly provided feedback to the Board of Directors on the views of the governors and local people.

The governors routinely invited the chief executive to their meetings and other executive and non-executive directors as required. In these meetings, governors, members and the general public could raise questions of the chairman, or any other director present, about the affairs of the Trust.

The role of the Board of Directors

The Board of Directors set the strategic direction of the Trust ensuring that the necessary financial and human resources were in place to meet its priorities and objectives. The Board operated within a framework of processes, procedures and controls which allowed performance and progress to be monitored and its risks carefully assessed and managed.

The Board of Directors was responsible for ensuring compliance with the provider license granted by NHS Improvement (formerly the terms of authorisation), its constitution, mandatory guidance issued by NHS Improvement, relevant statutory requirements and contractual obligations.

Details of how the Board of Directors discharged its duties with regard to governance and compliance can be found in the Annual Governance Statement.

The Board of Directors was responsible for promoting effective dialogue between the Trust and the local community on its plans and performance, ensuring that the plans were responsive to the community's needs.

Further details as to how the Board of Directors engaged with its patients and communities can be found in the Council of Governors and Membership Report.

The chief executive was ultimately responsible for implementing the strategy agreed by the Board and for developing the Trust's objectives through leadership of the executive team. She recommended to the Board any investment or new business opportunities which promoted achievement of this strategy. The chief executive also ensured that the Trust's risks were adequately addressed and appropriate internal controls were in place. The Trust sought the views of the Council of Governors when developing its annual plan.

Details of how the Chief Executive ensured that risks were adequately controlled and mitigated can be found in the Annual Governance Statement.

The Trust could hold contracts in its own name and act as a corporate trustee. In the latter role, the Board was accountable to the Charity Commission for those funds deemed to be charitable.

Since May 2014, BTUH had been a corporate partner in Pathology First LLP and Facilities First LLP, alongside SUHT and a commercial provider of pathology services (Integrated Pathology Partnerships Analytics Ltd). The two NHS organisations within these limited liability partnership (companies house registration number OC393297), together owned 51% of the shares in each company. Several senior members of BTUH and SUHT represented their organisation on the Pathology First and the Facilities First Boards. These individuals were

not named directors of either company, however they elected to declare their role with the LLPs on their declarations of interest for 2019/20.

Providing support to directors

Directors, governors and members were supported by a professionally qualified corporate secretary (as recommended by the NHS Foundation Trust Code of Governance) and a small multi-skilled corporate governance and membership services team. The corporate secretary throughout 2019/20 was Andrew Stride.

Newly appointed directors received a tailored induction on joining the Board of Directors.

The Board of Directors ensured that directors, especially the non-executive directors, had access to independent professional advice, at the Trust's expense, where they judged it necessary to discharge their responsibilities as directors or to provide additional assurance on areas of challenge. The corporate secretary facilitated access to this advice and support.

Directors also had access, at the Trust's expense, to training courses and materials that were consistent with their individual and collective development programme.

How the Board of Directors operated

During 2019/20, the BTUH Board met in common with the Boards of Southend and Mid Essex Trusts on 10 occasions, 6 of which incorporated sessions in public.

The BTUH Board also met on its own for three meetings, where the item of business related only to final approval of the 2018/19 annual report and accounts, a decision to construct an additional modular ward to create extra capacity at Basildon Hospital, and requesting a cash loan from the Department of Health and Social Care.

To help the Council of Governors fulfil its role of holding the Board of Directors to account through the non-executive directors, the Board appointed governor observers to its committees.

The Trust Constitution detailed how disagreements between the Board of Directors and the Council of Governors would have been resolved. Alongside this, a specific Engagement (Disputes) Policy was approved and introduced in 2013. This policy was not used in 2019/20.

The Schemes of Reservation and Delegation detailed what type of decisions were to be taken by the Board and which decisions were to be delegated to management by the Board of Directors. These were reviewed in 2018/19.

The Board of Directors also had powers to delegate and make arrangements to exercise any of its functions through a committee, sub-committee or joint committee. The Board of Directors kept the performance of its committees under regular review and requires that each committee considered its performance and effectiveness throughout the year. These assessments, together with committee meetings, were used for shaping individual and collective professional development programmes for directors as relevant to their duties as Board members.

The Trust maintained its support for the Nolan Principles of Public Life and made the majority of its decisions at Board meetings in public. To support this the Directors Responsibilities and Code of Conduct was adopted by all Board members. This Code of Conduct builds on the NHS Code of Conduct and includes the Nolan Principles. Significant breaches of the Code of Conduct were handled under the Trust's Conduct and Capability Policy.

In October 2015, the Board of Directors approved a policy on Meeting the Requirements of the Fit and Proper Person Test. This policy required the chair to ensure that 'appropriate checks' had been undertaken in reaching a judgement that all directors were deemed to be fit and that none met any of the unfit criteria. This applied to all members of the Board of Directors, including the corporate secretary. The remit of this policy was expanded during 2017/18 to encompass the site leadership teams and again in 2018/19 to reflect new guidelines from NHSI. This policy enabled the Trust to meet the relevant provisions of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014.

Collaborative Governance Framework

In December 2016, the Boards of Directors of the three acute trusts in mid and south Essex agreed to enter into a collaborative governance framework with a contractual joint venture to enable them to work more closely together to redesign clinical services, clinical support services and corporate support services as part of the Mid and South Essex Health and Care Partnership, whilst remaining three separate and sovereign statutory organisations. The joint working agreement came into effect on 1st January 2017.

The Boards agreed to create a 'committees in common' governance model, whereby each Board of Directors created a Success Regime Committee (SRC), to which all powers which could, within the confines of law and good governance, be delegated, were delegated.

Meetings of these committees took place in common under the operating name of the 'Joint Working Board' (JWB). A contractual joint venture formalised the committees in common model.

The JWB met on a monthly basis between February 2017 and December 2018, conducting the majority of its business in public session.

In Autumn 2018, the Trust Boards decided that the time was right to evolve their governance arrangements as the organisations progressed towards merger. Building on the success of the JWB, the Boards decided that with effect from February 2019, the JWB would be disbanded. Instead, all three Trust Boards would meet in common on a monthly basis. This would ensure that all members of the three Boards had an opportunity to engage fully in key clinical and corporate transformation decisions as we planned together for the new organisation and redesigned services for patients. The Trust Boards would only meet separately in order to approve the annual report and accounts and otherwise on an exceptional basis.

The first formal meeting of the Trust Boards in Common under this new arrangement took place in public in February 2019.

The Trust Boards also decided that the quality committees and the finance and performance committees of each Trust should meet only in common from January 2019. In view of the fact that workforce recruitment and retention was consistently a significant risk for all three trusts, the Boards decided that a new people and organizational development (POD) committee should be created as a committee of each Trust.

The Remuneration and Nominations Committees (RemNoms) only meet in common except where there was a particular item which should only be considered by a trust-specific RemNom due to the personal confidentiality of a particular issue.

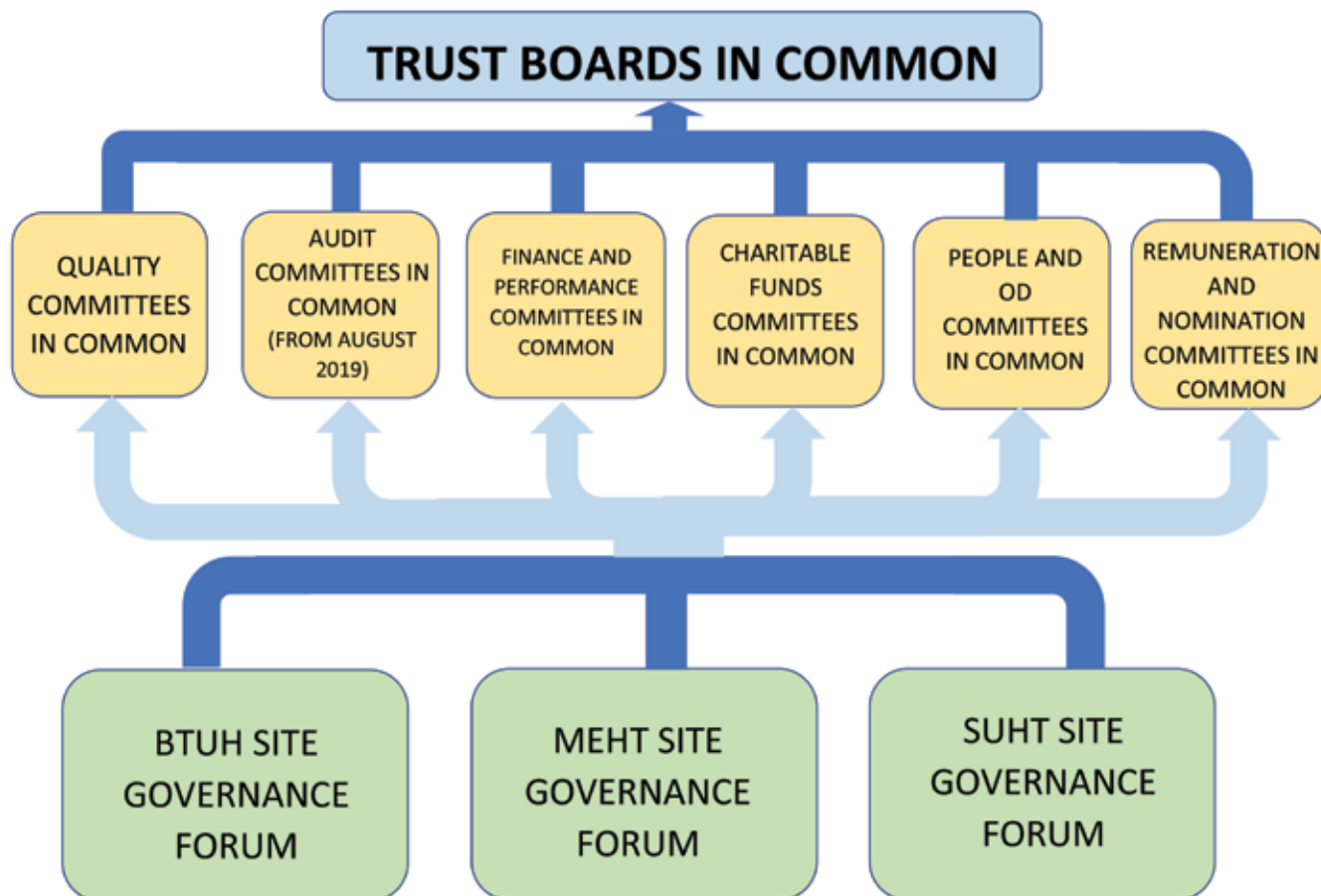
In order to ensure that the non-executive directors had sufficient opportunity to scrutinise performance of their respective trusts, each organisation operated a Site Governance Forum (SGF). These comprised a monthly meeting of the non-executives and site leadership teams to discuss the integrated performance report relating to that site and any other pertinent issues such as local service developments and emerging risks.

The SGFs were able to escalate issues to the Committees in Common on an exception risk-basis. Equally, the Committees in Common could refer particular matters for oversight by the relevant SGF. Following each SGF meeting, small groups of Governors, site directors and Board members undertook "walkabouts", visiting clinical and corporate areas of the Trust, listening to patients and staff and feeding their comments and urgent actions back to the SGF and the Board.

The Boards decided that the Trust Audit Committees would continue to meet separately, at least until the approval of the 2018/19 annual report and accounts, given their pivotal role in ensuring that each organisation has an effective system of governance, internal control and risk management. At this point, the Oversight Committee was formally abolished and the Audit Committees began meeting in common only.

At all stages in the development of our collaborative governance arrangements, all parties were clear that the Board of Directors of each Trust remained legally accountable for the performance of that particular Trust.

The key elements of the collaborative governance framework in operation across 2019/20 were as shown in the following diagram:



The Board of Directors

The people who served on the Board of Directors during the year are set out below, together with a brief biography, their term of office and membership of Trust committees.

Chairman and Non-Executive Board Members

Nigel Beverley, chairman

Nigel has a long and successful career in health management, mainly in the NHS, having held a number of chief executive positions in hospitals in Essex and London. He also has experience in commissioner roles at a regional level and healthcare business development.

Nigel's experience in the NHS has provided him with a range of areas of expertise including performance improvement, change management and transformation.

Appointed initially in July 2015, Nigel was successfully reappointed by the Governors for a further term of three years as BTUH Chair.

Between 1st July 2019 and 31st October 2019, Nigel served as Interim Chair of East of England Ambulance Service NHS Trust whilst retaining his role as BTUH Chair.

In November 2019, Nigel was appointed as Chair of the merged trust with effect from 1st April 2020.

Membership of Committees: FRC, QPSC, RN (chair)

Lynsey Cross, associate non-executive director (non-voting)

Lynsey joined the Board as an associate non-executive director in September 2019 to provide additional capacity to the NED team.

Lynsey has been an Executive Board Member with a track record of delivering significant business and cultural transformation in complex and multi-national businesses. A career of over 20 years in HR and Operations has given Lynsey a passion for, and dedication to what makes an organisation great - its people.

She has an acute understanding of the impact of corporate culture on the top and bottom line, history of driving exceptional employee performance and engagement, and building high performance, inclusive and diverse cultures. She has also been Chair of Diversity and Inclusion at the Insurance Institute London.

Lynsey was delighted to be appointed as a non-executive member of the Board of the merged trust with effect from 1st April 2020.

Renata Drinkwater, non-executive director, senior independent director and Freedom to Speak Up Champion

Renata's background is in business strategy consulting, initially with KPMG, subsequently as a Partner at EY (formerly Ernst and Young) and latterly as a director at the Capita Group plc.

She has a long standing interest in health sector issues. She was an elected trustee at Diabetes UK, and also at National Voices. She has also held non-executive directorships at a primary care trust and at three acute hospital trusts, including Basildon and Thurrock. She was also Chief Executive and Trustee of self-management UK, the country's leading provider of self-management programmes for people with long term health conditions. Renata is currently also a Self-Care Forum Board member, and a non-executive director of the Professional Standards Authority for Health and Social Care.

Appointed as a non-executive director in April 2016, she was reappointed by the Council of Governors for a second term, which came to an end in March 2020 upon the merger of the three trusts.

Membership of Committees: CF, RN, QPSC (Chair)

John Govett, non-executive director, deputy chair

John was group chief executive of Ixion Holdings (Contracts) Ltd (Anglia Ruskin University) and chairman of Paragon Concord Ltd. He has led company-wide root and branch reviews for organisations including P&O Ferries (as UK and worldwide commercial and marketing director) and Surrey County Council (as acting deputy CEO). A former head of marketing at Tesco, John has held various non-executive director and governance roles. John was initially appointed in April 2012 for a three-year term, and was successfully reappointed to March 2018. The Council of Governors extended John's final term of office to provide continuity as the Trust progressed to a new organisational form. His final term expired on 31st March 2020 upon the merger of the three trusts.

Membership of Committees: FRC (Chair), RN

Margaret Pratt

Margaret is a CIPFA accountant who has worked in and with NHS organisations in senior roles for over 25 years. She has a track record as a non-executive director in a range of public service organisations and is also currently a member of the Nominations Committee of the University of Northampton.

Margaret was appointed as a non-executive member of the Board of the merged trust with effect from 1st April 2020.

Membership of Committees: AC (Chair), FRPC, RN

Barbara Stuttle, CBE

Barbara has had a long and successful nursing career that spanned 46 years of NHS experience. She has worked within all areas of the NHS during this time to assist in improving the quality of care and services across England.

Since 2013 she has been working within special measures trusts leading and developing nurses to ensure that sustainable improvements in care for patients are delivered. During her career she has undertaken two Department of Health roles. One to lead on the implementation of non-medical prescribing across the UK and the other to support the implementation of new technologies in health.

She has a wealth of expertise in all dimensions of healthcare and has been committed to improving services to patient.

She considers that she has been privileged to work alongside many exceptional nursing, and health and social care colleagues.

Barbara was honoured with a CBE in 2004 for services to the NHS.

Barbara was appointed as a non-executive member of the Board of the merged trust with effect from 1st April 2020.

Membership of Committees: Audit, FRPC, CFC (Chair), RN

Executive Board Members

Individuals who served as executive members of the Board of Directors between 1 April 2019 and 31 March 2020 were as follows:

Clare Panniker, chief executive

Clare Panniker joined the Trust as chief executive in September 2012. Prior to joining Basildon and Thurrock University Hospitals NHS Foundation Trust, Clare was CEO of North Middlesex University Hospital for nine years.

A registered nurse, Clare also has a business degree, and has worked in the NHS for more than 25 years.

Clare mentors other aspiring NHS leaders, from both clinical and management backgrounds. The chief executive is the accounting officer for the Trust and carries full responsibility for the Trust's performance, forward planning and leadership of the executive team and clinical directors.

Tom Abell, chief strategy and transformation officer (deputy chief executive Officer)

Tom Abell joined the Trust in October 2015 as deputy chief executive.

He was previously chief officer of NHS Basildon and Brentwood Clinical Commissioning Group, bringing valuable experience of health commissioning to the Board.

Tom has been involved in several major service transformation and improvement programmes during his career. He has a special interest in the role that technology and new ways of working can play in improving health outcomes for patients, while making maximum use of valuable resources. Tom became deputy chief executive of the three trusts with effect from July 2017.

Martin Callingham, chief information officer (non-voting)

Martin initially trained as a nurse at the Royal London Hospital, working in A&E departments in north east London and Harlow. He made the move into site management and discharge planning at Whipps Cross Hospital before moving to Newham as head of modernisation, implementing the first electronic patient records in 2004. He progressed to the role of chief

information officer at Newham responsible for IT, Information coding and data quality and following the merger of Bart's Hospital and Whipps Cross Martin was responsible for clinical systems across six hospital sites.

Martin joined Mid Essex Hospitals NHS Trust in August 2014 to help deliver, maintain and grow the use of technology and information across the Trust.

Jonathan Dunk, chief commercial officer (non-voting)

Jonathan joined the MSE Group in May 2018 to provide executive leadership to lead a variety of key strategic workstreams, including the future organisational form programme and the transformation of corporate support services.

He has a strong background in finance, strategy and turnaround director roles, in both the NHS acute and commissioning sectors, most recently in the acute sector as Director of Finance at Milton Keynes University Hospital NHS Foundation Trust.

Jonathan is a graduate of the NHS Financial Management Training Programme and holds an NHS Leadership Academy Award in Executive Healthcare Leadership. Jonathan is a chartered accountant with CIPFA.

Danny Hariram, chief people and organisational development officer (non-voting)

Danny was previously the Workforce & OD Director at BTUH since 2015 and has worked in a number of acute and mental health trusts during the last twenty years with extensive experience of leading significant organisational change.

He works in ensuring high levels of staff engagement and works to develop an environment that allows for improvements for both patients and staff, allowing staff the help and support to unlock their full potential.

Danny joined the executive team on 16 November 2018.

Eamon Malone, chief estates and facilities officer (non-voting)

Eamon joined the MSE Group in December 2018 following a long estates and facilities career in the NHS in Northern Ireland. Eamon has experience leading estates services through a challenging merger process and utilising the skills, experience and expertise of estates and facilities colleagues to deliver more focused and efficient services. Eamon is a Chartered Building Surveyor and a Fellow of the Institute of Healthcare Engineering and Estate Management.

James O'Sullivan, chief finance officer (to 2nd September 2019)

James joined Southend Hospital as chief financial officer in April 2014.

During his early career James qualified as an accountant while working in the oil industry. He has also worked in other sectors, latterly spending 18 years with EDF Energy, and has held a number of finance director roles over the years.

James changed role on 2nd September 2019 to provide financial leadership as director of finance within the BTUH site leadership team.

Andrew Pike, managing director (non-voting)

Andrew has 26 years' health management experience at board and CEO level. He has held several senior NHS posts in the East of England and Essex, including overseeing the success regime for mid and south Essex.

He has a long and varied career in hospitals, primary care and commissioning. Prior to joining BTUH, he spent five years as NHSE's director of commissioning operations for the East of England. His move to Basildon and Thurrock Hospitals allows him, once again, to get closer to the front line of patient care, which has always been his passion.

Diane Sarkar, chief nursing and quality officer

Diane's experience spans the NHS and private healthcare. After training at The Royal Free Hospital in London, she worked in a number of London's large acute hospitals and progressed through several operational and corporate management positions. In 1996, Diane worked in the private sector at the Wellington Hospital, setting up new governance frameworks and leading on the quality agenda. Having completed a Master's degree, Diane returned to the NHS in 2001 at Southend Hospital, as associate director of operations for medicine and then associate director of nursing. Appointed in 2010, her focus has been particularly around developing the nursing workforce, as well as leading on a number of corporate agendas, including quality improvement and the patient safety and patient experience agenda.

Dawn Scrafield, chief finance officer (from 2nd September 2019)

Dawn joined the Trust Board on 2nd September 2019. Dawn is a highly experienced, values driven senior NHS leader with a strong reputation as an effective problem solver, with drive, determination, energy and imagination to deliver high quality, cost effective services to patients. Dawn is a qualified and seasoned finance professional with over 23 years' experience at senior and board levels, with a successful track record of achievements operating as a Director and Deputy Chief Executive in complex multi-site NHS organizations.

Prior to joining the MSE Group, Dawn supported the successful merge of Colchester and Ipswich Hospitals, to form East Suffolk and North Essex Foundation Trust. A strong team player with an excellent reputation for achieving significant results across a broad range of portfolios including, corporate leadership and strategy, financial improvement, performance management, and turnaround in challenged organisations.

Dr Celia Skinner, chief medical officer (to 30th June 2019)

Celia obtained her Fellowship from the Royal College of Physicians in 2001 and has specialised in genito-urinary medicine, particularly the treatment of HIV/Aids. She was previously deputy medical director at Barts Health where she had worked since 1995, having previously been associate medical director and a divisional director. Celia left her board role on 30th June 2019, whilst continuing to provide part-time support to the clinical transformation programme.

Dr David Walker, chief medical officer (from 3rd October 2019)

David has worked as a doctor for over 30 years and has held executive director positions in a number of NHS organisations since 2001.

He has wide research experience in the field of infectious diseases and epidemiology. He has held academic roles up to professorial level in several UK Universities and was formerly a visiting scientist at the Centres for Disease Control in Atlanta, USA.

Prior to this appointment with MSE Group on 3rd October 2019, David has been the Deputy Chief Medical Officer for England and Executive Medical Director for an acute Trust in the North West region.

Directors' attendance

Membership and attendance at Board of Directors and committee meetings during 2019/20 is summarised below. The values shown are the number of attendances against the number of meetings held during the year that the non-executive director or executive director was eligible to attend. Where there is no entry, this means that the director was not a member of that committee.

Board/Committee	BoD	AC/ Acc	F&PCc	QCc	CFCc	RNCc	P&ODCc
Chair	Nigel Beverley (BTUH)/Alan Tobias (SUHFT)	Mike Green (SUHFT)/Margaret Pratt (BTUH)	David Parkins (SUHFT)	Karen Hunter (MEHT)/Fred Heddell (SUHFT)	Fred Heddell (SUHFT)	Nigel Beverley (BTUH)/Tony Le Masurier (SUHFT)	Barbara Stuttle (BTUH)
Nigel Beverley	7/9	-	9/11	3/10	-	2/3	-
Renata Drinkwater	6/11	1/1	-	7/10	3/3	2/3	3/4
John Govett	4/11	-	5/11	1/10	-	1/3	1/4
Margaret Pratt	4/11	1/1	2/2	7/11	1/10	-	-
Barbara Stuttle	8/11	1/1	2/2	-	6/10	3/3	2/3
Tom Abell	10/11	-	1/1	8/11	-	-	-
Martin Callingham	10/11	-	1/1	11/11	-	-	-
Jonathan Dunk	9/11	-	2/2	8/11	-	-	-
Danny Hariram	11/11	1/1	-	3/11	-	-	4/4
Eamon Malone	9/11	-	5/11	-	-	-	-
James O'Sullivan	3/3	3/3	1/1	3/4	-	-	-
Clare Panniker	10/11	-	1/1	6/11	4/10	-	-
Andrew Pike	9/11	-	6/11	4/10	-	-	-
Diane Sarkar	10/11	-	1/2	-	10/10	-	-
Dawn Scrafield	6/8	-	2/2	7/8	-	1/1	-
Celia Skinner	2/2	-	-	4/4	-	-	-
David Walker	6/6	-	-	5/5	-	-	-

Directors' additional activities

No executive directors were appointed as a non-executive director of another organisation during the year. No board members were governors or director of another NHS Foundation Trust, except for the members of executive team who were, by definition, executive directors of Basildon and Thurrock University Hospitals NHS Foundation Trust, Mid Essex Hospital Services NHS Trust and Southend University Hospital NHS Foundation Trust.

Board committees

Remuneration and Nominations Committee (RN)

The Remuneration and Nominations Committee (RemNom) served a number of purposes in that it:

- Determined the remuneration and terms of service of the Trust's chief executive and of other executive directors
- Considered the pay and conditions of any termination arrangements
- Appointed executive directors (including the chief executive) following a formal, rigorous open and transparent process
- Advised the Council of Governors on the skills and experience required for non-executive director appointments

The committee comprised all non-executive directors and was chaired by the Trust chairman.

The Committee's terms of reference were compliant with all Code Provisions relating to it within the NHS Foundation Trust Code of Governors 2010 (revised in 2013).

The chief executive and the chief people and OD officer were invited to attend the committee when relevant to provide professional advice.

Neither attended any meeting at which the terms of office or remuneration for their posts were under discussion. In the event that an external advisor to the committee was appointed, that person was not a member of the committee.

During Summer 2017, the JWB agreed that the RemNoms of the three trusts should meet and transact their business in common, as part of the collaborative governance arrangements. This made sense strategically given that the executive directors (including the chief executive) held those positions on the Boards of all three trusts. In the interests of clarity and governance, the JWB approved a mode of working document that set out those issues which were within and outside scope when the committees met in common rather than when they met alone.

During 2019/20, the RemNoms in Common met on 3 occasions. At these meetings, the following items of business were transacted:

- The objectives for the executives were discussed, refined and approved;
- The outcome of the annual appraisals for the executives, including the Chief Executive, were noted by the Committees;
- A new Group Pension Contribution Retention Payment Policy was approved

Charitable Funds Committee (CF)

The Charitable Funds Committee ensured that the Trust complied with its responsibilities as a corporate trustee and reviewed the performance of charitable funds.

Key activities of this committee during 2019/20 included:

- Monitoring the reserves of the charity in compliance with the Reserves Policy, review of fundraising activities and consideration of fundraising resources and appropriate appeals and unimproved engagement with fundholders;
- Review of the charity accounts for 2018/19;
- Consideration of a presentation and report from the independent Investment Manager;
- Co-ordination of the programme to merge the three trusts at the point of merger

Audit Committee (AC)

The Board had a well-established Audit Committee whose membership comprises solely non-executive directors. In 2019/20, membership of the committee comprised three NEDs, two of whom were also members of the Finance and Performance Committee and of the Quality and Patient Safety Committee, in the interests of promoting integrated governance and the flow of information and assurance between committees.

With effect from August 2019, the Audit Committee commenced meeting only in common with the Audit Committees of MEHT and SUHT.

The role of the Audit Committee was to assess the adequacy and effective operation of the Trust's overall systems of risk management and internal control. It focussed mainly on the framework of risks, controls and related assurances that underpinned the delivery of the Trust's operational and strategic objectives. The Audit Committee reviewed arrangements for Trust staff to raise, in confidence, concerns about possible improprieties in matters of financial reporting and control, clinical quality, patient safety and other matters (the Trust's whistleblowing policy).

In focusing on the framework of risks, controls and related assurances that underpinned the delivery of the Trust's objectives (the Board Assurance Framework – BAF), the committee took a particular interest in the processes that underpinned the Annual Governance

Statement within the Annual Report and Accounts.

Key activities of the Audit Committee during 2019/20 included:

- Review and approval of the internal audit strategy, operational plan and more detailed programme of work, ensuring that this was consistent with the audit needs of the Trust as identified in the Board Assurance Framework.
- Consideration of the findings of internal audit work, the appropriateness and timeliness of management responses and the timeliness of the completion of agreed actions to bring about improvements.
- Review of all external audit reports, including the annual audit letter to the Council of Governors and any work conducted for the Trust outside the annual audit plan.

- Review of the Trust's Annual Report and Financial Statements (Accounts) before approval by the Board of Directors, including the Annual Governance Statement and changes in, and compliance with, accounting practices and policies.
- Review of all work related to counter fraud and security as required by NHS Counter Fraud Authority.
- Review of the work of other committees whose work can provide assurance on the Trust's overall system of governance and internal control.
- The Audit Committee also received regular reports on losses and special payments, Waivers of tendering processes and competitive quotations and any alleged or suspected fraud notified to the Trust or its Local Counter Fraud Specialist.
- Close working with the Oversight Committee to develop the collaborative governance and risk management systems and processes in preparation for the 2019/20 transition year and for the anticipated merger in April 2020.
- Oversight of the interim governance arrangements introduced to facilitate the response to the COVID-19 pandemic. The Audit Committee, both before and after the merger date, noted that a number of staff had enabled contacts, or brokered discussions for the trust, with potential PPE suppliers. The Committee was satisfied that no purchases were made where our staff had an interest in the supplying entity. However for full disclosure the trust sought declarations of interest where their involvement had been more extensive in facilitating the purchase.

In line with the NHS Foundation Trust Code of Governance, the Committee had the following items to report to the Board:

- *The committee undertook a detailed review of the financial statements prepared for the Annual Report and Accounts 2019/20.*

The Annual Report and Accounts were consistent with the information provided to the committee throughout the year and with information provided from external assurance reports (for example, the Care Quality Commission reports). The same process took place prior to the Board of Directors receiving the financial, operational and compliance statements within the 2019/20 Annual Report and Accounts.

In reviewing the reports from the external auditors to the committee and to the Council of Governors, and taking into account the committee's private discussions with the external auditors, the committee considers, along with comments from management, whether the Trust received an effective audit from the current external audit provider, BDO LLP. The external auditors' fee was fixed with reference to the contract under which this firm was first appointed, and the committee received confirmation of the fees to be charged for the 2019/20 audit when considering the external audit plan for the year.

In preparing for the review of the 2019/20 financial statements, operations and compliance, the committee spent time assessing the Trust's Going Concern statement, in view of its financial position.

The external auditors did not undertake any additional work for the Trust outside the annual audit plan during 2019/20.

- In Quarter 3 of 2019/20, the Audit Committee commissioned an external review of the Trust's financial governance and forecasting for the year. Further details about this review can be found in the Annual Governance Statement

The Audit Committee was supported by three assurance committees of the Board of Directors - the Quality and Patient Safety Committee, the Finance and Performance Committee and the People and OD Committee. Each committee comprised non- executive directors and site directors, supported by senior officers. All committees were chaired by non-executive directors. The aim was to ensure in-depth scrutiny and additional assurance on the internal control in these key aspects of the Trust's business and governance responsibilities.

Quality and Patient Safety Committee

The Trust's umbrella clinical governance committee was the Quality and Patient Safety Committee (QPSC). It was responsible to the Board of Directors for monitoring the implementation of strategic priorities and compliance with regulatory requirements and best practice relating to clinical quality, patient safety and experience. Quality governance is discussed in more detail in the Annual Governance Statement.

Throughout 2019/20, the quality committee met in common on a monthly basis to ensure appropriate oversight of quality and patient safety during the important transition year to the new organisation.

The focus on quality improvement and outcomes was maintained by an integrated quality report from the chief nursing and quality officer and the chief medical officer to the Trust Board.

The quality governance structure at BTUH relating to quality improvement and clinical governance is shown below.



Governor observers provided regular feedback on the work of the committee at the Council of Governors meetings during the year. This was a key step in helping governors to discharge their statutory duty to hold the Board to account through the NEDs.

Key activities of the Quality Committees in Common during 2019/20 included:

- Oversight of reports and resultant action plans from external service reviews and compliance visits;

- Review of benchmarking data in relation to a number of areas including falls;
- Scrutiny of the Trust's preparations for the Care Quality Commission inspection that took place in February and March 2019;
- Regular review of quality and patient safety risks on the Group Board Assurance Framework and the Trust's Corporate Risk Register.

Finance and Performance Committee (FPC)

This Committee's remit included scrutiny of operational performance alongside the effectiveness of financial management and governance and financial performance against plan.

Key activities of the Committee during 2019/20 included:

- Considering on a monthly basis the Trust's financial performance including achievement of efficiency savings and cash management by reference to the Annual Plan;
- Reviewing the capital programme and the development of the Capital Programme Outline Business Case (OBC);
- Monthly scrutiny of recovery plans against the access standards within the NHS Constitution, including the four-hour A&E wait standard, the 18-weeks referral to treatment (RTT) standard and the cancer wait standards;
- Detailed scrutiny of the development of the Long Term Financial Model (LTFM) for the merged organization as part of the submissions to NHSI;
- Monthly review of finance and operational risks on the Trust's Board Assurance Framework.

People and Organisational Development Committee (POD)

This committee was created in January 2019 as part of the new phase of the collaborative governance framework.

Key activities of this committee across 2019/20 included:

- Reviewed and endorsed a strategy to improve staff engagement;
- Oversight of the Trust's equality, diversity and inclusion agenda including scrutiny of the Trust's current gender pay gap;
- Exploration of a strategic partnership for the recruitment of overseas nurses.

How we evaluated the performance of the Board of Directors and its committees

The Trust was committed to ensuring governance best practice and has adopted a mixture of regulator-driven evaluation and self-assessment to evaluate the performance of the Board of Directors. The annual appraisal/performance review of the chairman was led by the Senior Independent Director (SID), with input from the Council of Governors, board members and with support from the corporate secretary. The outcome of the appraisal and agreed objectives are shared with the Council of Governors in July each year.

The Chairman, with input from the Council of Governors, undertook in turn the annual appraisals or performance evaluations of the non-executive directors. The objectives of the Non-executive directors agreed through this process were shared with the Council of Governors each year.

The chief executive led the annual appraisal of the executive directors. She was supported in this task by the non-executive directors, particularly in relation to the performance of the Executive as members of a unitary board with collective responsibility for the performance of the Trust. The RemNom Committee reviewed the appraisal and objectives agreed each year.

Evaluation of the effectiveness of the committees took place shortly after the end of the financial year, usually as a self-assessment exercise. The chairman and NEDs met privately as required to review the performance of the Board of Directors.

Feedback from governor observers at board, committee and SGF meetings was always important in assisting the Trust to develop and refine its governance systems and processes. To facilitate this, governor observers were invited to give any feedback in real time at the end of meetings as well as through more formal means such as non-executive director appraisals.

Ensuring the Trust was well-led

The report from the internal Well Led inspection was considered by the Quality Committees in Common and progress against the action plans was continually monitored throughout the year.

Details of the internal control systems in place to manage and mitigate risks in addition to the Trust's quality governance structure can be found within the Annual Governance Statement.

Better Payment Practice Code

The Better Payment Practice Code requires all NHS organisations to achieve a payment standard for valid invoices to be paid within 30 days of the receipt of the goods or services or a valid invoice (whichever is later) unless other payment terms have been agreed. The target applicable for 2019/20 was 95%.

BTUH Better payment practice code performance 2019/20	Actual	Actual
	31/03/2020	31/03/2020
	YTD	YTD
	Number	£'000
Non NHS		
Total bills paid in the year	67,888	142,956
Total bills paid within target	62,443	128,238
Percentage of bills paid within target	92.0%	89.7%
NHS		
Total bills paid in the year	1,801	12,275
Total bills paid within target	1,397	10,798
Percentage of bills paid within target	77.6%	88.0%
Total		
Total bills paid in the year	69,689	155,231
Total bills paid within target	63,840	139,036
Percentage of bills paid within target	91.6%	89.6%

Late payment of commercial debts

The Trust was not required to make any payments of interest under the Late Payment of Commercial Debts (Interest) Act 1998 during 2019/20.

Directors' Register of Interests

The Directors' Register of Interests, which provided details of all company directorships and other significant interests, could be found on the Trust website.

The Register of Interests for Governors, providing the same detail, could be obtained from the corporate secretary.

Political and charitable donations

As an NHS Foundation Trust, we made no political or charitable donations. The Trust benefitted from charitable donations received and always appreciated the efforts of fundraising organisations, members of staff and the public for their continued support.

Statement as to disclosure to auditors

For each individual who was a director at the time that the report was approved, as far as the directors were aware, there was no relevant information of which the auditors are unaware. The directors had 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 auditor was aware of that information.

Income disclosures required by Section 43 (2A) of the NHS Act 2006

Section 43(2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012) requires that the income from the provision of goods and services for the purposes of the health services in England must be greater than its income from the provision of goods and services for any other purposes. Of the £401.8m income generated during 2019/20, £332.6m (82.7%) related directly to the provision of NHS healthcare.

Section 43(3A) of the NHS Act 2006 requires NHS Foundation Trusts to provide information on the impact that other income it has received has had on the provision of the health service in England. The income generated from other sources by the Trust during 2019/20 (noted above) had no impact on the provision of goods or services for the purpose of the health service in England.

Cost allocation and charging requirements

The Trust complied with the cost allocation and charging requirements as set out in HM Treasury and Office of Public Sector Information Guidance.



Nigel Beverley
Chairman

24 June 2020



Clare Panniker
Chief executive

24 June 2020

Council of Governors and Membership report

All governors signed a declaration on election that indicated that they meet the 'fit and proper persons' test as described in the provider license. No governor was a director or governor in another NHS Foundation Trust.

The role of the Council of Governors

The Council of Governors linked the Foundation Trust to its members, community and partner organisations to ensure local people were engaged and involved in our services.

The Council of Governors was responsible for representing the interests of Foundation Trust members, the public and partner organisations in the local health and care economy as part of the governance of our Trust. The Council of Governors also held the Board of Directors to account for the Trust's performance, through the non-executive directors.

Appointed governors represented their organisation, connecting the Trust and our key partner bodies. Their position within that organisation was not considered as a material interest.

On joining the Trust, each new governor received an induction and ongoing training and development in the affairs of the Trust and the broader health and care economy. Re-elected governors were invited to attend an induction session as a 'refresher' if they so wished.

Governors and Patient Council members had a standing invitation to attend and ask questions at Board meetings in public.

Lead Governor

Ron Capes, a public governor for Basildon, was elected as lead governor for a sixth year. Alan McFadden was re-elected as the deputy lead governor at the same meeting. Alan was a public governor for Basildon. Both Ron and Alan fulfilled their respective roles for the entirety of 2019/20.

Composition of the Council of Governors

The composition of the council of Governors comprised the following positions throughout 2019/20.

Fig 11: Composition of the council of governors 2019/20		Number of Governors	Totals
Representative governors:			
Partnership organisations	Anglia Ruskin University	1	
	South Essex College	1	
	Basildon, Thurrock and Brentwood CVS representative	1	
Total partnership organisation governors			3
Staff Governors	Staff employed by BTUH	4	
Total staff governors			4
Local authorities	Thurrock Borough Council	1	
	Essex County Council	1	
Total local authority governors			2
Public governors:			
	Basildon	7	
	Thurrock	5	
	Brentwood	1	
	The rest of England	1	
Total public Governors			14
Grand total			23

Meetings of the Council of Governors

During 2019/20, there were 5 regular formal meetings of the Council of Governors, including the Annual Members Meeting (AMM). There was an additional meeting held “in common” with the Council of Governors of Southend and the Mid Essex Patient Council to approve key aspects of the Constitution of the merged trust, followed by a second meeting of BTUH Governors alone to give final approval to the MSE Trust Constitution.

The final meeting of the BTUH Council of Governors took place on 18th March 2020 where the Governors approved the merger of BTUH with Southend and Mid Essex, making a total of 8 formal meetings across the year.

Governors were encouraged to attend by varying the times of meetings. Travelling expenses to and from meetings were reimbursed. The number of attendances by individual Governors and Directors at meetings of the Council of Governors were recorded and shown in the tables below.

Meeting	CoG 17.07.19	AMM 24.09.19	CoG 9.12.19	CoG 10.03.20	CoG 18.03.20	Overall attendance
Public Governors						
Bill Beeko (Brentwood)	Attended	Attended	Attended	Attended	Attended	5/5
Julie Bellinger (Thurrock)			Attended	Attended	Attended	3/5
Ron Capes (Basildon)	Attended	Attended	Attended	Attended	Attended	5/5
Charles Curtis (Thurrock)	Attended					1/5
Mercedes de-Dunewic (Rest of England)					Attended	1/5
Julia Harding (Thurrock)	Attended	Attended	Attended		Attended	4/5
Myfanwy Howells (Basildon)		Attended	Attended	Attended	Attended	4/5
James Little (Thurrock)	Attended	Attended			Attended	3/5
Alan McFadden (Basildon)	Attended	Attended	Attended	Attended	Attended	5/5
Marlene Moura (Basildon)			Attended	Attended	Attended	3/5
Phil Smith (Thurrock)	Attended	Attended	Attended	Attended	Attended	5/5
Joy Pons (Basildon)		Attended			Attended	2/5
Alan Ursell (Basildon)	Attended	Attended	Attended	Attended	Attended	5/5
Staff Governors						
Penny Bryant	Attended	Attended	Attended			3/5
Liz Carpenter				N/A	N/A	0/3
Daniel Clary					Attended	1/5
Cathy Crouch				N/A	N/A	0/3
Appointed Governors						
Dee Truesdale (Councils of Voluntary Services)					Attended	1/5
David Van Day (Thurrock Council)	N/A	N/A	N/A	Attended	Attended	2/2
Executive						
Tom Abell			Attended		n/a	1/4
Martin Callingham		Attended			n/a	1/4
Jonathan Dunk		Attended		Attended	Attended	3/5
Danny Hariram		Attended	Attended	Attended	n/a	3/4
Eamon Malone	Attended				n/a	1/4
James O'Sullivan		Attended	n/a	n/a	n/a	1/2
Clare Panniker	Attended			Attended	Attended	3/5
Andrew Pike	Attended	Attended		Attended	n/a	3/4
Diane Sarkar	Attended				n/a	1/4
Dawn Scrafield	n/a	Attended			n/a	1/3
Celia Skinner		n/a	n/a	n/a	n/a	0/1
David Walker	n/a	n/a	n/a		n/a	0/1
Non-Executive Directors						
Nigel Beverley		Attended		Attended	Attended	3/5
Lynsey Cross	n/a	n/a	n/a		n/a	0/1
Renata Drinkwater		Attended			n/a	1/4
John Govett	Attended				n/a	1/4
Margaret Pratt		Attended			n/a	1/4
Barbara Stuttle		Attended			n/a	1/4

Resigned 02.20

Resigned 02.20

Composition of Council of Governors 2019/20

Group		Number of Governors	Vacant positions
Elected	Basildon constituency	5	3
	Thurrock constituency	4	2
	Brentwood constituency	1	2
	Rest of England	2	0
Worker	Basildon Hospital	2	3
Local Authority	Thurrock Borough Council	1	
	Essex County Council		1
Partnership Organisations	CVS	1	
	Anglia Ruskin University		1
Total		16	12

Attendance at meetings by elected Governors

Governor	Constituency	Type	Tenure	Attendance at council meetings
Bill Beeko	Brentwood	Public	Appointed for 3 years in April 2018	5/5
Julie Bellinger	Thurrock	Public	Appointed for 3 years in April 2017	3/5
Ron Capes(1)	Basildon	Public	Appointed for 3 years in April 2016	5/5
Charles Curtis	Thurrock	Public	Appointed for 3 years in April 2017	1/5
Mercedes de-Dunewic	Rest of England	Public	Appointed for 3 years in April 2018	1/5
Julia Harding	Rest of England	Public	Appointed for 3 years in April 2018	4/5
Myfanwy Howells	Basildon	Public	Appointed for 3 years in April 2018	4/5
James Little	Thurrock	Public	Appointed for 3 years in April 2017	3/5
Alan McFadden	Basildon	Public	Appointed for 3 years in April 2018	5/5
Marlene Moura(1)	Basildon	Public	Appointed for 3 years in April 2016	3/5
Phil Smith	Thurrock	Public	Appointed for 3 years in April 2018	5/5
Joy Pons (1)	Basildon	Public	Appointed for 3 years in April 2016	2/5
Penny Bryant(1)		Staff	Appointed for 3 years in April 2016	3/5
Daniel Clary		Staff	Appointed for 3 years in April 2018	1/5

(1) A decision was made to extend the term of office of all governors until the merger date of 1 April 2020

Attendance at meetings, appointed Governors

Governor	Constituency	Type	Tenure	Attendance at council meetings
David Van Day	Thurrock Borough Council	Local Authority	Appointed in February 2020	2/2
Dee Truesdale	CVS Thurrock	Appointed	Appointed in April 2019	1/5

Attendance at Council of Governors meetings, Board members

Board members	Positions	Attendance at council meetings
Nigel Beverley	Chairman	3/5
John Govett	Non-Executive Director	1/4
Barbara Stuttle	Non-Executive Director	1/4
Margaret Pratt	Non-Executive Director	1/4
Renata Drinkwater	Non-Executive Director	1/4
Clare Panniker	Chief Executive	3/5
Tom Abell	Deputy Chief Executive / Chief Transformation Officer	1/5
James O'Sullivan (until September 2019)	Chief Finance Officer	1/2
Diane Sarkar	Chief Nursing Officer	1/5
Celia Skinner (until September 2019)	Chief Medical Officer	0/1
Andrew Pike	Managing Director	3/5
Martin Callingham	Chief Information Officer	1/5
Jonathan Dunk	Chief Commercial Officer	3/5
Eamon Malone	Chief Estates and Facilities Officer	1/5
Danny Hariram	Chief People and OD Director	3/5
David Walker (from October 2019)	Chief Medical Director	0/2
Dawn Scrafield (from September 2019)	Chief Finance Officer	1/4

Making appointments

It was the role of the Council of Governors to appoint, re-appoint or remove the chairman and non-executive directors (NEDs).

The NED and Chairman Remuneration and Appointments Committee (NEDRAC) considered the most appropriate means of ensuring that the Trust's NED team could deliver board-level continuity in the period leading up to the proposed merger. The Governors on that Committee decided to appoint Renata Drinkwater for her second ordinary term of office for three years from 1st April 2019. They also decided to reappoint Margaret Pratt and Barbara Stuttle CBE for a further one year to 31 March 2020.

NEDRAC members gave particularly careful consideration to the proposal to reappoint John Govett, given that John would have served a total of eight years as a Basildon and Thurrock NED by 31st March 2020, when the Trust Constitution specified a maximum term of office for any particular NED as six years. This provision was in place in order to preserve independence as research had shown that the longer that a NED remained with an organisation, the less he or she was able or willing to challenge as an independent director.

After careful consideration, NEDRAC decided that the benefits to the Trust of John Govett's corporate memory and point of continuity during this period of significant change outweighed the risk of loss of independence, although Governors were clear that this should be publicly recorded in the 2019/20 Annual Report and Accounts as a 'comply or explain' issue.

Building our membership

The public and staff membership by constituency as at 31st March 2020 is shown in the following chart:

	Planned	Actual
Membership size and movements	2019/20	2019/20
Public constituency: At year start (April 1)	15540	15540
New members	860	336
Members leaving	-33	-38
At year end (31 March)	16367	15838
Minimum required under Annex 1 of Constitution	40	40
Staff constituency: At year start (April 1)	4759	4731
New members	788	825
Members leaving	649	637
At year end (31 March)	4898	4919
Minimum required under Annex 2 of Constitution	10	10

NB - The number of leavers is slightly disproportionate to the number of starters above, as there are a number of employees who were fixed term who have later been made permanent employees within the Trust.

Staff constituency

Membership of the staff constituency was open to any individual who was employed by the Trust under a contract of employment. They were able to become, or continue as, a member of the Trust provided they:

- were employed by the Trust under a contract of employment which has no fixed term or has a fixed term of at least 12 months; or
- had been continuously employed by the Trust under a contract of employment for at least 12 months
- Those individuals who were eligible for membership of the Trust were referred to collectively as the staff constituency.

All staff eligible for membership were contacted on joining the Trust to confirm their membership and they were given the opportunity to opt out.

No staff members opted out of trust membership in 2019/20.

Looking forward to the new Trust

Our governors were an integral part of the joint working between the acute trusts in Mid and South Essex over the past three years. A Constitution and Corporate Governance Task and Finish Group met during 2018/19 and the first half of 2019/20. This brought together the Lead Governors, Trust Chairs and lead directors from across the trusts to develop proposals for key elements of the corporate governance structure of the merged organisation, such as the composition of the Board of Directors, the process for appointing the Chair and non-executives of the new organisation, the boundaries of the public membership constituencies, the size of the Council of Governors and the mechanisms for ensuring that the patient voice was heard at all times.

Governors were aware of their statutory responsibility to approve or decline any proposed merger as set out in the NHS Act 2006. During 2019/20, a special programme of engagement and development was in place to ensure that Governors were equipped with the necessary information and assurance to make an informed decision on the merger proposal. This supplemented the rolling programme of bi-monthly informal seminars that had been in place for Governors for several years.

During 2019/20, all three trusts focused on building the membership base for the merged Trust, in particular supporting the team at Mid Essex to recruit shadow members from their local population who could, in due course, elect Governors to the merged organisation. This happened alongside ensuring that the large and stable membership base for the two current Foundation Trusts was maintained during and beyond the transition.

Appointment of Chair and Non-Executive Directors for the new organisation

The Trust had in place arrangements covering the process for the appointment of the Chair and Non-Executive Directors and these were defined in the Trust's Constitution.

In the early part of the year, the Council of Governors of SUHFT met with the Council of Governors of BTUH and representatives from the Patient Council of MEHT and agreed that a partnership approach would be adopted whereby the Chair and NEDs appointment decisions for the new organisation would be taken "in common". The Councils of Governors agreed a

plan to have all members of the merged board in place by February 2020 to ensure a smooth transition from the predecessor Board to the Board of the new organisation.

From June 2019 onwards, all meetings of the SUHFT Search and Appointment Committee and Council of Governors related to appointment of the Chair and the NEDs were attended by the representative members of the BTUH Council of Governors and MEHT Patient Council. After careful consideration by the Council of Governors in common the following key decisions were made:

- a skills audit would be undertaken and the skills set required for the new Board set out to ensure the board would be balanced in terms of skills and experience
- the Chair and NED positions would be open to application from Chairs and NEDs of the existing trusts and the open market
- existing NEDs previous terms of office would not be counted in terms of the maximum length of service with the new organisation
- if appointed, an existing NED would have a term of office of two years followed by a second term of three years subject to satisfactory performance and approval by the Council of Governors
- newly appointed NEDs would have a term of office of three years followed by a second term of three years subject to satisfactory performance and approval by the Council of Governors
- an external search firm would be commissioned to facilitate and provide independent advice to Governors on the Chair and NEDs appointment process
- the job description and person specification would be reviewed by the Search and Appointment Committee
- preliminary interviews would be conducted by the external search firm
- the Search and Appointment Committee would select a short list of candidates and recommendations to the Council of Governors who would appoint the Chair and Non-Executive Directors
- selection would be entirely based on merit assessed through a standard process of application form/CV, panel interview, stakeholder session and references
- the Chair of the new organisation would be appointed to first and would subsequently be involved in the appointment of the NEDs
- the remuneration of the Chair and NEDs will be based on benchmarking report for similar size NHS organisations

Following a thorough process based on the aforementioned key decisions, the Council of Governors was delighted to appoint Nigel Beverley as Chair of the MSE. The Council of Governors at subsequent meetings also approved the appointment of Alan Tobias OBE, Margaret Pratt and Barbara Stuttle CBE (from the existing NEDs pool across the three Trusts), Lynsey Cross, Dave Hughes, Julie Parker, Deepak Singh and Caroline Stanger as NEDs of the new organisation. These appointments took effect from 1 April 2020.

Remuneration report

Annual statement from the Chair of the Remuneration and Nominations (RemNom) Committee

This information is not subject to audit.

During 2019/20, no executive received an uplift in salary aside from the modest uplift applied to implement the Very Senior Manager (VSM) national pay award guidance issued by NHS Improvement dated 31st January 2020.

Further information on the work of the RemNom Committee can be found in the Directors Report.

Senior Managers' Remuneration Policy

The Trust's remuneration policy stated that Agenda for Change applies to all directly employed staff except very senior managers (directors), those covered by the Doctors' and Dentists' Pay Review Body and a group of staff who joined the Trust in March 2016 as part of a transfer from an external organisation under the Transfer of Undertakings and Protection of Employment (TUPE) regulations who were employed by the Trust on local terms and conditions.

The remuneration package and conditions of service for executive directors was agreed by the RemNom Committee. In setting the remuneration for directors, the committee took account of the following factors:

- Market value of similar posts in similar size organisations
- The benchmarking information provided by NHS Providers (formerly the Foundation Trust Network)
- The pay rates for those staff reporting to the director in question

The remuneration for executive directors did not include any performance-related bonuses and none of the executives received personal pension contributions other than their entitlements under the NHS Pension Scheme.

With regard to those senior managers who were paid more than £150,000 (which equated to the Prime Minister's ministerial and parliamentary salaries), the Committee satisfied itself that this remuneration was reasonable by taking a number of factors into account. These included benchmarking against comparable organisations and taking independent advice from experts in executive remuneration.

The component parts of the remuneration package for senior managers are summarised over the page.

Basic salary	Each year, the RemNom Committee considered the contribution of each director against the functions of the post as defined in the current job description and as foreseen for the future. This was carried out in parallel with a review of the individual's career development and potential opportunities for progression.
Pension	The executive directors were able to join the standard NHS Pension Scheme that is available to all NHS staff.
Bonus	Bonuses were not given to staff, including senior managers.
Benefits	The Trust operated a number of salary sacrifice schemes, including childcare vouchers and a car lease scheme. This was open to all permanent members of staff. The individual forewent an element of their basic pay in return for a defined benefit.

Throughout 2019/20, all executive directors held permanent contracts.

The notice period for executive directors was six months and there were no additional arrangements for enhanced termination payments or compensation for early termination of contract. The Trust did not use confidentiality agreements, unless related to patient identifiable information.

The Trust did not consult with employees when preparing the senior managers' remuneration policy.

The Trust made payments for loss of office in accordance with the regulations of established schemes such as the Mutually Agreed Resignation Scheme (MARS) and in line with employment contracts as appropriate to the individual case.

NED contracts were based on a fixed fee. Additional fees were payable for the role of deputy chairman, senior independent director and chair of the audit committee. NED contracts are summarised in the section below.

Annual report on remuneration

Service contracts

The terms of office for non-executive directors was three years with the possible renewal or a further term, up to a maximum of six years.

The term of office of John Govett was extended by the Council of Governors for a further term of one year to 31 March 2020, making his total service of 8 years. Margaret Pratt and Barbara Stuttle CBE were appointed for a further term of one year to 31 March 2020, by which time they would have served on the Board for two years. All of these extensions followed a satisfactory appraisal.

The termination of a NED contract would be the responsibility of the Council of Governors. Suspension or removal of the chairman or another non-executive director would require the approval of three quarters of the members of the Council of Governors, in accordance with the Trust Constitution.

Throughout the 2019/20 year, the Trust held contracts with NEDs as shown in the following table:

Name	Appointment date	Start of current	Indicative end of current term
Nigel Beverley	July 2015	July 2018	June 2021
Renata Drinkwater	April 2016	April 2019	March 2022
John Govett	April 2012	April 2019	March 2020
Margaret Pratt	April 2018	April 2019	March 2020
Barbara Stuttle	April 2018	April 2019	March 2020

NB - all NED terms of office ended on 31st March 2020 upon the merger of the MSE trusts

Remuneration and Nominations Committee (RemNom)

The RemNom Committee was responsible for the remuneration of the senior managers of the Trust. Full details of the committee, its members and their attendance at meetings can be found on page 22.

Expenses

Expenses were paid to both directors and governors during the year, and the previous year, as shown below:

2019/20	Total receiving expenses	Total expenses (£)
Directors	12	11,267
Governors	6	4,994
Total	18	16,261

2018/19	Total receiving expenses	Total expenses (£)
Directors	14	10,192
Governors	4	909
Total	18	11,101

Note – the value of directors' expenses is the total expenses paid and the amount attributable to the Trust is a third of these costs. The numbers include all directors or governors who have served for any part of the year shown.

Directors' remuneration report

This information is subject to audit

Senior managers and Non-Executive Remuneration 2019/20 (subject to audit)

		Year ended 31 March 2020					
		Salary	Expense Payments	Annual Performance related bonus	Long-term performance related bonuses	All pensions related benefits	Total
		(Bands of £5,000)	(To nearest £100)	(Bands of £5,000)	(Bands of £5,000)	(Bands of £2,500)	(Bands of £5,000)
		£'000	£	£'000	£'000	£'000	£'000
Executive Directors							
Clare Panniker	Chief Executive	80 - 85	100	-	-	-	80 - 85
Tom Abell	Chief Transformation Officer	50 - 55	100	-	-	37.5 - 40	90 - 95
Martin Callingham	Chief Information Officer	40 - 45	100	-	-	30 - 32.5	75 - 80
Dawn Scrafield	Chief Financial Officer	From Sep 2019	30 - 35	100	-	30 - 32.5	60 - 65
David Walker	Chief Medical Officer	from Oct 2019	35 - 40	0	-	-	35 - 40
Eamon Malone	Chief Estates & Facilities Director		45 - 50	2,700*	-	30 - 32.5	75 - 80
J. O'Sullivan	Chief Financial Officer	Until Sep 2019	20 - 25	100	-	12.5 - 15	35 - 40
Danny Hariram	Chief People & Organisational Development Director		60 - 65**	100	-	-	60 - 65
Diane Sarkar	Chief Nurse		45 - 50	100	-	27.5 - 30	75 - 80
Jonathan Dunk	Chief Commercial Officer		50 - 55	0	-	25 - 27.5	75 - 80
Dr Celia Skinner	Chief Medical Officer	Until July 2019	15 - 20	-	0 - 5***	0	20 - 25
Andrew Pike	Managing Director		170 - 175	100	-	52.5 - 55	225 - 230

* includes one-off relocation expense package

**includes one-off pensions payment due to issues identified in the prior year

*** relates to clinical excellence award

Non - Executive Directors

Salary	Expense Payments	Annual Performance related bonus	Long-term performance related bonuses	All pensions related benefits	Total
(Bands of £5,000)	(To nearest £100)	(Bands of £5,000)	(Bands of £5,000)	(Bands of £2,500)	(Bands of £5,000)
£'000	£'	£'000	£'000	£'000	£'000

50 - 55	400	-	-	-	50 - 55
15 - 20	-	-	-	-	15 - 20
15 - 20	200	-	-	-	15 - 20
10 - 15	-	-	-	-	10 - 15
15 - 20	100	-	-	-	15 - 20

N Beverley	Chair		
R Drinkwater	Non - Executive Director		
M Pratt	Non - Executive Director		
B Stuttle	Non - Executive Director		
J. Govett	Non - Executive Director		

Executive Directors DISCLOSURE 2019/2020 (subject to audit)

Year Ended 31 March 2020

Total Salary, fees and Bonus	Basildon NHS FT	Mid Essex NHS Trust	Southend NHS FT
(Bands of £5,000)	(Bands of £5,000)	(Bands of £5,000)	(Bands of £5,000)
£'000	£'000	£'000	£'000

Executive Directors

Clare Panniker	Chief Executive	245 - 250	80 - 85	80 - 85	80 - 85
Tom Abell	Chief Transformation Officer	155 - 160	50 - 55	50 - 55	50 - 55
Martin Callingham	Chief Information Officer	130 - 135	40 - 45	40 - 45	40 - 45
Dawn Scrafield	Chief Financial Officer (from Sep 2019 – present)	90 - 95	30 - 35	30 - 35	30 - 35
David Walker	Chief Medical Officer (Oct 2019 – present)	115 - 120	35 - 40	35 - 40	35 - 40
Eamon Malone	Chief Estates & Facilities Director (from Dec 2018 – present)	135 - 140	45 - 50	45 - 50	45 - 50
J. O'Sullivan	Chief Financial Officer (Feb 2017 – Aug 2019)	65 - 70	20 - 25	20 - 25	20 - 25
Danny Hariram	Chief People & Organisational Director (from Nov 2018 – present)	190 - 195	60 - 65	60 - 65	60 - 65
Diane Sarkar	Chief Nurse	145 - 150	45 - 50	45 - 50	45 - 50
Jonathan Dunk	Chief Commercial Officer (from May 2018 – present)	150 - 155	50 - 55	50 - 55	50 - 55
Dr Celia Skinner	Chief Medical Officer (from Feb 2017 – Sep 2019)	60 - 65	20 - 25	20 - 25	20 - 25
Andrew Pike	Managing Director	170 - 175	170 - 175	-	

Senior managers and Non-Executive Remuneration 2018/19

Year Ended 31 March 2019							
Salary	Expense Payments	Annual Performance related bonus	Long-term performance related bonuses	Benefits In Kind	Other Remuneration	All pensions related benefits	Total
(Bands of £5,000)	(To nearest £100)	(Bands of £5,000)	(Bands of £5,000)	(To nearest £100)	(Bands of £5,000)	(Bands of £2,500)	(Bands of £5,000)
£'000	£'	£'000	£'000	£'	£'000	£'000	£'000

Executive Directors

Clare Panniker	Chief Executive		75 - 80	600	-	-	-	-	62.5 – 65.0	140 – 145
Tom Abell	Chief Transformation Officer		50 - 55	200	-	-	-	-	85.0 – 87.5	135 – 140
Martin Callingham	Chief Information Officer		40 - 45	400	-	-	-	-	-	40 – 45
John Henry	Director of Environment and Infrastructure	Sep 2018 to Dec 2018	5 - 10	-	-	-	-	-	12.5 – 15.5	20 – 25
Mary Foulkes OBE	Chief Human Resources Director	Until Nov 2018	25 - 30	-	-	-	-	-	52.5 - 55.0	80 – 85
Danny Hariram	Chief People & Organisation Development Director	From Nov 2018	15 - 20	200	0	0	-	-	0	15 - 20
Paul Kingsmore *	Director of Environment and Infrastructure	from December 2017 to Sept 2018	25 - 30	-	-	-	-	-	-	25 – 30
J O'Sullivan	Chief Financial Officer		50 - 55	-	-	-	-	-	45.0 – 47.5	95 – 100
Jonathan Dunk	Chief Commercial Officer	From May 2018	40 - 45	400	-	-	-	-	172.5-175	215 - 220
Eamon Malone	Chief Estates & Facilities Director	From 4 Dec 2018	10 - 15	-	-	-	-	-	7.5 - 10	20 - 25
Diane Sarkar	Chief Nurse		45 - 50	-	-	-	-	-	7.5 - 10	55 - 60
Dr Celia Skinner	Chief Medical Officer		60 - 65	-	-	-	-	10 - 15	30 - 32.5	105 – 110
A Pike	Managing Director	From 9 July 2018	120 - 125	-	-	-	-	-	117.5 - 120	240 - 245
Clare Culpin	Managing Director	Until 22 June 2018	35 - 40	100	-	-	-	-	-	35 - 40

* The Director of Environment and Infrastructure, Paul Kingsmore, is working in an interim capacity via an agency.

Non - Executive Directors

Salary	Expense Payments	Annual Performance related bonus	Long-term performance related bonuses	Benefits In Kind	Other Remuneration	All pensions related benefits	Total			
(Bands of £5,000)	(To nearest £100)	(Bands of £5,000)	(Bands of £5,000)	(To nearest £100)	(Bands of £5,000)	(Bands of £2,500)	(Bands of £5,000)			
£'000	£'	£'000	£'000	£'	£'000	£'000	£'000			
N Beverley	Chair		45 - 50	-	-	-	-	-	-	45 - 50
R Drinkwater	Non - Executive Director		15 - 20	-	-	-	-	-	-	15 - 20
M Pratt	Non - Executive Director		15 - 20	-	-	-	-	-	-	15 - 20
B Stuttle	Non - Executive Director		10 - 15	-	-	-	-	-	-	10 - 15
J. Govett	Non - Executive Director		15 - 20	-	-	-	-	-	-	15 - 20
R Greenwood	Non - Executive Director		0 - 5	-	-	-	-	-	-	0 - 5

Executive Directors DISCLOSURE 2018/2019

Year Ended 31 March 2019			
Total Salary, fees and Bonus (Bands of £5,000) £'000	Basildon NHS FT (Bands of £5,000) £'000	Mid Essex NHS Trust (Bands of £5,000) £'000	Southend NHS FT (Bands of £5,000) £'000

Executive Directors

Executive Director	Role	Group	Total Salary, fees and Bonus (Bands of £5,000) £'000	Basildon NHS FT (Bands of £5,000) £'000	Mid Essex NHS Trust (Bands of £5,000) £'000	Southend NHS FT (Bands of £5,000) £'000
Clare Panniker	Chief Executive	Joint Executive Group	230 - 235	75 - 80	75 - 80	75 - 80
Tom Abell	Chief Transformation Officer	Joint Executive Group	150 - 155	50 - 55	50 - 55	50 - 55
Martin Callingham	Chief Information Officer	Joint Executive Group	125 - 130	40 - 45	40 - 45	40 - 45
John Henry	Director of Environment and Infrastructure	Joint Executive Group	25 - 30	5 - 10	5 - 10	5 - 10
Mary Foulkes OBE	Chief Human Resources Director	Joint Executive Group	75 - 80	25 - 30	25 - 30	25 - 30
Danny Hariram	Chief People & Organisational Development Director	Joint Executive Group	50 - 55	15 - 20	15 - 20	15 - 20
Paul Kingsmore	Director of Environment and Infrastructure	Joint Executive Group	75 - 80	25 - 30	25 - 30	25 - 30
J O'Sullivan	Chief Financial Officer	Joint Executive Group	160 - 165	50 - 55	50 - 55	50 - 55
Jonathan Dunk	Chief Commercial Officer	Joint Executive Group	130 - 135	40 - 45	40 - 45	40 - 45
Eamon Malone	Chief Estates & Facilities Director	Joint Executive Group	40 - 45	10 - 15	10 - 15	10 - 15
Diane Sarkar	Chief Nurse	Joint Executive Group	140 - 145	45 - 50	45 - 50	45 - 50
Dr Celia Skinner	Chief Medical Officer	Joint Executive Group	220 - 225	70 - 75	70 - 75	70 - 75
A Pike	Managing Director (from 9 July 2018)	Joint Executive Group	120 - 125	-	-	120 - 125
Clare Culpin	Managing Director (until 22 June 2018)	Joint Executive Group	35 - 40	35 - 40	-	-

Pension entitlement for senior managers (subject to audit)

The Government's Financial Reporting Manual requires the Foundation Trust to make disclosures regarding the pension entitlements of its directors, as detailed in the following table. As non-executive directors do not receive pensionable remuneration, there are no entries in respect of pension benefits for these directors.

Pension entitlement for senior managers 2019/20 (subject to audit)

Executive Directors		Year ended 31 March 2020						
Executive Director	Role	Real Increase in pension at pension age (Bands of £2500)	Real Increase in pension lump sum at pension age (Bands of £2500)	Total accrued pension at pension age at 31 March 2020 (Bands of £5000)	Lump sum at pension age related to accrued pension at 31 March 2020 (Bands of £5000)	Cash Equivalent Transfer Value at 1 April 2019	Real Increase in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2020
Clare Panniker*	Chief Executive	-	-	-	-	0	-	0
Tom Abell	Chief Transformation Officer	2.5 - 5.0	0 - 2.5	25 - 30	0 - 5	236	15	268
Martin Callingham	Chief Information Officer	2.5 - 5.0	0 - 2.5	55 - 60	135 - 140	1,085	42	1,172
Dawn Scrafield	Chief Financial Officer	0 - 2.5	0 - 2.5	50 - 55	105 - 110	673	21	746
David Walker*	Chief Medical Officer	-	-	-	-	-	-	-
Eamon Malone	Chief Estates & Facilities Director	2.5 - 5	0	0 - 5	0	12	17	49
J. O'Sullivan	Chief Financial Officer	0 - 2.5	0	15 - 20	0	233	15	295
Danny Hariram	Chief People & Organisational Development Director	2.5 - 5	0 - 2.5	40 - 45	90 - 95	629	0	704
Diane Sarkar	Chief Nurse	2.5 - 5.0	0	50 - 55	115 - 120	907	30	980
Jonathan Dunk	Chief Commercial Officer	0 - 2.5	0	35 - 40	65 - 70	458	12	503
Dr Celia Skinner	Chief Medical Officer	0	42.5 - 45	0	0	1958	n/a**	n/a**
Andrew Pike	Managing Director	2.5 - 5	10.0 - 12.5	75 - 80	225 - 230	1,650	101	1,816

*These individuals have opted out of the pension scheme in 2019/20

** Due to scheme retirement ages for C Skinner no CETV values are available for disclosure

All pensions related benefits

Pension Related Benefits relate to the individuals full employment and is not limited to their paid employment with the Trust. The change in pension related benefits is defined within the Department of Health - Group Accounting Manual 2017-18 as $((20 \times PE) + LSE) - ((20 \times PB) + LSB)$, where:

PE is the annual rate of pension that would be payable to the director if they became entitled to it at the end of the financial year; PB is the annual rate of pension, adjusted for inflation, that would be payable to the director if they became entitled to it at the beginning of the financial year; LSE is the amount of lump sum that would be payable to the director if they became entitled to it at the end of the financial year; and LSB is the amount of lump sum, adjusted for inflation, that would be payable to the director if they became entitled to it at the beginning of the financial year.

Pension entitlement for senior managers 2018/19

		Real Increase in pension at pension age	Real Increase in pension lump sum at pension age	Total accrued pension at pension age at 31 March 2019	Lump sum at pension age related to accrued pension at 31 March 2019	Cash Equivalent Transfer Value at 31 March 2019	Real Increase in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 1 April 2018
		(Bands of £2,500)	(Bands of £2,500)	(Bands of £5,000)	(Bands of £5,000)			
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Executive Directors								
Clare Panniker	Chief Executive	2.5 – 5.0	5.0 – 7.5	70 - 75	175 - 180	1,393	192	1,160
Tom Abell	Chief Transformation Officer	5.0 – 7.5	0 – 2.5	20 - 25	0 – 5	236	61	149
Martin Callingham	Chief Information Officer	0 – 2.5	0	50 - 55	135 - 140	1,085	92	947
John Henry	Chief Estates & Facilities Director	0 – 2.5	0 – 2.5	15 - 20	45 - 50	366	24	263
Mary Foulkes OBE	Chief Human Resources Director	2.5 – 5.0	2.5 – 5.0	15 - 20	30 - 35	321	68	235
Danny Hariram*	Chief People & Organisational Development Director	0	0	0	0	0	0	0
J. O'Sullivan	Chief Financial Officer	2.5 - 5	0	10 - 15	0	233	49	159
Jonathan Dunk	Chief Commercial Officer	7.5 - 10	20 – 22.5	30 - 35	65 - 70	458	154	258
Eamon Malone	Chief Estates & Facilities Director	0 – 2.5	0	0 – 5	0	12	5	0
Diane Sarkar	Chief Nurse	0 – 2.5	0	45 - 50	110 - 115	907	89	774
Dr Cella Skinner	Chief Medical Officer	2.5 - 5	7.5 - 10	85 - 90	260 - 265	1,958	208	1,668
A Pike	Managing Director from 9th July	5.0 – 7.5	17.5 - 20	70 - 75	210 - 215	1,650	213	1,294
Clare Culpin	Managing Director until 22 nd June	-	-	45 - 50	130 - 135	1,019	9	927

* No pension figures have been reported for Danny Hariram due to an external administrative error which resulted in contributions not being made towards his pension for approximately 3 years. The Trust is consequently unable to make the required disclosures to comply with the Group Accounting Manual (GAM). Specifically, the 'Pension Related Benefits' and 'Total' columns of the Directors' remuneration 2018/19 table are not complete for Mr Hariram and, similarly, the information included in all the columns of the Pensions table for him in 2018/19 are also incomplete.

Fair pay multiples

This information is subject to audit

NHS Foundation Trusts are required to disclose the relationship between the mid-point of the banded remuneration of the highest paid director in their organisation and the median remuneration of all staff.

The calculation is based on the full-time equivalent staff of the reporting entity at the reporting period end date on an annualised basis. Where there is a sharing arrangement, it is cost to the entity of the individual that identifies them as 'highest paid' and not the total of that individual's remuneration.

Highest and median remuneration	2019/20 £000s	2018/19 £000s
Band of highest paid director's total remuneration	170-175	165-170
Median total remuneration	31.6	29.9
Ratio	5.5	5.6

Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions or the cash equivalent transfer value of pensions. The median remuneration for all employees was based on employees with a permanent contract with the Trust as at 31 March 2020. Agency and bank staff working at the year-end were included in the median calculation, with the cost reduced by estimation for the amount of commission included.

The banding of the highest paid director was also calculated as at 31 March 2020. The highest paid director has been identified as the managing director.

As there is a sharing arrangement for all of the other members of the executive team, only one third of their annualised remuneration was used in the calculation. The chief executive was the only full time executive director at the Trust.

In 2019/20, 24 (2018/19, 42) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £5.1k to £347.3k (2018/19 £8.2k to £302.2k). These employees were all medical personnel who assumed additional responsibilities or performed extra clinical activity to reduce waiting lists.



Clare Panniker
Chief executive

24 June 2020

Staff Report

Off-payroll disclosures guidance - The Tax Centre of Excellence, hosted by the Ministry of Justice, has published extra guidance to help users understand the disclosure requirements relating to highly paid off-payroll workers. A link to this guidance has been added to the NHS Foundation Trust Annual Reporting Manual (ARM).

<https://taxcentreofexcellence.uk/homepage/off-payroll-working-ir35/>

1.1.1 Staffing Information

An analysis of the Trust's staff costs and staff breakdown are shown below. Data is presented by staff group and includes details of staff with a permanent employment contract with the Trust and other staff, for example, short term contract staff, and agency/temporary staff.

Also presented is a breakdown at the year end of the number of male and female, directors, other senior managers and employees as well as sickness data for all staff groups for the same period.

Analysis of staff costs (subject to Audit)

	2019/20			2018/19		
	Total	Permanent	Temporary	Total	Permanent	Temporary
	£000	£000	£000	£000	£000	£000
Salaries and wages	193,291	184,568	8,723	166,329	166,063	266
Social security costs	19,183	18,564	619	16,535	16,535	-
Apprenticeship Levy	943	943	-	832	832	-
Employer's contributions to NHS pensions	21,146	20,749	397	18,789	18,789	-
Pension cost – employer contribution paid by NHS England	9,185	9,013	172	-	-	-
Pension cost – other	176	-	176	38	38	-
Other post-employment benefits	-	-	-	-	-	-
Other employment benefits	-	-	-	-	-	-
Termination benefits	-	-	-	-	-	-
Temporary staff - External Bank	14,091	-	14,091	22,344	-	22,344
Temporary staff – Agency/Contract	13,715	-	13,715	15,554	-	15,554
Total gross staff costs	271,730	233,837	37,893	240,421	202,257	38,164
Recoveries in respect of seconded staff to Other NHS bodies	(7,470)	(7,365)	(105)	(2,696)	(2,696)	-
Total staff costs	264,260	226,472	37,788	237,725	199,561	38,164

Number of Staff Employed - by staff group and Role - as at 31 March 2020 (subject to Audit)

Staff group	Headcount	FTE
Nursing and midwifery	1602	1456.83
Medical and dental	635	618.18
Additional clinical services	1000	886.17
Allied Health Professionals	248	224.08
Professional scientific and technical	120	104.95
Healthcare scientists	61	55.74
Estates and ancillary	495	390.48
Administrative and clerical	1041	918.74
Total	5202	4655.18

* data provide by ESR

Number of filled Bank and Agency roles - by staff group - as at 31 March 2020

staff group	FTE
Nursing and midwifery	280.85
Medical and dental	33.19
Additional clinical services	106.20
Allied Health Professionals	0.00
Professional scientific and technical	21.71
Healthcare scientists	0.00
Estates and ancillary	57.28
Administrative and clerical	144.04
Grand total	643.27

** data provide by Finance*

Gender Split as at 31 March 2020

	Male	Female
Directors	9	6
Other senior managers	34	88
Employees	1202	3866
Total	1245	3960

Sickness percentage as at 31 March 2020

staff group	% Absence Rate
Nursing and midwifery	3.90%
Medical and dental	0.80%
Additional clinical services	6.16%
Allied Health Professionals	2.55%
Professional scientific and technical	2.89%
Healthcare scientists	3.71%
Estates and ancillary	4.69%
Administrative and clerical	4.89%
Trust total	4.10%

** data provide by ESR - Average of 12 months 2019-20 Financial Year*

Sickness data as at 31 March 2020

Measure	Value
Average full time equivalent (FTE) April 2019 to March 2020	4,536
FTE-days available	1,515,045
FTE-days lost to sickness absence	62,045
Average of 12 months (2019-20 Financial year)	4.10%
Average sick days per FTE (include long term sickness)	14

** data provide by ESR*

1.1.2 Staff policies and actions applied during the financial year

Equality and Diversity

The Trust had an overarching equal opportunities in employment policy which underpinned the work that the Trust undertook throughout the year with regards to Equality, Diversity and Inclusion. The strategic aims of Equality, Diversity and Inclusion were monitored and progressed through the Equality, Diversity and Inclusion Group (this Group was successfully launched across the MSE Group in 2019) to ensure that the Trust met its statutory duties, best practice and had real focus for delivery, for the forthcoming year.

Examples of initiatives undertaken during 2019-2020 included the creation and the development of successful diversity network groups.

The network groups comprised; BAME, LGBTQ+, Disability, Faith and Belief, Armed Forces and their Families. Each Network Group had annual objectives to achieve, which were agreed and reviewed with their members and are aligned to the Equality, Diversity and Inclusion Group objectives. Each Network Group established a profile during 2019-2020, providing our staff with a voice at many events and celebrations throughout the year. Such campaigns and events held during 2019-20 where all staff were encouraged to participate included:

- Celebration of Black History Month (events included a conference, film evening and social media campaign)
- Wear it Red Against Racism Day
- National Rainbow Badge Campaign (championing LGBTQ+ agenda)
- Attending Gay Pride Events at both London and Southend
- Launch of the Disability Passport
- Celebration of International Women's Day

The groups played an active contribution to the Equality, Diversity and Inclusion Group (EDIG) and were part of the overall agenda. The Trust continued to focus on promoting the networks, to ensure the promotion of inclusion for all groups. Following the extremely successful International Women's Day event (where celebratory events were held across MSE including external speakers) we planned to launch a Gender Equality Network Group during 2020 across MSE. Representatives from the Trust were also invited to attend parliament for the NHS Confederation International Women's Day conference which was extremely well received. This Gender Equality Network Group will focus on championing gender equality and through initiatives, will contribute to the reduction and elimination of the Gender Pay Gap over the forthcoming years.

Promotion of the equality and diversity agenda continued as part of the Welcome Days and representatives from the networks are involved with meeting new starters and promote the groups. There was a rolling diversity calendar of events where we held celebrations and participated in community events throughout the year which staff were encouraged to actively participate in. Mandatory Equality and Diversity Training was provided for all staff including our newly qualified and overseas nurses throughout the year.

The Trust continued to conduct an analysis of the staff survey focusing on the outcomes for Equality and Diversity with agreed interventions put in place to secure improvements. This was reflected in the Equality Diversity and Inclusion overall action plan which incorporated the Workforce Race Equality Standard (WRES), Workforce Disability Standard (WDES) and Equality Delivery System 2 (EDS2). We should be mindful however that these reports had been suspended for the remainder of 2020.

The Trust continued to hold a number of accreditations which included its Responsibility Deal Employer pledge and mental health Mindful Employer and the SEQOHS (Safe Effective Quality Occupational Health Service) standard accreditation. The Trust continued to conduct an analysis of the staff survey focusing on the outcomes for disabled staff with agreed interventions put in place to secure improvements.

The Gender Pay Gap report was uploaded to the national database and published on our internet site prior to 30th March 2020. The report demonstrated that both the average and median hourly pay rates were higher for male staff compared to female staff. Similarly, both the average and median bonus payments were higher for male staff compared to female staff with bonus payments in the majority being awarded to male staff (Clinical Excellence Awards). We were committed to taking action to close this gender pay gap and planned to use the data to enable us to initiate conversations around gender pay issues and to inform actions to address any area of concern.

A link to the Gender Pay Gap report is provided below: <http://www.basildonandthurrock.nhs.uk/equality-and-diversity>

Gender Pay Gap

Details of the gender pay gap are available on the attached link provided earlier within this report. However a summary of the key data is provided below. An action plan is also provided on the relevant link and these are consistent for the Group:

Measure	Percentage
Mean Pay Gap	30.12%
Median Pay Gap	17.46%
Mean Average Bonus Pay Gap	21.75%
Median Average Bonus Pay Gap	29.17%
Proportion of Males Receiving a Bonus Payment	6.37%
Proportion of Females Receiving a Bonus Payment	0.62%

Further to the successful pilot in 2017, the Trust continued to engage the Guardian Service during 2019-20 to support the Freedom-to-Speak-Up agenda. This led to an increased opportunity for staff to raise concerns confidentially in the workplace and provided a structure for escalation and resolution of concerns. This is supported by a Freedom-to-Speak-Up steering group, which was attended by representatives from the Trust including nominated Speak-Up Champions from each directorate, which further promoted the agenda.

The Guardian Service attended various staff forums to promote the service and ensure that staff could access their service. There was a positive response to the service with staff from various directorates and roles raising concerns. These concerns had either been resolved through coaching by the Guardian or referral to the appropriate manager for informal or more formal intervention.

Policies

As part of the planning for merger, the following policies had been developed, agreed and were in place for the new merged organisation. A Joint Policy Development Working Group comprised representatives from Staff-Side, Operational Management and Human Resources professionals working in partnership from across the legacy three Trusts was set up to take forward the policy development work. Business-critical HR policies were harmonised across the three trusts and are in place as a single set of policies for the new organisation.

All policies and procedures were subject to an Equality Impact Assessment and a Risk Impact Assessment to ensure that no specific group was adversely affected and there were no inherent risks associated with the policies and procedures.

Actions taken in the financial year to consult employees or their representatives on a regular basis so that views of employees could be taken into account in making decisions which are likely to affect their interest

In addition to the local Joint Consultative Negotiating Council, there was also an MSE Joint Negotiating Council, chaired by the Chief People and Organisational Development Officer. This brought together trade union representatives, human resources professionals and operational managers to consult with and discuss proposed change for the Trusts' employees, working together to provide the best experience for staff.

Communication with employees

Communication through Chief Executive and Executive Team member briefings has sustained communication about merger plans, clinical redesign and corporate support services redesign programmes. The monthly emails from the Chief Executive and weekly local bulletins highlighted key management and operational messages to staff. The Site Leadership Team members continued to visit wards and departments to talk to staff and hear their successes and concerns.

1Week, the weekly Trust-wide bulletin, ensured that staff across all three sites received key information, vacancy details and shared success stories consistently and at the same time.

Standard communication channels included regular executive briefings at the monthly Staff Brief, daily stepping up briefings, Connect magazine and staff emails.

Involvement in performance

The Trust informed staff of its performance on a regular basis, through its communication channels including monthly Staff Brief presentations, through the Directors Forum and the Joint Staff Side Committee. Feedback was also shared via the monthly performance reviews where those staff directly impacted were able to share their division's contribution to performance. Information was also shared daily via the morning stepping up briefing. The monthly staff briefs were open to all staff, and form the basis of local team briefings. Staff are encouraged to give feedback on their views regarding performance through local team meetings.

Consultation with employees

In line with the merger plans and service redesign, we commenced the review and consolidation of all corporate services, as well as some clinical services. This was supported by the single group organisational change policy and redeployment procedure, ensuring a consistency to our approach to change through a single merged process across the three legacy sites. We also put into place a change management team who very closely with our Trade Union partners, supported corporate managers with their structural changes, again ensuring consistency in process and approach to change.

Occupational Health and Wellbeing 2019

It is essential that our staff were safe, with access to a range of facilities and services to promote the health and wellbeing of our workforce.

The Occupational Health and Wellbeing service is one of the MSE Group corporate services function across the sites with one management structure. The principles are replicated across the sites and enable the same core functions, ensuring consistency across the Group. Following implementation of an updated IT system, it allows the core functions to be streamlined and staff can access any site, regardless of their place of work, with all staff being able to access the services offered.

The health and wellbeing strategy aimed to offer consistency across the Group, including access to an EAP (which included counselling), physiotherapy, lifestyle/wellbeing initiatives and access to OH practitioners for assessment and signposting for in-house and external support and agencies. The service worked with the staff engagement team and communications strategy in promoting national health and wellbeing initiatives. It has also produced guidance and support for managers and staff; to recognise and signpost staff who would benefit from the various health and wellbeing initiatives.

The flu campaign achieved a 61.5% uptake.

Counter-fraud and anti-bribery systems and processes

It is essential that proper use is made of public money and the Trust was committed to high ethical and moral standards. To this end the Trust took a zero tolerance approach to fraud and corruption with the intention of protecting the property and finances of the NHS and of patients in our care.

The Trust also had procedures in place that reduce the likelihood of bribery occurring which include requirements to adhere to standing orders, standing financial instructions, documented procedures, a system of internal control (including internal and external audit), local counter fraud specialist and a system of risk assessment, and is absolutely committed to maintaining an honest, open and well-intentioned atmosphere so as to best fulfil the objectives of the Trust and of the NHS.

The Trust was also committed to the rigorous investigation of any such allegations and to taking appropriate action against wrong doers, including possible criminal prosecution. To this end the Trust had a number of policies and procedures geared at the elimination of instances of Fraud and Bribery, which include, Disciplinary policy and procedure, Anti-Fraud and Anti-Bribery policy and Raising Concerns at Work (Whistleblowing Policy). The Trust had a local counter fraud HR protocol, commissioned by NHS Protect, which was reviewed and renewed annually.

Organisational Development

Organisational development aimed to enable staff to make a positive difference for patients through culture change, engagement and learning in a sustainable and systematic way. The function was part-merged in 2016/17 to a Group function and this year saw investment and significant consolidation of the OD role to support merger. Work included board support for adoption of the NHSI/E Compassionate Leadership Programme and start of the “Discovery phase”, senior leaders attended the Staff College leadership development training and corporate teams were supported through the three into one merger with team and individual development. Induction and statutory and mandatory training was streamlined and harmonised and through the Organisational Development, education and learning function, an apprenticeship strategy created as well as delivering high quality student nurse induction and training, clinical skills development (Simulation) and professional knowledge services (Libraries).

1.1.3 2019 NHS Staff Survey

The NHS Staff Survey is conducted annually and consistent with previous years, Mid Essex Hospital Services NHS Trust elected to conduct a full survey, providing the opportunity for all staff to participate. The Survey was conducted between 8 October and 29 November 2019 by our contractor Quality Heath.

The 2019 response rate results are shown below.

NHS Staff Survey response rate

	2016	2017	2018	2019
% Response	42%	48%	42%	50%
No of responses	1876	2231	1982	2425

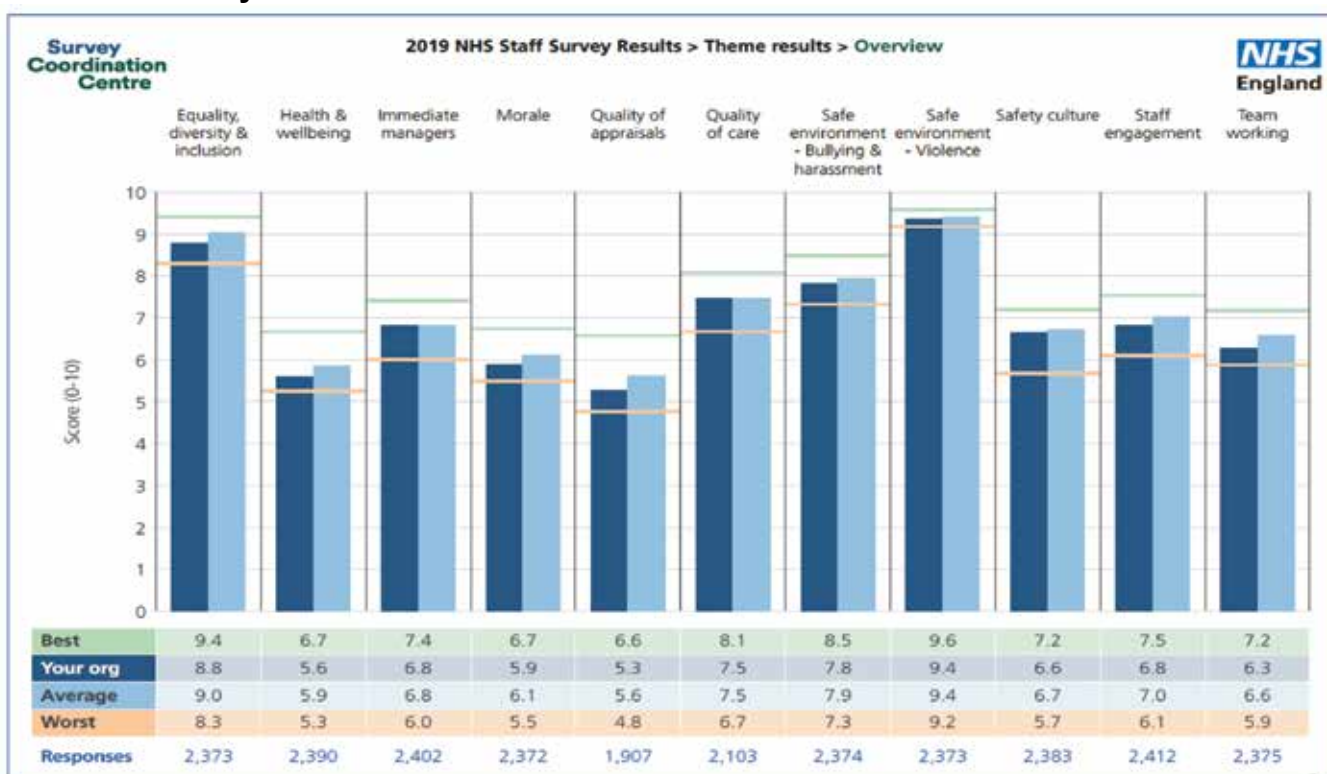
Headline Results

- Basildon reached 50% completion rate, an increase of 8%.
- The hospital response rate was above the Acute Trust Average (“ATA”) of 46%.
- The results demonstrated that our scores remain similar to previous years although with a decline in some areas. Our key strength remained ‘Safety Culture’ and our key areas of concern remained as health and wellbeing, bullying and harassment, morale and quality of appraisals.

We have seen a slight improvement in three out of 11 key themes including meeting or exceeding the NHS ATA for staff feeling able to deliver the care they aspire to, the support received from immediate managers and incidents of violence.

The structure of the NHS Staff Survey has changed and there are no longer key findings, these have been replaced by 11 Themes. The overall scores for these 11 Themes for the Trust are shown below.

2019 Staff Survey Theme Results



1.1.1 Future priorities and targets

1. As part of the Culture Change Programme diagnostic phase, we reviewed in depth the feedback given by, and work with, Directorate/Division and department leads to ensure their 2019-2020 action plans reflected the most recent feedback and their plans aimed to address the priorities in their area.

2. We continued with the 2019-2020 MSE Group Action Plans addressing the key issues arising in the 2018 and 2019 Staff Survey in the 6 priority areas identified previously. These were:

- To attract and better retain a greater number of our staff (Recruitment Action Plan);
- To improve staff health & wellbeing, in particular their resilience (Occupational Health Action Plan);
- Building on our current work around respect & dignity (Equality & Diversity Action Plan);
- To continue to develop our diversity & inclusion agenda (Equality & Diversity Action Plan);
- To improve the quality of the appraisal process (Culture Change Programme plan); and
- To continue with our on-going management and leadership development programmes (Culture Change Programme plan).

3. We mapped where appropriate actions and initiatives with the planned work within the Culture Change Programme for 2020-2021 to avoid duplication.

4. We explored the intervention that is needed in hotspot areas identified via the diagnostic process and recommend next steps.

Communication

5. We continued to engage with staff to encourage their contribution via the survey and ensure they feel this contribution is valued and will inform current and future change programmes and actions across MSE. We did this by:

- Engaging with Staff Survey Site leads, our Unions and Directorate/division leads to support the updating or realignment of Directorate/Division action plans;
- Publishing Group and local action plans via our 'We Said We Did Intranet' Hubs at each hospital to ensure transparency with staff;
- Providing bi-monthly updates on the progress of these plans via email to all staff;
- Engaging with our workforce via MSE Staff Survey 'road show' style events at each site in March 2020. These events provide staff with the opportunity to comment, provide feedback and submit ideas and suggestions on alternative or additional actions we can take;
- Monitoring progress of the MSE Staff Survey Group Action Plan via OD Programme Board reporting to POD CIC. Accountability at Directorate level for delivery via regular monitoring of Directorate plans by HR Business Partners, reporting to Site Leadership teams.

6. Developing a joint MSE campaign for the 2020 Staff Survey aimed at securing a 60% response across all three sites.

The results from the NHS Staff Survey 2019 were published by NHS Staff Survey Coordination Centre on 18 February 2020. The following reports were circulated on Thursday 13 February 2020:

- MSE Staff Survey Summary of Results Report together with full breakdown of individual question results for the Group.
- 50 directorate/division summary reports detailing all individual question results by directorate/division.
- 50 PowerPoint presentations outlining the Group, Trust and directorate/division results including top and bottom scores, recommendations and forthcoming engagement events. This will be provided to directorate/division leads and HR Business Partners for dissemination at department team meetings.
- WRES and WDES results presentation

Monitoring of progress

- Monitoring of progress of our Action Plans is via site PRM, Site Leadership team and with oversight by the People and OD Committee.

Accountability at Directorate level for delivery via regular monitoring of Directorate plans by HR Business Partners, reporting to the Site Leadership team.

The Trade Union (Facility Time Publication Requirements)

Relevant Union Officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
12	12

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	6
0.1-0.9%	1
1-50%	3
51%-99%	1
100%	1

Percentage of pay bill spent on facility time

First Column	Figures
Provide the total cost of facility time	£79,552.88
Provide the total pay bill	£449,798.00
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	15.17%

Paid TU activities

Time spent on paid TU activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid TU activities by TU representatives during the relevant period ÷ total paid facility time hours) x 100	16.55
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1.1.2 Expenditure on consultancy

The total expenditure on consultancy for the financial year was £3.8m (2018/19 £2.3m). Consultancy costs have reduced. However, the on-going transformation and efficiency initiatives undertaken by the Trust have required specialist consultancy support during the year.

1.1.3. Off payroll arrangements

The Trust adhered to the regulatory requirements in this area and makes regular submissions to NHSI on the use of off-payroll arrangements. The Trust will continue to review these recommendations regularly.

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

No. of existing engagements as of 31 March 2019	0
Of which...	
No. that have existed for less than one year at time of reporting.	
No. that have existed for between one and two years at time of reporting.	-
No. that have existed for between two and three years at time of reporting.	-
No. that have existed for between three and four years at time of reporting.	-
No. that have existed for four or more years at time of reporting.	-

Any off-payroll engagements were subject to a risk based assessment as to whether assurance is required that the individual was paying the right amount of tax and, where necessary, that assurance had been sought.

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

No. of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	0
Of which...	
Number assessed as within the scope of IR35	0
Number assessed as not within the scope of IR35	0
Number engaged directly (via PSC contracted to trust) and are on the trust's payroll	-
Number of engagements reassessed for consistency/assurance purposes during the year	-
Number of engagements that saw a change to IR35 status following the consistency review	-

For any off-payroll engagement of Board members, and/or senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019

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

1.1.3 Exit Packages 2019-20

There was one exit package in 2019/20 which had no financial cost to the Trust. There were no exit packages in 2018/19.

NHS Foundation Trust Code of Governance disclosures

Basildon and Thurrock University Hospitals NHS Foundation Trust applied the principles of the NHS Foundation Trust Code of Governance on a comply or explain basis. The Code, most recently revised in July 2014, was based on the principles of the UK Corporate Governance Code issued in 2012.

The Board of Directors reviewed its compliance with the Code of Governance provisions annually and where it did not comply, the Board considered the risks associated with non-compliance and mitigates those risks as far as possible.

All disclosures required by the Board of Directors and its committees can be found in the Directors' Report.

All disclosures required by the Council of Governors about its activities can be found in the Council of Governors Report.

All disclosures required in relation to remuneration can be found in the Directors' Remuneration Report.

The Code of Governance was reviewed in 2014/15 and the Board reviewed its compliance against the revised Code in March 2014.

Following this review, the Board agreed that the Trust complied with all of the main and supporting provisions of the Code, where they were applicable, with the exception of the term of office for John Govett.

This review was reconfirmed by the Board in respect of 2019/20.

Single oversight framework

NHS Improvement's (NHSI) Single Oversight Framework provides the framework for overseeing providers and identifying potential support needs.

The framework looks at five themes:

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

Based on information from these themes, providers are segmented from 1 to 4, where '4' reflects providers receiving the most support, and '1' reflects providers with maximum autonomy.

A foundation trust will only be in segments 3 or 4 where it has been found to be in breach or suspected breach of its licence.

Segmentation

Basildon and Thurrock University Hospitals NHS Foundation Trust has remained in Segment 3 for quarters 3 and 4 of the 2019/20 year.

The description of trusts falling into Segment 3 set out in the Single Oversight Framework is as follows:

'Providers receiving mandated support for significant concerns: there is actual or suspected breach of licence, and a Regional Support Group has agreed to seek formal undertakings from the provider of the Provider Regulation Committee has agreed to impose regulatory requirements'.

This segmentation is the Trust's position as at 31 March 2020.

Current segmentation information for NHS trusts and foundation trusts is published on the NHS Improvement website.

Finance and use of resources

The finance and use of resources theme is based on the scoring of five measures from '1' to '4', where '1' reflects the strongest performance.

These scores are then weighted to give an overall score. Given that finance and use of resources is only one of the five themes feeding into the Single Oversight Framework, the segmentation of the Trust disclosed above might not be the same as the overall finance score here.

Metric	2019/20 Q3 score	2019/20 Q4 score
Capital service cover rating	2	2
Liquidity rating	4	4
I&E margin rating	2	2
I&E margin: distance from financial plan	1	1
Updated agency rating	3	3
Risk rating after overrides	3	3

Improving our financial position

Throughout this annual report, we have explained the steps being taken to improve this Trust's financial sustainability, efficiency and financial controls during 2019/20 and into the merged organisation.

We will be maximising the benefits of working as a larger single trust alongside NHSI to improve our performance against the Single Oversight Framework.

Statement of Accounting Officer's responsibility

Statement of the chief executive's responsibilities as the accounting officer of Basildon and Thurrock University Hospitals NHS Foundation Trust

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

NHS Improvement, in exercise of the powers conferred on Monitor by the NHS Act 2006, has given Accounts Directions which require Basildon and Thurrock University Hospitals NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis required by those Directions. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Basildon and Thurrock University Hospitals NHS Foundation Trust and of its income and expenditure, other items of comprehensive income and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Department of Health and Social Care Group Accounting Manual and in particular to:

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

The accounting officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS Foundation Trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned Act.

The accounting officer is also responsible for safeguarding the assets of the NHS Foundation Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Signed

A handwritten signature in blue ink, appearing to read 'Clare Panniker'.

Clare Panniker Chief Executive

24 June 2020

Statement of the Board of Directors

The Board of Directors of the NHS Foundation Trust consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for patients, regulators and stakeholders to assess the NHS Foundation Trust's performance, business model and strategy.

Annual Governance Statement 2019/20

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievements 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, efficiently and effectively. I also acknowledge my responsibilities as set out in the NHS Foundation Trust Accounting Officer Memorandum. Readers should note that throughout 2019/20 I was also Chief Executive of Mid Essex Hospital Services NHS Trust and of Southend University Hospital NHS Foundation Trust.

The purpose of the system of internal control

The system of internal control was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it could therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control was based on an ongoing process designed to identify and prioritise the risks to the achievements of the policies, aims and objectives of Basildon and Thurrock University Hospitals NHS Foundation Trust, to evaluate the likelihood of these risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control was in place in Basildon and Thurrock University Hospitals NHS Foundation Trust for the year ended 31st March 2020 and up to the date of the approval of the annual report and accounts.

Collaborative governance arrangements

Whilst Basildon and Thurrock University Hospitals NHS Foundation Trust remained a statutory organisation governed by a Board of Directors holding the fiduciary duties required by legislation and the Trust Constitution, a collaborative governance framework (with a contractual joint venture overlay) was and continued to be in place between the three acute trusts within the Mid and South Essex Sustainability and Transformation Partnership (STP), also known as the Mid and South Essex Health and Care Partnership. These trusts were Basildon and Thurrock University Hospitals NHS Foundation Trust, Mid Essex Hospital Services NHS Trust and Southend University Hospital NHS Foundation Trust. Hereafter these organisations will be referred to collectively as "the MSE trusts" or "the MSE Group". Any reference to "the trust" refers specifically to Basildon and Thurrock University Hospitals NHS Foundation Trust.

Throughout 2019/20, the Trust Boards met only in common, save for exceptional circumstances and a single meeting per year to approve the respective trust's annual report and accounts. Throughout 2019/20, the Trust Board meetings in common occurred on a monthly basis (alternating between formal meetings and seminars/board development sessions with any formal urgent business).

As a result, the Trust Boards decided to rescind the delegations they made in December 2016 as noted above.

The Trust Boards also decided that their finance and performance committees and their quality and patient safety committees would meet only in common under harmonised terms of reference. The Trust Boards created new people and organisational development (OD) committees in common. Recognising the strategic importance of workforce, these committees provided additional capacity and capability to co-ordinate a strategic approach to workforce and OD issues.

The Trust Boards agreed that the three Audit Committees would continue to meet separately until the annual report and accounts governance process had been completed for 2018/19. As a result, the Audit Committees met in common only from August 2019.

When making these decisions to further integrate our governance arrangements across the Group, the Trust Boards were keen to ensure that the granularity of scrutiny at site-level was not overlooked, recognising the associated risks to internal control and to patient safety that this could present within the current operating model. As a result, the Trust Boards agreed to create a Site Governance Forum (SGF) within each trust.

Whilst the SGFs had no formally delegated authorities from the relevant Board, they provided a platform for the site leadership team to meet with the trust-specific non-executive directors on a monthly basis to review performance and risks at site-level and to collectively identify solutions. The SGFs also undertook “walkabouts” of the hospitals alongside Governors in order to promote ward to board governance.

As illustrated above, the capacity to identify and handle strategic and high level operational risks and to put in place effective controls across the three trusts developed to complement the systems within the individual organisations and hospital sites. The key aspects of the risk and control framework across the MSE Group are drawn out in the relevant sections of this Annual Governance Statement.

Further details about the collaborative governance arrangements can be found in the Directors Report.

Capacity to handle risk

The Board of Directors retained ultimate responsibility for ensuring that the Trust delivered upon its statutory duties and governance requirements. As such, the Board of Directors had the authority and responsibility for the establishment, maintenance, support and evaluation of the Trust’s Risk Management Strategy.

The finance and quality committees in common provided additional capacity to handle risk across the MSE Group. Up until June 2019, the Oversight Committee provided specific capacity to assess and manage the risks and governance challenges associated with the collaborative governance framework under which the three trusts were operating. During Summer 2019, the Oversight Committee was formally disbanded and its responsibilities were adopted by the Audit Committees in Common (see above).

The Future Organisational Form (FOF) Programme Board provided dedicated capacity to identify and handle risks associated with the merger of the three trusts. The FOF Programme Board comprised executive directors (including myself as Chief Executive), the Chairs of each trust and a number of non-executive directors to provide the appropriate level of scrutiny and oversight of the risks associated with a change in organisational form. The FOF Programme Board reported into the Audit Committee which in turn provided assurance to the Trust Board.

Leadership on risk management was provided by the Board of Directors, through myself as Chief Executive, site and divisional directors.

Clinical and corporate directors were accountable for risk management within their own directorates and divisions. The executive lead for risk management for the entirety of the 2019/20 year was the Chief Nursing and Quality Officer, who also held executive responsibility for risk management across the Group. As such, the Chief Nursing and Quality Officer provided additional capacity to identify risks that related to the strategic objectives of the Group and to put in place system-wide as well as local controls to mitigate those risks. The operational site lead for risk management was the Director of Nursing as part of the site leadership team.

The roles and functions of the executive directors were formally reviewed each year to ensure that there were no gaps or overlays in the corporate management structure of the Trust.

As the joint working and redesign of clinical support, corporate support and clinical services across the Group developed, a number of group-wide leadership roles below executive level continue to be created in order to provide additional capacity to handle risk in critical and high-risk services. These roles include a Group Director of Cancer Services, a Group Director of Planning and Performance and a Group Chief Pharmacist.

The creation of these posts provided a single point of leadership for these services and mitigated the risk of the control framework across the three trusts becoming ineffective as the organisations developed towards the merger.

The role of each executive and site director was clarified through the agreement of comprehensive job descriptions. Key priorities were determined by and aligned to the objectives documented in the Annual Plan. Training needs were identified and met through personal development plans.

Performance against objectives was assessed throughout the year. Formal appraisals were undertaken of the executives by me as chief executive.

My formal appraisal was undertaken by the Chairs of the MSE trusts. The outcomes of the executive appraisals (including mine) were presented to the Remuneration and Nomination Committees (RemNoms) of the three trusts meeting in common. The structure of the executive and site leadership teams ensured that appropriate focus was placed on managing the key risks faced by the trust and sound management of its financial, human and property resources within a framework of good governance.

Operational day-to-day management of the trust was delegated to the site leadership team in partnership with the divisional clinical directors. The Directors' Forum met on a twice-monthly basis, comprising the site leadership team and the divisional leadership teams.

Each divisional clinical director was a practicing clinician supported professionally and managerially by a divisional general manager and a divisional head of nursing / head of professions. The Directors' Forum implemented the strategies and decisions of the Board of Directors and had responsibility for operational decision-making and the management of operational risks. All clinical divisions were sub-divided into clinical service units (CSUs); each CSU was managed by a CSU lead (a practicing clinical specialist), a service unit manager and a lead nurse. This triumvirate had delegated responsibility for the professional and managerial performance of the CSU, reporting to the divisional clinical director and the divisional general manager.

During 2019/20, we appointed Group Clinical Directors to provide additional support to the Site Clinical Directors and to ensure appropriate synergies in the clinical pathways between our hospitals as we implemented the clinical service changes about which the public were consulted in 2017/18.

Risk specialists and advisors were engaged where appropriate throughout the trust and each maintains the relevant qualifications and experience to ensure that competent advice was available to all managers. A list of advisors was available in the Risk Management Strategy, and included professionals in mergers and acquisitions within the NHS, patient safety, medicines management, fire safety, security, health and safety, clinical risk, law, financial improvement and sustainability, business continuity and emergency planning, operational and patient flow improvement, and transformation of our organisational form.

Together with clinical and non-clinical leads and advisors, these specialists supported the creation, implementation and monitoring of policies, protocols and guidelines for the effective control of risk. Where responsibilities were assigned to individuals within the Risk Management Strategy, the trust reviewed their training needs as part of the annual performance review process to ensure that their competence remained sufficient for the discharge of their duties.

All employees had an important role to play in identifying, assessing and managing risk. To support employees in this role, the trust provided a range of policies, strategy, procedures, protocols and guidelines, together with information at all levels that were relevant to an individual's role. The trust aimed to ensure that employees had the knowledge, skills, support and access to the expert advice necessary to manage risk efficiently and effectively. Support and training were provided in line with the risk management training needs analysis, which identified the level of training appropriate for an individual's authority and duties.

The trust had a clear policy for staff completion of mandatory and core training aimed at managing risk. The policy was clear that managers were responsible for ensuring staff completion of training. Compliance with this training requirement was monitored and reported to the people and OD committees in common as part of the workforce section of the monthly integrated performance report, to the Directors Forum and ultimately to the Trust Boards in Common.

Learning from good practice was encouraged, as was learning from lapses in the standards of care in order to continually strive for better outcomes for patients. Learning was shared internally through team, professional and divisional meetings where clinical practice changes following incidents and complaints were discussed and corporate meetings where risk recommendations from solicitors following inquests or claims were shared. The trust had a high rate of incident reporting when benchmarked against peer organisations. This was considered by the board and its committees as a reflection of an open and transparent culture across the organisation.

In addition, during 2019/20 the trust maintained a number of communication methods which have proven effective and popular with staff.

These included:

- The weekday "Stepping Up Now" patient safety meeting, led by a member of the site leadership team;
- Weekly safety messages displayed on computer screens and on the trust intranet;
- Divisional patient safety briefings;
- Email and video briefings from the Managing Director and the Chief Executive;
- "Connect" which is a group-wide magazine launched in January 2019;

- Monthly face-to-face staff briefings;
- Weekly diary emails about highlights of the coming week across the trust;
- Tailored email bulletins for Governors;
- Increased use of video graphics to promote understanding of the Group model and the reconfiguration of clinical services amongst staff and the public.

As the 2019/20 year progressed, these communication methods were harmonised across the Group, with a balance of group-wide and site-specific content.

Learning was shared externally by reporting to organisation such as the Care Quality Commission (CQC), the National Reporting and Learning System (NRLS), the Medical and Healthcare Products Regulatory Agency (MHRA), the NHS Counter Fraud Authority, the local commissioners and the Area Team of NHS England.

The Trust actively encouraged research activity and the reporting of findings from this work as a means of spreading learning and evidence-based practise across the Group and the wider NHS.

During 2019/20, an MSE Risk and Compliance Group was established which co-ordinated the identification, dissemination and implementation of learning from incidents and developments in best practice across all sites. This group, comprising risk, compliance, corporate and clinical governance leads, provided additional capacity to handle risk in a co-ordinated way across all three trusts. This methodology had proven successful at site level with a naturally evolving focus towards a group-wide approach since 2018/19.

The risk and control framework

The Risk Management Strategy was one of the seven designated policies that had to be agreed and endorsed by the Board of Directors.

It detailed the trust's approach to risk management and described it as both a statutory requirement and a key element of good management. Risk management was a fundamental part of the total approach to quality, corporate and clinical governance and is essential to the trust's ability to discharge its functions as a partner in the local health and care system, as a public benefit corporation and a provider of health services, as a custodian of public funds and a significant employer. The Risk Management Strategy clearly set out accountabilities for risk management at each level in the organisation and aimed to ensure a comprehensive system of internal control without stifling flexibility and innovation.

The strategy and its associated policies and procedures set out the processes for identifying, assessing, communication, and documenting, escalating, managing and reviewing risks. The effectiveness of the Risk Management Strategy and its implementation was monitored by the Audit Committee. In doing so, the Committee mitigated the risk of failure to comply with the Foundation Trust License condition 4 (governance).

Risks were identified in a number of ways, including recommendations from external inspection reports, organisational failures and incidents, and more local methods of risk profiling, incidents, claims, complaints, receipt of alerts and risk assessment of work-related activities. Risks were assessed using an agree risk assessment template and recorded on the Corporate Risk Register, which was a single repository for all the risks identified across the trust.

Each division was responsible for managing a risk register which was reviewed by senior managers and risk leads on a regular basis.

With effect from the start of 2019/20, the Board Assurance Framework (BAF) became a single MSE group-wide risk management tool.

The BAF ensured that the Trust Boards in Common were aware of the highest risks to the achievement of the MSE Group's strategic objectives (which were revised in October 2018) and the controls necessary to ensure that these risks were maintained at an acceptable level. To ensure that the granularity of site-specific operational risks remains subject to appropriate scrutiny, the Site Governance Forums (SGFs) reviewed the site corporate risk register on a monthly basis, with an escalation route to the relevant committees in common.

The appetite for risk was determined for individual circumstances or events and the Board would request additional controls where it aspired to further reduce the likelihood or impact. It is a requirement of the Trust's Risk Management Strategy that the risk appetite is reviewed annually. This approach also accords with the Well Led Guidance published by NHS Improvement, which references regular review of the Board's risk appetite and tolerance as part of evidence that there are clear and effective processes for managing risks, issues and performance (KLOE 5).

In September 2019, the Trust Boards in Common formally adopted the Good Governance Institute (GGI) Risk Appetite for NHS Organisations Matrix. Using this tool, a set of group-wide risk appetites were developed and agreed, whilst retaining, for the 2019/20 year, site-specific risk appetites endorsed by the SGFs. The process agreed by the Trust Boards in Common was that any instance where a site may wish to take an action which exceeds the group threshold would be escalated to the Executive Team for decision.

As a general principle the Trust had a low risk appetite for, and would therefore seek to control, all risks which had the potential to:

- Expose patients, staff, visitors and other stakeholders to harm;
- Compromise the Trust's ability to deliver operational services;
- Adversely impact the reputation of the Trust;
- Have severe financial consequences which may impact on the Trust's future viability; and
- Cause non-compliance with law and regulation

The Finance and Performance Committees in Common and the Quality Committees in Common regularly reviewed significant risks and incidents relating to their areas of responsibility. The Audit Committee independently monitored, reviewed and reported to the Board of Directors on the extent to which the trust had in place an effective system of governance, risk management and internal control. The Audit Committee had a key role in assuring the trust of the validity of the Annual Governance Statement. This was achieved by regular review of the system of internal control, reports from auditors throughout the year and at least two examinations of the draft Annual Governance Statement prior to its submission to the Board of Directors for adoption.

The Audit Committee also reviewed the BAF, which documented the risks, controls and related assurances that underpinned the delivery of the trust's objectives. The annual Quality Accounts were reviewed by both the Quality Committees in Common and by the Audit Committees in Common, prior to presentation to the Boards in Common for adoption.

The Council of Governors was the principal mechanism by which the trust involves patients and the public in managing risks which impact upon them. Governors were encouraged to highlight risks, in particular those relating to quality, patient safety and patient experience at the semi-formal governor seminars and the formal Council meetings. Executive and site directors regularly provided assurance at these meetings on how risks were being managed. The trust also involved governors in board walkabouts and audits to help identify risks in the patient environment.

During 2019/20, we developed our approaches to governor engagement by introducing a series of four MSE-wide Governor Conferences which were attended by Governors from SUHT and BTUH, as well as the members of the MEHT Patient Council. These conferences primarily focused on ensuring that the merged trust had optimal corporate governance arrangements from the outset, including developing and approving the Constitution for the new organisation as the Councils of Governors in Common. At these Conferences, Governors and Patient Council members also supported the Chief Nursing and Quality Officer in developing her plans for the governance of patient experience in the merged organisation.

As noted above, during 2019/20 the Oversight Committee evolved into an “audit committees in common” model, which provided an additional element of the risk and control framework across the three trusts providing assurance to the Trust Boards in Common.

The most highly rated risks recorded on the BAF during 2019/20 were:

- Failure to achieve and deliver year-on-year improved financial sustainability and effective use of resources;
- Failure to consistently deliver safe, responsive and efficient patient care in a cost effective manner because the current estate and associated infrastructure is not fit for purposes;
- Failure to develop and fund a long term capital plan which addressed the clinical, estates and technological needs of the organisation;
- Failure to deliver improvement in performance against national performance targets within the agreed trajectories;
- Failure to enable and empower leaders in all areas of the organisation to create a culture of continuous improvement;
- Failure to gain agreement and consensus of our local communities to changes to clinical services that reflect best practice;
- Risk of workforce instability as a result of high levels of turnover and the inability to reduce thee levels, resulting in low staff morale and increased turnover

The risk profile for the merged trust for 2020/21 is expected to remain broadly similar to 2019/20. COVID-19 will undoubtedly impact upon the merged trust for a substantial part of the 2020/21 year. As such this risk will likely remain on the BAF for the whole year, given that the pandemic will impact on the organisation’s ability to deliver services and generally operate once the acute phase has passed.

In preparing the annual reports of each trust within the MSE Group for 2019/20, we have complied with the revised Annual Reporting Manual (ARM) which was published in April 2020, having been amended by NHSI to reflect the pressures upon NHS providers during the pandemic. The revised ARM required that we provided more focused headline coverage of performance across the year.

In line with the ARM, readers will note that a Quality Report was not produced for 2019/20. A Quality Account, with a narrower statute-based scope, will be published no earlier than 15th December 2020. The three trusts acknowledged the risk that, having complied with the revised ARM and associated guidance, their observance of some of the Nolan Principles of Public Life (particularly Openness and Accountability) may have been compromised. Mitigations included ensuring the operation of a robust Freedom of Information service from day one of the merged trust and, once the national social distancing rules had been lifted, by conducting the business of the board in public. The merged trust will also maintain a relationship with the Governors and Patient Council Leaders from the legacy organisations until the new Council of Governors is in place.

The trust has paid particular attention during 2019/20 to learning from the inspection by the Care Quality Commission (CQC) which took place in February and March 2019. The report was published by the CQC on 10th July 2019. We were very pleased to note that the Trust had retained its overall “Good” rating. This means that Basildon and Thurrock University Hospitals NHS Foundation Trust had been an overall “Good”-rated provider of hospital services since 2014.

The CQC report highlighted that some improvements were required in relation to the Trust’s compliance with the Safe Domain (relating to an identified decline in safety practices in maternity services) and the Responsive Domain (associated with access to initial treatment and assessment in a timely manner within Surgery and Outpatients, with a particular concern for patients awaiting initial treatment for cancers). The Trust’s Use of Resources assessment produced a “Requires Improvement” rating, as a result of our ongoing challenges around financial sustainability. The ongoing implementation of actions from the CQC report will be monitored by the Quality Governance Committee of the new trust.

Impact of COVID-19 on the risk and control framework

The above section described the risk and control framework which was in place throughout the 2019/20 year. However the COVID-19 pandemic necessitated a small number of additional measures to ensure that the trust could respond dynamically and proactively to the rapidly changing impact that the pandemic had upon the operation of our hospitals. During March 2020, the focus of our risk and control framework shifted dramatically towards controlling the risk of the virus to patients, visitors and staff, whilst maintaining a minimal “watching brief” on other aspects of clinical and corporate governance and to the management of non-clinical risk. A new risk was crafted as part of the Board Assurance Framework (BAF) of the merged trust to capture the key risks arising from COVID both directly and indirectly. The risk was articulated as “failure to deliver a high quality, safe service for our patients due to the outbreak of COVID-19 and failure to protect our staff from infectious disease transmission”.

Temporary modifications to the risk and control framework that were in place from late March 2020 and continued in place up to the date of signature of this Annual Governance Statement

These included:

- the exploration of new and innovative routes for the procurement of personal protection equipment (PPE) for staff and clinical equipment such as ventilators in order to ensure the trust’s critical care capacity was as robust and safe for both staff and patients
- the cancellation of all training and study leave, restrictions on annual leave to free up clinical resources to manage the pandemic
- rapid roll-out of remote working technology to reduce the risk of infection between patients and staff on the hospital sites
- severely limiting visitor access for inpatients to reduce the cross-infection risk
- the postponement of a significant volume of elective surgery and outpatient activity to free up staff and bed capacity and
- establishment of a clinical advisory group comprising senior clinicians to advise the incident management team on use of healthcare resources within the hospital

The Trust Board agreed to consolidate several of its committees into a single “Board Assurance Committee (BAC)” that met once per month in April and May 2020, to balance the risk of taking senior leaders away from operational duties with the risk of inadequate governance during the early months of the merged organisation. As the acute demands from the pandemic began to reduce, the BAC was disestablished at the end of May 2020 and the separate meetings of the committees resumed in June 2020.

Quality Governance

The key elements of quality governance in place during 2019/20 were:

Strategy

The trust communicated its quality priorities and goals for the year across the organisation and developed its performance information to support the monitoring of progress against these goals.

A group-wide clinical strategy was in place, supported by a number of enabling strategies and plans. These were communicated to staff across the trust and formed the basis of business planning activities. The development and implementation of the clinical strategy was overseen the Quality Committees in Common.

Specific and challenging objectives for the trust and the Mid and South Essex Health and Care Partnership were in place throughout 2019/20 that included key performance indicators, milestones and trajectories. Achievement of these objectives was monitored regularly through the integrated performance report, with supporting benchmarking data (where available) and improvement trajectories.

Capability and culture

Processes were in place to ensure that the Board of Directors had the suitable skills, knowledge and capacity to deliver the trust's objectives and to manage the associated risks. During 2019/20, this information influenced the reorganisation of the portfolios of a small number of Executive Directors. Information about leadership capacity and capability also influenced several substantive and interim appointments to the site leadership team during the year.

A refresh of the trust values took place during 2015/16 to ensure that they remained relevant to the trust's circumstances and fresh in the mind of all staff, regardless of their role and level in the organisation. Work continued during 2019/20 to embed the trust values at BTUH whilst contributing to the development of an aligned set of values across the Group.

Processes and structure

The internal Quality, Assurance and Compliance Team (within the Directorate of Nursing) conducted a significant number of clinical reviews, using the CQC prompts in order to determine the level of ongoing compliance with the essential standards.

During 2019/20, the Trust continued to develop the fortnightly Internal Compliance Action Group (ICAG) introduced the previous year. This meeting brought together key clinical leaders from across the wards and divisions and members of the Quality, Assurance and Compliance Team to focus upon a quality and patient safety priority mapped against the CQC assessment framework. Members of ICAG agreed specific actions which they then implement immediately in their areas of responsibility.

In order to make its role easier to understand at all levels and across all disciplines, ICAG was renamed the Maintaining High Standards Group.

The ongoing programme of unannounced clinical visits, conducted regularly with our commissioners, provided valuable intelligence on the level of compliance with essential and professional standards. During 2019/20 the trust hosted a number of regulatory visits and

inspections. These included the Joint Commissioning Team who visited the Emergency Department (ED) and the Acute Medical Unit (AMU) following concerns about intravenous cannula and variances in practice (April 2019), inspections of Maternity by NHSI and the Joint Commissioning Team in June 2019 following publication of the CQC report, and a peer review of the Neonatal Intensive Care Unit (NICU) in September 2019.

The trust's Data Quality Policy mandated the undertaking of regular data quality audits (externally commissioned) during the year and these provide assurance on the accuracy of data within the trust.

Measurement

A robust clinical audit plan existed which reflected the processes used in financial audit. As reliance upon clinical audit for appropriate assurance increased, clinical audit evolved to become more risk-based, providing consistent coverage across the trust's activities and using patient feedback to identify priorities for audit.

The graphical information provided within the integrated performance reports (received at the Board meetings in public and the Council of Governors meetings) incorporated the trust's internal quality targets and standards and, where appropriate, benchmarking data to provide clear and transparent information on the trust's performance. Where variances existed, narrative was provided to give assurance that remedial action was being taken to bring performance back within expected parameters.

Benchmarking, wherever possible, took place against other trusts and through the use of national data sets, such as Dr Foster Intelligence, Summary Hospital Mortality indicator (SHMI), Care Quality Commission, National Reporting and Learning System of the National Patient Safety Association and the Quality Observatory data. During 2019/20, the use of statistical process control charts (SPCs) was introduced within the integrated performance reports. SPC charts at board level are recommended by NHSI to facilitate understanding of what is "different" and what is the "norm". By using these charts, Board and their Committees can therefore understand where the focus of work needs to be concentrated in order to make a difference.

Challenge was provided by Board members to the information presented and requests were made for more detailed underlying information in order to identify the root cause of potential issues of concern and emerging trends. Board minutes and arising actions were captured and tracked with action logs. Executives noted sources of information on board and committee reports and ensure independent validation to strength assurance, wherever possible.

Documentation of the systems and controls used to produce data for quality and patient safety reports provided assurance about the underlying assumptions to the Board. The Boards in Common, and all of their committees were able to commission external reviews

should they consider additional assurance to be required.

Freedom to Speak Up

The trust had a guardian service which is outsourced to provide assure of independence. The guardian service team attend the staff induction and provide information on who to contact if they had concerns or required support. An escalation agreement had been agreed with any patient safety issue being raised to the Director of Nursing or Medical Director. The guardian met with staff on and off site and supported them to resolution if required. A non-executive director had direct engagement with the guardian service and a monthly discussion with the

Directors of HR and Nursing and the Guardian service for themes and any further actions to be taken was in place. A monthly report was shared with the site leadership team.

Serious Incident regarding surgical instruments in the Essex Cardiothoracic Centre (CTC)

Closure to emergency surgical cases and cancellation of cardiac surgery in the CTC occurred for a large part of the 2019/20 year due to the condition of surgical instruments on return to the hospital from the Trust sterile services department (SSD) based at Orsett Hospital. This incident came to light in April 2019.

Other surgical cases in the CRC were cancelled due to vacancies in the consultant anaesthetists and theatres overrunning. As an early remedial action, the SSD service was relocated to Southend Hospital, and eventually moved in September 2019 to Steris (an independent provider) however there continued to be instrumentation problems which necessitated the purchase of new instruments.

The serious incident investigation was completed and the action plan was progressed with identified leads for each specialist. A large volume of instruments were purchased to enable surgical procedures to be undertaken, whilst instruments were outsourced for sterilization. A further tranche of new surgical instruments would be delivered in April 2020; a replacement programme had been developed for future years.

Lessons learned from the root cause analysis (RCA) included:

- The impact of saline on surgical instruments and the knowledge that this is an identified issue across all specialist cardiothoracic providers;
- The importance of having robust processes in place to ensure that services are effectively managed with minimal impact on the organisation ensuring business continuity and safety to the service and user group during periods of change;
- The importance of product evaluation and training for staff for new products and ensuring correct use;
- The need for tighter inventory management;
- Earlier expert input may have resulted in more timely intervention, evaluation and recommendations;
- The importance of robust theatre management

Consequences of the serious incident included increased waiting times for patients requiring elective surgery in the CTC and significant financial cost for the Trust, in terms of lost income from lower levels of activity and the expense of additional surgical instruments and decontamination.

Implementation of the recommendations from the RCA were tracked closely by the Site Governance Forum and the Quality Committees in Common throughout the year.

Never Events

The Trust experienced one never event during 2019/20. This involved a guidewire for a chest drain insertion was left in situ. Details of the never event and points of learning were immediately shared across BTUH and our colleagues at Southend and Broomfield Hospitals. The communication included remedial actions to be taken. A presentation was shared through Maintaining High Standards and staff lists were collated to ensure all clinical staff had read the slides.

Workforce Strategies and Safer Staffing Systems

The Trust was fully aware of the crucial nature of effective workforce planning for the short, medium and long-term. Workforce pressures remained a consistently high-rated risk on both the Trust and the Group Board Assurance Framework and is a focus on Board-level oversight.

The Boards in Common meetings received an overarching safer staffing report on a quarterly basis describing the staffing position across the Group and the pan-trust actions being taken to address any gaps. To ensure that particular local pressures and early warning signs on the sites received prompt attention at Board-level, the trust-specific safer staffing reports were reviewed by the Site Governance Forum.

Staffing levels were also reviewed on an ongoing basis as part of the risk management systems and processes described earlier in this Annual Governance Statement.

The Trust Boards decided to create a people and OD committees in common. This was an additional control to mitigate the risk of inadequate staffing compromising the delivery of high quality patient care. This committee took a medium to long-term strategic view of workforce development, recruitment and retention to supplement the more operational and shorter-term operational view presented to the Boards and Site Governance Forums on a quarterly basis.

By means of the governance mechanisms outlined above, the Trust complied with the recommendations from the “Developing Workforce Safeguards”, published by NHS Improvement in October 2018.

Compliance with CQC standards

The Foundation Trust was fully compliant with the requirements of the Care Quality Commission and was rated as “Good” overall by the CQC in its latest report published in July 2019.

Register of Interests

The Foundation Trust published on its website an up-to-date register of interests, including gifts and hospitality, for decision-making staff within the past twelve months as required by the Managing Conflicts of Interest (including gifts and hospitality) in the NHS guidance.

The MSE trusts recognised that the governance of conflicts of interest would benefit from a comprehensive review to align both policy and practice. Managing conflicts of interest falls within the portfolio of the Chief Commercial Officer and the Company Secretary within the merged trust so that it can be integrated within the wider corporate governance agenda. An MSE-wide conflicts of interest policy was approved by the Audit Committee and the Trust Board early in 2020/21 for immediate implementation.

NHS Pension Scheme

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

Equality, Diversity and Human Rights

Control measures were in place to ensure that all of the organisation's obligations under equality, diversity and human rights legislation were complied with. Further details of the trust's activities to promote equality, diversity, human rights and inclusion can be found in the Staff Report.

Compliance with emergency preparedness, civil contingency and sustainability requirements

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

The Foundation Trust's business continuity and emergency preparedness arrangements were tested in the latter part of the 2019/20 year as a result of the global coronavirus (COVID-19) pandemic which commenced in China in December 2019 and reached the UK and Europe in late January 2020. The MSE Group's plans for a public health emergency were mobilised swiftly and effectively to manage this potentially serious respiratory tract infection, in concert with other health and care partners in Mid and South Essex, regional and national government. Measures included:

- An NHS 111 "assessment pod" was put in place at Basildon Hospital to screen suspected cases in isolation from the remainder of the hospital to minimise potential cross-infection;
- Extensive personal protective equipment (PPE) was supplied to all applicable staff across the Trust and supplies of PPE were kept under continual review at executive level;
- Procurement of additional ventilators and associated clinical equipment for our intensive care facilities;
- Immediate deep cleaning of public areas of the hospitals, such as hard surfaces and toilet facilities;
- The supply of hand sanitiser was increased in clinical and non-clinical areas;
- A business continuity workshop took place to support readiness, with sub-groups focusing upon critical care and the review of clinical pathways;
- An incident management team met twice daily to monitor progress and review changing guidance from Public Health (England) and Central Government.

The trust complied with national guidance in relation to social distancing and self-isolation. These measures included rolling out remote access rapidly across the Group to maximise the number of corporate staff able to work from home, closing Basildon Hospital to visitors (with limited exceptions) and postponing all non-urgent elective outpatient and inpatient work. The MSE trusts conducted clinically urgent outpatient appointments by video-conferencing wherever possible. Further details on the impact that the COVID-19 pandemic had upon the Trust and our partners can be found in the Overview section of the Performance Report.

Once the incident has passed, a thorough exercise will take place to ensure that all lessons learned from the management of the pandemic are captured, including the effectiveness of the business continuity and emergency preparedness plans.

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

The Board of Directors, the Audit Committees in Common and the Finance and Performance Committees in Common regularly reviewed the financial resources and financial performance

of the trust. Quarterly returns are provided on use of resources to NHS Improvement and the CQC. Weekly and monthly financial information is provided to all budget holders.

Review of financial governance

The Trust agreed a financial control total for 2019/20 of £25.7m deficit, before central funding. By the end of quarter 2 it became clear that the Trust was unlikely to achieve this as a result of a shortfall in clinical income in respect of cardiothoracic activity and overspends on pay. The pay overspends were compounded by not delivering the expected level of cost improvements.

The Trust launched a recovery programme and set a revised forecast outturn of £35.5m deficit (before central funding), £9.8m adverse to plan.

The recovery programme included a number of specific initiatives to improve the financial position as well as robust expenditure controls.

This resulted in improvement in expenditure run rates, delivering the recovery plan forecast.

In view of this deterioration in the Trust's financial performance, an independent assessment of our forecasting process, recovery actions and recovery governance was commissioned from PricewaterhouseCoopers LLP (PWC). Their review took place in October and early November 2019. Their scope was to rapidly review the following key areas and provide:

- A clearer understanding of the Trust's current financial position and the extent to which it reflects upon budgetary management, grip and control, delivery of CIP, pay, non-pay and income;
- An assessment of the robustness of cost control governance;
- An assessment of the Trust's use of benchmarking and the opportunities that this demonstrated;
- An assessment of the robustness of the governance of financial performance and recovery.

The PWC report was presented to the Site Governance Forum (SGF) in November 2019. The report and its recommendations were adopted in full. These were as follows:

- There should be a single, appropriately resourced, financial recovery team for the site focused on driving delivery of the programme with clear reporting, challenge and benchmarking. This should be backed up with support to the divisions in delivering the necessary changes;
- There needed to be a clear unequivocal message to the site regarding the financial position and the role of each member of staff to support improvement in the best interests of patients;
- The site should have further reviewed its key areas of overspend to determine whether additional steps can be taken to address these (e.g. demand management within pathology);
- The existing CIP programme needed to be cleansed to focus on items that release benefit in the last six months of the year;
- The Trust should have considered strengthening its recovery capability with external support in the immediate term, to support improvements in its financial delivery in the 2019/20 financial year impacting the 2020/21 year, whilst the longer term merger plan for increasing its internal capability is established;
- The level of challenge and scrutiny provided via the current forums needed to be increased with sufficient information available to drive decision making. The emphasis should have been upon divisions to demonstrate why posts were required and how they were seeking

- to manage services without resorting to temporary staffing;
- The Trust needed to consider whether it can reduce its reliance on temporary staff ahead of planned improvements in substantive recruitment;
- The Trust should have reviewed its workforce information to provide assurance as to the level of reconciliation from its different systems with clear processes in place to keep this up to date;
- The Group should have reviewed the finance capacity in the operational finance team on the Basildon site with a view to strengthening it in the short term;
- Coaching support was needed to increase the capability of the operational teams to drive financial improvement as part of their core role;
- Whilst the costing team could provide a wealth of information, the Trust needed to emphasise the importance to operational teams of benchmarking as a comparative tool to highlight areas of opportunity both in terms of finance and operational performance. Divisions should have been encouraged to both source and make use of this information as part of business as usual;
- CIP planning for 20/21 needed to commence with resource to focus on ensuring detailed CIP plans are in place prior to the start of the financial year;
- Now that financial targets for the remainder of the year had been put in place at site and divisional level there needs to be a relentless and consistent focus on delivery of these targets and the underpinning actions at SGF and Boards in Common with clear mitigating actions if the plan began to deviate;
- Site and Group governance arrangements along with the associated reporting needed to reflect the pace required to gain the traction necessary to achieve recovery by the year end.

In response to the deterioration in financial position and the PWC report, financial recovery arrangements were stepped-up in the latter part of Quarter 3 of the financial year, including procuring external support to bring sufficient capacity to drive improvements within the key divisions and an improvement in the financial analytics to drive delivery.

Other internal processes that ensured resources are used economically, efficiently and effectively included:

Internal audit

Utilising a risk-based approach, internal audit reviewed selected systems and processes in place during the year and published reports detailing the required actions within specific areas to ensure that economy, efficiency and effectiveness of the use of resources was maintained.

Progress with actions was reviewed at each meeting of the Audit Committee (latterly the Audit Committees in Common).

Financial efficiencies and cost improvement programmes

A cycle of monthly divisional performance meetings was in place throughout the year, to increase accountability of the divisions for use of resources, delivery of cost improvement plans and effective cost efficient provision. This arrangement was formalised within a Divisional Governance, Support and Accountability Framework that was most recently reviewed in February 2019, to ensure that it remained fit for purpose.

The approval of individual capital expenditure projects was managed by a capital investment group and overseen by the Finance and Performance Committees in Common.

The maintenance of a Clinical Effectiveness Unit

This unit oversaw the implementation of guidance from the National Institute of Health and Care Excellence (NICE) and recommendations from National Confidential Enquiries and other inspecting and authoritative bodies.

The unit monitored the introduction of new techniques and research and development projects ensuring patient safety, clinical and cost effectiveness of new treatments as well as the appropriate training of clinicians.

It supported clinical audits across the trust, ensuring that the Board receives assurance that key clinical risks were being audited as robustly as financial risks.

The unit promoted evidence-based healthcare through training and education of nurses and as part of the Foundation Programme for doctors.

Good practice was shared through collaborative working with primary care, secondary care, and mental health and public health providers in the Mid and South Essex area.

The use of management groups charged with monitoring efficiency and effectiveness as part of their terms of reference. The Directors Forum was responsible for ensuring that the clinical risks and priorities of the trust were understood, assessed, mitigated and addressed. Issues and risks could be escalated by the Directors Forum to the Trust Board or its committees.

Divisional Boards and Divisional Governance Committees were responsible for ensuring that the divisions are managed efficiently and effectively and that evidence was available to support that assessment. The Medicines Safety Group oversaw the maintenance of a local drug formulary to ensure clinically appropriate and cost effective use of medicines.

Information governance

NHS Digital has published guidance and a checklist for reporting information governance (IG) incidents. This checklist comprises a baseline scale dependent on the level of individual involvement (ranked from 0 to 3).

Together with a sensitivity factor, it provides an overall score which details how an incident should be investigated. Only IG incidents which score at level 2 are reportable and are escalated to the Information Commissioner's Office (ICO).

NHS Digital published new guidance for reporting IG incidents in May 2018 to bring the reporting mechanisms in line with Article 33 of the General Data Protection Regulation (GDPR), mandating the reporting of all incidents resulting in a risk to the rights and freedoms of individuals. The reporting mechanism utilises a 5x5 matrix approach, where IG incidents rated 6 or above must be reported to the ICO.

During 2019/20, there were no IG incidents reported to the Information Commissioner's Office. The Board of Directors took their responsibilities towards information security and the management of risks to cyber security very seriously. The Board received cyber security training from an external expert in January 2020.

Data Quality and Governance

The Trust's internal control mechanisms for ensuring the accuracy of data, including how the quality and accuracy of elective waiting time data was assured and the risks to the accuracy of

data were managed, are detailed in the Quality Governance section above.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS Foundation Trust who have responsibility for the development and maintenance of the internal control framework.

I have drawn on the performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and the Quality Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The process that has been applied in reviewing the effectiveness of the system of internal control includes the ongoing work of and reports from:

- The Board of Directors which monitored the effectiveness of the system of internal control through clear accountability arrangements;
- The Executive Team which met formally on a weekly basis to review performance in real-time and to ensure executive oversight and approval of all service development proposals with a financial impact;
- The Audit Committee (latterly the Audit Committees in Common) which is a committee of the Board of Directors and is accountable to the Board for reviewing the establishment of an effective system of internal control and risk management. The Committee meets five times per year. The Audit Committee approved the annual audit plans and activities for internal and external audit and ensured a programme of clinical audits associated with the highest clinical risks is overseen by the Quality Committees in Common. It ensured that recommendations to improve weaknesses in the systems of control arising from audits were addressed by management. The Audit Committee reviews the Board Assurance Framework and ensured that board committees worked cohesively and efficiently;
- The Quality Committees in Common and the Finance and Performance Committees in Common, which have advised me on the arrangements for clinical governance, clinical risk management, internal clinical effectiveness and patient safety, health and safety and financial performance respectively;
- The Head of Internal Audit who has provided me with an opinion that the organisation has an adequate and effective framework for risk management, governance and internal control. However, the work of Internal Audit during 2019/20, which involved trust-specific audits as well as those with a group-wide focus, identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective. In particular, these related to Estates Management, the delivery of Cost Improvement Plans (CIP), the methodology and implementation of Quality Improvement (QI), processes to identify and charge Overseas Patients for treatment provided by the trust, and the performance management of Referral to Treatment (RTT) times (albeit there were no issues identified with RTT data quality).

Conclusion

Although no significant control issues were identified other than those identified within this annual governance statement, the Trust continued to face challenges during 2019/20 as a sovereign statutory organisation and as a partner in the Mid and South Essex Health and Care Partnership), particularly in relation to financial sustainability and the consistent achievement of access standards within the NHS Constitution, and managing the short and long-term impact of the COVID-19 pandemic.

There is evidence that our systems and processes around operational performance and financial control require continued focus and delivery as we move into the merged trust in 2020/21 and beyond, in order to provide the Trust Board with assurance that the system of internal control is robust and supports the delivery of patient outcomes in a manner which is both clinically and financially sustainable.

The Trust remained compliant with the registration requirements of the CQC.

The Board of Directors of BTUH has responded to all the reports and correspondence from regulators. The Board has developed action plans with measurable outcomes and clear accountabilities and has strengthened the Board, corporate and clinical governance, site and executive leadership structures.

As noted in the “risk and control framework” section of this AGS, our risk management and governance processes will continue to evolve to address the challenges and to exploit the opportunities associated with service transformation across the three trusts, not least the anticipated patient benefits of the merger.

The Board of Directors of the merged trust will continue to respond to reports and correspondence from regulators and to monitor the implementation of action plans to address the recommendations of regulators and auditors.

I recognise that this is an ongoing process and believe this to be a balanced statement of the risks and controls within the Trust during 2019/20.



Clare Panniker
Chief Executive

24 June 2020

Background information

This section includes items of information we are required to include in our annual report.

Accounting policies

The accounting policies for the Trust are shown on page X and include policies on pensions and other retirement benefits. Details of senior employees' remuneration are set out in the Remuneration Report on page 37.

Internal auditors

The internal audit function was provided throughout the year by RSM Risk Assurance Services LLP, an independent business assurance provider.

Internal audit reports to the Audit Committee and a workplan of audits is agreed by the committee each year. RSM Risk Assurance Services LLP were reappointed to provide internal audit services for a period of three years from 1st April 2019.

External auditors

The Trust's external auditors for 2019/20 were BDO LLP. This firm are contracted to provide external audit service for three years from 1 April 2016, with two possible 12-month extensions. Details of their remuneration and fees are set out in note X of the accounts.

Fixed assets

In line with note X of the accounts, professional valuations are undertaken for land, buildings and dwellings every five years. The last full revaluation of property and land was carried out in 2016-17. In the intervening years a valuation is requested if land and property prices are known to have significantly fluctuated.

The valuations are primarily carried out on the basis of modern equivalent assets for specialised operational property and existing use value for non- specialised operational property. The current valuation has been carried out on the basis of an alternative site as it has been assumed that the modern equivalent re-provision of the existing services provided from Basildon Hospital and Orsett Hospital could be from a single combined/amalgamated site. This has been done for valuation purposes only.

A desktop valuation was undertaken in 2018/19 and no valuation exercise has been conducted in 2019/20.

Financial instruments

The Trust does not have any significant exposure to interest rate or exchange rate risks and therefore does not hold any complicated financial instruments to hedge against such risks. Details of the Trust's financial instruments are shown in note 25 to the accounts.

Pension and retirement benefits

The accounting policies for pensions and other benefits are set out in note 27 to the accounts and details of the senior employees' remuneration can be found on page X as part of the Remuneration Report.

Audit Opinion and Report

Independent auditor's report to the Council of Governors of Mid and South Essex NHS Foundation Trust in respect of Basildon and Thurrock University Hospitals NHS Foundation Trust

Qualified opinion on the financial statements

We have audited the financial statements of Basildon and Thurrock University Hospitals NHS Foundation Trust (the Trust) for the year ended 31 March 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as interpreted and adapted by the 2019-20 Government Financial Reporting Manual as contained in the Department of Health and Social Care's Group Accounting Manual 2019-20, and the NHS Foundation Trust Annual Reporting Manual 2019-20 issued by the Regulator of NHS Foundation Trusts ('NHS Improvement').

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the Department of Health and Social Care's Group Accounting Manual 2019-20; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for qualified opinion on financial statements

In response to the effects of Covid-19 pandemic, management did not carry out the counting of physical inventories at the end of the year. As a result we were unable to observe such procedures and were unable to obtain sufficient appropriate evidence concerning the inventory quantities held at 31 March 2020, which are included in the Statement of Financial Position at £6.96m, by using other audit procedures. Consequently, we were unable to determine whether any adjustment to this amount was necessary.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter – basis of preparation of the financial statements

As explained in Note 1.2 to the financial statements, the Trust was dissolved on 1 April 2020 having been acquired, along with Mid Essex Hospital Services NHS Trust, by Southend University Hospital NHS Foundation Trust, with the combined organisation now known as Mid and South Essex NHS Foundation Trust. The demised Trust's financial statements have, however, been prepared on a going concern basis in accordance with the requirements of the Group Accounting Manual 2019-20.

Our opinion is not modified in respect of this matter.

Emphasis of matter – material valuation uncertainty related to property assets

As explained in Note 14 to the financial statements, the Royal Institute of Chartered Surveyors (RICS) has issued a valuation practice alert, whereby the valuers are required to consider material uncertainties related to the valuation of property assets where the level of valuation certainty is substantially reduced as a result of the impact of Covid-19. Based on the information received from the Trust's external valuer, Management has concluded that there are material valuation uncertainties in relation to the property assets, which should be properly considered when assessing the values reported in the Statement of Financial Position.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements and auditable parts of the annual report of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements and auditable parts of the annual report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the basis for qualified opinion section and emphasis of matter sections, we have determined the matters described below to be the key audit matters to be communicated in our report.

Matter	How we addressed the matter in the audit
<p>Valuation of land and buildings:</p> <p>Land and buildings is a significant balance on the Statement of Financial Position and there is a high degree of estimation involved in the value of these assets. There is a risk over the valuation of land and buildings where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at year-end.</p> <p>See Accounting Policy Note 1.6.2 and Notes 13 and 14 of the financial statements.</p>	<p>Carrying values of land and buildings reported in the Statement of Financial Position were not subjected to any revaluation or indexation during the 2019/20 year. These assets were last revalued at 31 March 2019 on a desktop basis.</p> <p>We reviewed Management assessment that there has not been a material movement in valuation during the year, to assess reasonableness of this assessment, and to consider whether Management has taken all the relevant information into account, including the potential impact of Covid-19 on asset values, in their assessment. We also reviewed the information received from the Trust's external valuer concerning the valuation movements during the year.</p> <p>We reviewed indices of price movements and other available market data to assess whether Management assessment is supported by this information.</p> <p>We assessed Management's review of the alternative site basis to determine whether this remained a valid judgement within the financial statements for 2019/20.</p> <p>We revisited the impact on depreciation charges calculated using the Trust's weighted average useful economic lives (UEL) basis compared to using componentised significant assets.</p> <p>Key Observations:</p> <p>We considered management's judgements to be appropriate in the light of the evidence available and the increased estimation uncertainty noted by the valuer.</p>
<p>Remuneration Report disclosures:</p> <p>In the previous two years we identified a number of issues on the Remuneration Report disclosures which are considered to be material by nature. The issues identified included incorrect application of the Regulation/Group Accounting Manual (GAM) in respect of senior officers' remuneration, calculation errors, use of incorrect banding, other presentational issues and missing the disclosure for one senior manager.</p> <p>We also identified some inconsistencies within the remuneration disclosures for certain senior managers who work across the three Trusts.</p> <p>The Trusts have been developing some joint working arrangements since 2017 and the GAM sets out specific requirements for reporting senior officer remuneration under such arrangements. There is a risk that the information disclosed in the Remuneration Report may not be complete and accurate, and the disclosures may not be consistent across the Trusts.</p>	<p>We reviewed the Group's procedures for collating the required information to confirm accuracy and completeness of information in the Remuneration Report.</p> <p>We performed detailed substantive testing on the Remuneration Report to check that all the required information has been included and that the information is complete and accurate. We agreed salary and fees to payroll information and other relevant supporting documents, agreed pension benefits to Greenbury pension data, reviewed part year benefit calculations where senior managers were in the role for part of the financial year, and reviewed the calculation of pension related benefits to check their accuracy. For members of the joint executive group, we checked whether the Trust has disclosed their share of cost with appropriate disclosures of their full remuneration.</p> <p>We reviewed the disclosures and presentation within the Remuneration Report to check whether they are in line with the GAM.</p> <p>Key observations:</p> <p>We considered the Remuneration Report has been prepared in line with the requirements of the GAM, and the information presented is complete and accurate.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the financial statements as a whole was set at £7.0 million (2019 £6.4 million). This was determined with reference to the benchmark of gross expenditure (of which it represents 1.75%) (2019 - 1.75%) which we consider to be one of the principal considerations for the Council of Governors in assessing the financial performance and position of the Trust.

We agreed with the Audit Committee to report to it all material corrected misstatements and all uncorrected misstatements we identified through our audit with a value in excess of £250,000 (2019- £290,000) in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Overview of the scope of our audit

The Trust operates as a single entity with no significant subsidiary bodies or other controlled undertakings. Accordingly our audit was conducted as a full scope audit of the Trust.

Other information

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

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

We have nothing to report in this regard.

Opinion on the Remuneration Report and Staff Report

We have also audited the information in the Remuneration Report and Staff Report that is described in the report as having been audited.

In our opinion the parts of the Remuneration Report and Staff Report to be audited have been properly prepared in accordance with the requirements of the NHS Foundation Trust Annual Reporting Manual 2019-20.

Matters on which we are required to report by exception

Qualified conclusion on use of resources

On the basis of our work, having regard to the guidance issued by the Comptroller & Auditor General in April 2020, with the exception of the matter reported in the Basis for qualified conclusion on use of resources section of our report, we are satisfied that, in all significant respects, the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for qualified conclusion on use of resources

The Trust had set a planned deficit budget of £25.7m for 2019/20, although it was envisaged that the Trust would receive £14.8m of Financial Recovery Funding (FRF), £7.5m Provider Sustainability Funding (PSF) and £3.4m Marginal Rate Emergency Tariff (MRET) in the year if it met the control total and would, as a consequence, achieve break-even.

The financial outturn for the year was a deficit of £36.5m (before central funding) which represents an adverse variance of £10.8m to the plan. Non-achievement of the budget deficit was mainly due to overspend on pay costs, pathology costs and cost pressures on overseas recruitment.

For 2019/20 the Trust has reported a year end surplus of £58k due to receipt of £33.1m FRF funding and £3.4m MRET funding. The Trust qualified for FRF funding due to the financial achievements at the system level, which relates to a combination of NHS providers and commissioners in the Mid and South Essex area.

The Trust had set a Cost Improvement Programme (CIP) target of £15m for 2019/20 and achieved approximately 65% of this during the year. Half of these are non-recurrent savings.

The Trust had significant loans from the Department of Health and Social Care, with £169m as at 31 March 2020. However, in line with NHS cash regime for 2020/21, £152m of these loans will be extinguished and replaced with Public Dividend Capital (PDC) in 2020/21. The failure to achieve control total targets, the shortfall in achievement of CIPs and the residual debt position in the context of financial performance is evidence of weaknesses in proper arrangements regarding sustainable resource deployment.

Other matters on which we are required to report by exception

Under Schedule 10 of the National Health Service Act 2006 and the National Audit Office's Code of Audit Practice we report to you if we have been unable to satisfy ourselves that:

- proper practices have been observed in the compilation of the financial statements; or
- the Annual Governance Statement meets the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual and is not misleading or inconsistent with other information that is forthcoming from the audit.

We also report to you if we have exercised special auditor powers in connection with the issue of a public interest report or we have made a referral to the regulator under Schedule 10 of the National Health Service Act 2006.

We have nothing to report in these respects.

Responsibilities of the Accounting Officer

As explained more fully in the Statement of Accounting Officer's Responsibility, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council of Governors either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

The Accounting Officer is also responsible for ensuring that the Trust is administered prudently and economically and that resources are applied efficiently and effectively.

Auditor's responsibilities for the audit of the financial statements

In respect of our audit of the financial statements our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Auditor's other responsibilities

We are also required under paragraph 1 of Schedule 10 of the National Health Service Act 2006 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

Certificate

We certify that we have completed the audit of the accounts of Basildon and Thurrock University Hospitals NHS Foundation Trust in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the Council of Governors of Mid and South Essex NHS Foundation Trust, as a body, in respect of Basildon and Thurrock University Hospitals NHS Foundation Trust. Our audit work has been undertaken so that we might state to the Council of Governors of Mid and South Essex NHS Foundation Trust those matters we are required to state to it 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 NHS Foundation Trust and the Council of Governors as a body, for our audit work, for this report or for the opinions we have formed.

A handwritten signature in blue ink, appearing to read 'BDO LLP', with a horizontal line underneath.

David Eagles

For and on behalf of BDO LLP, Statutory Auditor

Ipswich, UK

25 June 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Annual Accounts

Basildon & Thurrock University Hospitals NHS Foundation Trust

Annual accounts for the year ended 31 March 2020

Foreword to the accounts

Basildon & Thurrock University Hospitals NHS Foundation Trust

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



Signed

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**Clare Panniker
Chief Executive
23 June 2020**

Statement of Comprehensive Income

	Note	2019/20 £000	2018/19 £000
Operating income from patient care activities	3	338,536	314,357
Other operating income	4	63,289	23,063
Operating expenses	6, 8	<u>(397,012)</u>	<u>(364,744)</u>
Operating surplus/(deficit) from continuing operations		<u>4,813</u>	<u>(27,324)</u>
Finance income		165	104
Finance expenses	11	(3,327)	(2,203)
PDC dividends payable		<u>(1,591)</u>	<u>(2,836)</u>
Net finance costs		<u>(4,753)</u>	<u>(4,935)</u>
Other losses		<u>(2)</u>	<u>(23)</u>
Surplus/(deficit) for the year from continuing operations		<u>58</u>	<u>(32,282)</u>
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Losses on revaluation	7	<u>-</u>	<u>(10,707)</u>
Total comprehensive income/(expense) for the period		<u>58</u>	<u>(42,989)</u>

Statement of Financial Position

	Note	31 March 2020 £000	31 March 2019 £000
Non-current assets			
Intangible assets	12	6,187	6,792
Property, plant and equipment	13	222,845	213,368
Receivables	17	3,001	2,035
Total non-current assets		232,033	222,195
Current assets			
Inventories	16	6,955	6,690
Receivables	17	61,079	17,850
Cash and cash equivalents	18	4,645	8,981
Total current assets		72,679	33,521
Current liabilities			
Trade and other payables	19	(46,812)	(35,591)
Borrowings	20	(154,578)	(57,161)
Provisions	21	(192)	(624)
Total current liabilities		(201,582)	(93,376)
Total assets less current liabilities		103,130	162,340
Non-current liabilities			
Borrowings	20	(18,370)	(80,736)
Provisions	21	(1,655)	(832)
Total non-current liabilities		(20,025)	(81,568)
Total assets employed		83,105	80,772
Financed by			
Public dividend capital		116,328	114,053
Revaluation reserve		62,899	63,985
Income and expenditure reserve		(96,122)	(97,266)
Total taxpayers' equity		83,105	80,772

The notes on pages 7 to 38 form part of these accounts.



Clare Panniker
Chief Executive
23 June 2020

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

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2019 - brought forward	114,053	63,985	(97,266)	80,772
Surplus for the year	-	-	58	58
Transfers between reserves	-	(1,086)	1,086	-
Impairments*	-	-	-	-
Revaluations*	-	-	-	-
Public dividend capital received	2,275	-	-	2,275
Taxpayers' equity at 31 March 2020	116,328	62,899	(96,122)	83,105

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

Taxpayers' equity at 1 April 2018 - brought forward	113,239	75,546	(65,837)	122,947
Deficit for the year	-	-	(32,282)	(32,282)
Transfers between reserves	-	(853)	853	-
Revaluations	-	-	-	-
Impairments	-	(10,708)	-	(10,708)
Public dividend capital received	814	-	-	814
Taxpayers' equity at 31 March 2019	114,053	63,985	(97,266)	80,772

Information on reserves

Public dividend capital

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

Revaluation reserve

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

Income and expenditure reserve

The balance of this reserve is the accumulated surpluses and deficits of the Trust.

* Assets have not been revalued in this year, however a desktop valuation took place in 2018/19.

Statement of Cash Flows

	Note	2019/20 £000	2018/19 £000
Cash flows from operating activities			
Operating surplus/(deficit)		4,813	(27,324)
Non-cash income and expense:			
Depreciation and amortisation	6	10,898	10,140
Net impairments	7	-	662
Income recognised in respect of capital donations	4	(119)	(70)
(Increase) / decrease in receivables and other assets		(43,616)	789
(Increase) in inventories		(265)	(414)
Increase / (decrease) in payables and other liabilities		8,723	(2,747)
Increase/(decrease) in provisions		395	(4,606)
Net cash used in operating activities		(19,171)	(23,570)
Cash flows from investing activities			
Interest received		165	104
Purchase of intangible assets		(1,452)	(1,624)
Purchase of property, plant, equipment		(11,875)	(9,938)
Net cash used in investing activities		(13,162)	(11,458)
Cash flows from financing activities			
Public dividend capital received		2,275	814
Movement on loans from the Department of Health and Social Care		31,491	34,064
Capital element of finance lease rental payments		(274)	-
Interest element of finance lease		(21)	-
Interest on loans		(3,303)	(2,104)
PDC dividend paid		(2,170)	(2,551)
Net cash generated from financing activities		27,998	30,223
Decrease in cash and cash equivalents		(4,335)	(4,805)
Cash and cash equivalents at 1 April - brought forward		8,981	13,786
Cash and cash equivalents at 31 March	18.1	4,645	8,981

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

NHS Improvement, in exercising the statutory functions conferred on Monitor, has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care (DHSC) Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2019/20 issued by the DHSC. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

Note 1.1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

Note 1.2 Going concern

After taking into account all relevant factors, the Board has determined that the accounts should be prepared on a going concern basis for the year ended 31st March 2020 based on the following factors:

In March 2020, NHS Improvement (and Secretary of State for Mid Essex Hospital Services NHS Trust) approved the acquisition of the Trust, along with Mid Essex Hospital Services NHS Trust by Southend University Hospital NHS Foundation Trust and for the combined organisation to be subsequently known as Mid and South Essex NHS Foundation Trust. Following that decision, the Board had a clear and fixed intention for the acquisition to proceed on 1 April 2020 and that there was no reason to believe that this would not be achieved.

The Trust had submitted a joint financial plan for the financial year 2020/21 and main commissioners had supported the acquisition proposal and the continuation of previously agreed contracts.

As directed by the GAM 2019/20, the Directors have prepared the financial statements on a going concern basis as they consider that the services currently provided by the Trust will continue to be provided in the foreseeable future. In that respect, all of the services provided previously by Basildon and Thurrock University Hospital NHS Foundation Trust have now been taken on and are being provided by Mid and South Essex NHS Foundation Trust, and these services will continue to be delivered using the same assets as acquired from the Trust.

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. The affected loans totalling £151,595k are classified as current liabilities within these financial statements. As the repayment of these loans will be funded through the issue of PDC, this does not present a going concern risk for the Trust.

Note 1.3 Revenue recognition

Note 1.3.1 Revenue from contracts with customers

Where income is derived from contracts with customers, it is accounted for under IFRS 15. The GAM expands the definition of a contract to include legislation and regulations which enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS).

Revenue in respect of goods/services provided is recognised when (or as) performance obligations are satisfied by transferring promised goods/services to the customer and is measured at the amount of the transaction price allocated to those performance obligations. At the year end, the Trust accrues income relating to performance obligations satisfied in that year. Where the Trust's entitlement to consideration for those goods or services is unconditional a contract receivable will be recognised. Where entitlement to consideration is conditional on a further factor other than the passage of time, a contract asset will be recognised. Where consideration received or receivable relates to a performance obligation that is to be satisfied in a future period, the income is deferred and recognised as a contract liability.

Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners for health care services. A performance obligation relating to delivery of a spell of health care is generally satisfied over time as healthcare is received and consumed simultaneously by the customer as the Trust performs it. The customer in such a contract is the commissioner, but the customer benefits as services are provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligns with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that are substantially the same and have a similar pattern of transfer. At the year end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete.

Contract income is received over the course of the year and is generally aligned with the delivery of care relating to that income.

Revenue from research contracts

Where research contracts fall under IFRS 15, revenue is recognised as and when performance obligations are satisfied. For some contracts, it is assessed that the revenue project constitutes one performance obligation over the course of the multi-year contract. In these cases it is assessed that the Trust's interim performance does not create an asset with alternative use for the Trust, and the Trust has an enforceable right to payment for the performance completed to date. It is therefore considered that the performance obligation is satisfied over time, and the Trust recognises revenue each year over the course of the contract.

NHS injury cost recovery scheme

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

Financial recovery fund (FRF)

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

Note 1.3.2 Revenue grants and other contributions to expenditure

Government grants are grants from government bodies other than income from commissioners or trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure.

The value of the benefit received when accessing funds from the Government's apprenticeship service is recognised as income at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider, the corresponding notional expense is also recognised at the point of recognition for the benefit.

Note 1.4 Expenditure on employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following period.

Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as though it is a defined contribution scheme.

Employer's pension cost contributions are charged to operating expenses as and when they become due.

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

Further information is provided in note 9 to the accounts.

Note 1.5 Expenditure on other goods and services

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

Note 1.6 Property, plant and equipment

Note 1.6.1 Recognition

Property, plant and equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes
- it is probable that future economic benefits will flow to, or service potential be provided to, the trust
- it is expected to be used for more than one financial year
- the cost of the item can be measured reliably
- the item has cost of at least £5,000, or
- collectively, a number of items have a cost of at least £5,000 and individually have cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have similar disposal dates and are under single managerial control.
- form part of the initial setting up of a new building or refurbishment, irrespective of the individual costs.

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.

Note 1.6.2 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 valuation. All land and buildings are restated to current value using professional valuations every five years. In the intervening years a valuation is requested if land and property prices are known to have significantly fluctuated.

Assets which are held for their service potential and are in use (ie operational assets used to deliver either front line services or back office functions) are measured at their current value in existing use. Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are measured at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying values are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost on a modern equivalent asset basis.

The Trust has adopted the alternative site valuation basis. This is applied where this would meet the location requirements of the services being provided.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees. Assets are revalued and depreciation commences when the assets are brought into use.

IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historic cost where these assets have short useful lives or low values or both, as this is not considered to be materially different from current value in existing use.

Subsequent expenditure

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be determined reliably. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance, is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Depreciation

Items of property, plant and equipment are depreciated over their remaining useful 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' cease to be depreciated upon the reclassification. Assets in the course of construction are not depreciated until the asset is brought into use.

Revaluation gains and losses

Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised in operating income.

Revaluation losses are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

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

Impairments

In accordance with the GAM, impairments that arise from a clear consumption of economic benefits or of service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

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

Other impairments are treated as revaluation losses. Reversals of 'other impairments' are treated as revaluation gains.

Note 1.6.3 De-recognition

Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met:

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

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged. Assets are de-recognised when all material sale contract conditions have been met.

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

Note 1.6.4 Useful lives of property, plant and equipment

Useful lives reflect the total life of an asset and not the remaining life of an asset. The range of useful lives are shown in the table below:

	Min life Years	Max life Years
Land	-	-
Buildings, excluding dwellings	25	90
Dwellings	25	90
Plant & machinery	5	30
Transport equipment	10	10
Information technology	5	5
Furniture & fittings	10	10

Note 1.7 Intangible assets

Note 1.7.1 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 and is at least £5,000, or form a group of assets which individually have a cost of more the £250 and collectively have a cost of at least £5,000 and where the assets are functionally interdependent.

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.

Note 1.7.2 Measurement

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 and IFRS 5.

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

Amortisation

Intangible assets are amortised over their expected useful lives in a manner consistent with the consumption of economic or service delivery benefits.

Note 1.7.3 Useful economic life of intangible assets

Useful lives reflect the total life of an asset and not the remaining life of an asset. The range of useful lives are shown in the table below:

	Min life Years	Max life Years
Software licences	5	10

Note 1.8 Inventories

Inventories are measured at current cost which, whilst not consistent with IAS2, is considered to be a close approximation to the lower of cost and net realisable value and will not lead to a materially mis-stated amount for the value of inventories.

Note 1.9 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

Note 1.10 Financial assets and financial liabilities

Note 1.10.1 Recognition

Financial assets and financial liabilities arise where the Trust is party to the contractual provisions of a financial instrument, and as a result has a legal right to receive or a legal obligation to pay cash or another financial instrument. The GAM expands the definition of a contract to include legislation and regulations which give rise to arrangements that in all other respects would be a financial instrument and do not give rise to transactions classified as a tax by ONS.

This includes the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements and are recognised when, and to the extent which, performance occurs, ie, when receipt or delivery of the goods or services is made.

Note 1.10.2 Classification and measurement

Financial assets and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs except where the asset or liability is not measured at fair value through income and expenditure. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices or valuation techniques.

Financial assets and liabilities are subsequently measured at amortised cost.

Financial assets and financial liabilities at amortised cost

Financial assets and financial liabilities at amortised cost are those held with the objective of collecting contractual cash flows and where cash flows are solely payments of principal and interest. This includes cash equivalents, contract and other receivables, trade and other payables, rights and obligations under lease arrangements and loans receivable and payable.

After initial recognition, these financial assets and financial liabilities are measured at amortised cost using the effective interest method less any impairment (for financial assets). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

Interest revenue or expense is calculated by applying the effective interest rate to the gross carrying amount of a financial asset or amortised cost of a financial liability and recognised in the Statement of Comprehensive Income and a financing income or expense. In the case of loans held from the Department of Health and Social Care, the effective interest rate is the nominal rate of interest charged on the loan.

Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets, the Trust recognises an allowance for expected credit losses.

The Trust adopts the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses as at an amount equal to lifetime expected losses. For other financial assets, the loss allowance is initially measured at an amount equal to 12-month expected credit losses (stage 1) and subsequently at an amount equal to lifetime expected credit losses if the credit risk assessed for the financial asset significantly increases (stage 2).

Provision is made for expected credit losses based on past experience. GAM advises annually on the amount to be provided against Injury Cost Recover Scheme (ICRS) debts. No provision is made against NHS debtors.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Expected losses are charged to operating expenditure within the Statement of Comprehensive Income and reduce the net carrying value of the financial asset in the Statement of Financial Position.

Note 1.10.3 Derecognition

Financial assets are de-recognised when the contractual rights to receive cash flows from the assets have expired or the Trust has transferred substantially all the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Note 1.11 Leases

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

Note 1.11.1 The Trust as lessee

Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Trust, the asset is recorded as property, plant and equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

The asset and liability are recognised at the commencement of the lease. Thereafter the asset is accounted for an item of property, plant and equipment.

The annual rental charge is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to finance costs in the Statement of Comprehensive Income.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Note 1.12 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the discount rates published and mandated by HM Treasury.

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the trust is disclosed at note 21.2, but is not recognised in the Trust's accounts.

Non-clinical risk pooling

The Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the trust pays an annual contribution to NHS Resolution and in return receives assistance with the costs of claims arising. The annual membership contributions, and any "excesses" payable in respect of particular claims are charged to operating expenses when the liability arises.

Note 1.13 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS organisation. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

At any time, the Secretary of State can issue new PDC to, and require repayments of PDC from, the trust. PDC is recorded at the value received.

A charge, reflecting the cost of capital utilised by the trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for:

- (i) donated assets (including lottery funded assets),
- (ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and
- (iii) any PDC dividend balance receivable or payable.

In accordance with the requirements laid down by the Department of Health and Social Care (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre-audit" version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

Note 1.14 Value added tax

Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Note 1.15 Corporation tax

The activities of the Trust are limited to healthcare and the provision of services associated with healthcare, and therefore the Trust has determined that it has no liability for corporation tax.

Note 1.16 Third party assets

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

Note 1.17 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had the trust not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

However the losses and special payments note is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

Note 1.18 Critical judgements in applying accounting policies

The following are the judgements, apart from those involving estimations (see below) that management has made in the process of applying the trust accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Pensions

Critical judgements have been applied in accounting for pensions, specifically in relation to the treatment of the scheme as a defined contribution scheme. Further details are in note 9.

Non-Consolidation of Charitable Funds

International Accounting Standard number 27 (IFRS10) requires production of consolidated accounts where there is a parent/subsidiary relationship. IFRS10 defines a subsidiary as "an entity...that is controlled by another entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities." The Trust is Corporate Trustee of the Charitable Fund and meets the definition of control.

Materiality is an overriding consideration in preparation of the accounts. The International Accounting Standards Board (IASB) states that "Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements".

The net assets of the Charitable Fund amount to about 2.5% of the Trust net assets. Charitable fund income is less than 0.5% of Trust income. The Directors therefore consider that the significant amount of work which would be necessary to consolidate the accounts of the Charitable fund with those of the Trust is not justified on the grounds of materiality.

Note 1.18.1 Sources of estimation uncertainty

The following are assumptions about the future and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Property, plant and equipment valuation

Valuations of specialised properties are undertaken by a professional RICS qualified valuer. The last desktop valuation date was 31 March 2019. The DRC basis of valuation seeks to determine the current cost of replacing an asset with its modern equivalent asset (MEA) less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The valuation uses an Alternative Site model, which is based on land values in the Basildon area and assumes that the Trust has freehold interests with no encumbrances.

The key assumptions that are most likely to affect the valuations are:

Cost data: the valuer uses actual cost data where it is available, however, this is adjusted to reflect price changes since the construction date and any differences between those costs and the costs that would be incurred in constructing the modern equivalent asset.

Adjustments for obsolescence: once the cost of constructing a modern equivalent asset has been determined an adjustment is made to reflect the difference between the modern equivalent and the actual asset being valued. This adjustment is made by the valuer based on his knowledge and experience, it takes into account physical deterioration, functional obsolescence and economic obsolescence.

Depreciation, amortisation and useful economic lives

The Trust's basis for determining these estimates are explained in notes 1.6 and 1.7.

Note 1.19 Early adoption of standards, amendments and interpretations

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

Note 1.20 Standards, amendments and interpretations in issue but not yet effective or adopted

IFRS 16 Leases

IFRS 16 Leases will replace *IAS 17 Leases*, *IFRIC 4 Determining whether an arrangement contains a lease* and other interpretations. The standard has been deferred to be effective from 1st April 2021, as a result of the COVID epidemic

The Trust has considered the impact of IFRS 16. The only operating leases held by the Trust are in respect of leased cars. The likely impact on the financial statements from the implementation of this standard is not expected to be significant.

IFRS 17 Insurance Contracts

Application required for accounting periods beginning on or after 1 January 2023, but not yet adopted by the FReM: early adoption is not therefore permitted.

2. Segmental Analysis

All of the Trust's activities are in the provision of healthcare, which is an aggregate of all the individual specialty components included therein, and the large majority of the healthcare services provided occur at the one geographical main site. Similarly, the large majority of the Trust's revenue originates with the UK Government. The majority of expenses incurred are payroll expenditure on staff involved in the production or support of healthcare activities generally across the Trust together with the related supplies and overheads needed to establish this production. The business activities which earn revenue and incur expenses are therefore of one broad combined nature and therefore on this basis one segment of 'Healthcare' is deemed appropriate.

The operating results of the Trust are reviewed monthly by the Trust's chief operating decision maker which is the overall Trust Board and which includes senior professional non-executive directors. The Board of Directors review the financial position of the Trust as a whole in their decision making process, rather than individual components included in the totals, in terms of allocating resources. This process again implies a single operating segment under IFRS 8.

The finance report considered by the Board of Directors contains summary figures for the whole Trust together with graphical line charts relating to different total income activity levels, and directorate expense budgets with their cost improvement positions. Likewise only total balance sheet positions and cashflow forecasts are considered for the whole Trust. The Board of Directors as chief operating decision maker therefore only considers one segment of healthcare in its decision-making process.

The single segment of 'Healthcare' has therefore been identified consistent with the core principle of IFRS 8 which is to enable users of the financial statements to evaluate the nature and financial effects of business activities and economic environments.

Note 3 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.3.1

Note 3.1 Income from patient care activities (by nature)

	2019/20	2018/19
	£000	£000
Elective income	48,883	47,586
Non elective income	120,170	108,463
First outpatient income	29,780	28,532
Follow up outpatient income	14,695	13,896
A & E income	21,698	17,822
High cost drugs income from commissioners (excluding pass-through costs)	13,879	14,186
Other NHS clinical income	72,585	72,120
Private patient income	5,909	6,580
Agenda for Change pay award central funding*	-	3,552
Additional pension contribution central funding**	9,185	-
Other clinical income	1,752	1,620
Total income from activities	338,536	314,357

*Additional costs of the Agenda for Change pay reform in 2018/19 received central funding. From 2019/20 this funding is incorporated into tariff for individual services.

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

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	2019/20	2018/19
	£000	£000
NHS England	75,584	66,132
Clinical commissioning groups	255,193	236,252
Department of Health and Social Care	-	3,552
Other NHS providers	97	221
Local authorities	1	-
Non-NHS: private patients	5,054	5,826
Non-NHS: overseas patients (chargeable to patient)	855	754
Injury cost recovery scheme	1,752	1,620
Total income from activities	338,536	314,357
Of which:		
Related to continuing operations	338,536	314,357

Note 3.3 Overseas visitors (relating to patients charged directly by the provider)

	2019/20	2018/19
	£000	£000
Income recognised this year	855	754
Cash payments received in-year	251	387
Amounts added to provision for impairment of receivables	754	497
Amounts written off in-year	766	234

Note 4 Other operating income

	2019/20 £000	2018/19 £000
Other operating income from contracts with customers:		
Research and development (contract)	1,232	1,037
Education and training (excluding notional apprenticeship levy income)	7,489	7,491
Non-patient care services to other bodies	8,805	5,458
Provider sustainability / sustainability and transformation fund income (PSF/STF/FRF)*	33,137	-
Marginal Rate Emergency Tariff funding	3,419	-
Estates facilities income	2,664	2,679
Catering	1,702	1,665
Pharmacy sales	47	52
Property rental (not lease income)	1,367	1,444
Staff accommodation rental	1,057	924
Staff contribution to employee benefit schemes	682	691
Other contract income	1,569	1,552
Other non-contract operating income		
Charitable and other contributions to expenditure	119	70
Total other operating income	63,289	23,063
Of which:		
Related to continuing operations	63,289	23,063

*The Trust qualified for FRF in 2019/20 and additional incentive monies totalling £33,317k.

Whilst the trust did not achieve the eligibility criteria against the control total, due to the achievements at the system level, the Trust received £22,300k under the FRF system achievement incentive scheme, and a further £10,837k was received as a deficit-reduction incentive payment.

Note 5.1 Additional information on revenue from contracts with customers recognised in the period

All revenue recognised in the year arises from contract obligations satisfied within year.

Note 5.2 Transaction price allocated to remaining performance obligations

No revenue from existing contracts has been allocated to performance obligations in future years.

Note 5.3 Fees and Charges

During 2019/20 the Trust offered a service to private patients in a dedicated unit. The Trust achieved the following:

	2019/20 £000	2018/19 £000
Income	5,096	5,729
Direct Costs	1,821	1,908
Contribution	3,275	3,821

A small amount of private activity was not conducted through the dedicated unit.
All the surplus is reinvested in NHS patient care.

Note 5.4 Income from activities arising from commissioner requested services

Under the terms of its provider licence, the Trust is required to analyse the level of income from activities that has arisen from commissioner requested and non-commissioner requested services. Commissioner requested services are defined in the provider license and are services that commissioners believe would need to be protected in the event of provider failure. This information is provided in the table below:

	2019/20	2018/19
	£000	£000
Income from services designated as commissioner requested services	321,690	306,157
Income from services not designated as commissioner requested services	16,846	8,200
Total	338,536	314,357

Note 6 Operating expenses

	2019/20	2018/19
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	6,380	4,661
Purchase of healthcare from non-NHS and non-DHSC bodies	17,331	16,004
Staff and executive directors costs	263,431	236,685
Remuneration of non-executive directors	161	116
Supplies and services - clinical (excluding drugs costs)	34,992	33,531
Supplies and services - general	3,864	4,294
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	21,063	21,942
Inventories written down	62	132
Consultancy costs	3,762	2,312
Establishment	3,135	2,740
Premises	11,822	12,112
Transport (including patient travel)	650	580
Depreciation on property, plant and equipment	8,956	7,853
Amortisation on intangible assets	1,942	2,287
Net impairments	-	662
Movement in credit loss allowance: contract receivables / contract assets	1,039	1,079
Increase/(decrease) in other provisions	129	(48)
Change in provisions discount rate(s)	-	(26)
Audit fees payable to the external auditor		
- statutory audit services	46	46
- other assurance services	4	4
Internal audit costs	133	123
Clinical negligence	12,194	12,311
Legal fees	82	230
Insurance	346	314
Education and training	1,230	1,359
Rentals under operating leases	470	522
Car parking & security	14	25
Hospitality	51	97
Losses, ex gratia & special payments	39	40
Other services, eg external payroll	80	156
Other	3,604	2,601
Total	397,012	364,744
Of which:		
Related to continuing operations	397,012	364,744

Note 6.1 Limitation on auditor's liability

The limitation on auditor's liability for external audit work is £1m (2018/19: £1m).

Note 7 Losses on revaluation of assets

	2019/20	2018/19
	£000	£000
Net losses on revaluation charged to operating surplus / deficit resulting from:		
Changes in market price	-	662
Total net losses on revaluation charged to operating surplus / deficit	-	662
losses on revaluation charged to the revaluation reserve	-	10,707
Total net losses on revaluation	-	11,369

Details of the losses on revaluation are disclosed in note 13.

Note 8 Employee benefits

	2019/20	2018/19
	Total	Total
	£000	£000
Salaries and wages	193,291	166,329
Social security costs	19,183	16,535
Apprenticeship levy	943	832
Employer's contributions to NHS pensions *	30,331	18,789
Pension cost - other	176	38
Temporary staff (including agency)	27,806	37,898
Total gross staff costs	271,730	240,421
Recoveries in respect of seconded staff	(7,470)	(2,696)
Total staff costs	264,260	237,725
Of which		
Costs capitalised as part of assets	829	1,040
Costs recognised within operating expenditure	263,431	236,685

*Pension contributions increased to 20.6%, 6.3% of the increase was funded by NHS England.

Note 8.1 Retirements due to ill-health

During 2019/20 there were 2 early retirements on the grounds of ill health (none in the year ended 31 March 2019). The additional pension liabilities in respect of these retirements is £125k (2018/19 £0).

The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

Pension Costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2020, is based on valuation data as at 31 March 2019, updated to 31 March 2020 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

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

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

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

Note 10 Operating leases

This note discloses costs and commitments incurred in operating lease arrangements where the Trust is the lessee.

	2019/20	2018/19
	£000	£000
Operating lease expense		
Minimum lease payments	<u>470</u>	<u>522</u>

The Trust has some plant and equipment under operating leases. Some of these leases are cancellable and all are based on an original period not exceeding three years.

	31 March	31 March
	2020	2019
	£000	£000
Future minimum lease payments due:		
- not later than one year;	751	636
- later than one year and not later than five years;	478	539
- later than five years.	-	-
Total	<u>1,229</u>	<u>1,175</u>
Future minimum sublease payments to be received	-	-

Note 11 Finance expenditure

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

	2019/20	2018/19
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	3,309	2,200
Finance leases	22	-
Other Finance Costs		
Unwinding of discount on provisions	(4)	3
Total finance costs	<u>3,327</u>	<u>2,203</u>

Note 12 Intangible assets

Note 12.1 Intangible assets - 2019/20

	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Gross cost at 1 April 2019 - brought forward	19,400	586	19,986
Additions	405	1,047	1,452
Reclassifications	290	(406)	(116)
Gross cost at 31 March 2020	20,096	1,227	21,323
Amortisation at 1 April 2019 - brought forward	13,194	-	13,194
Provided during the year	1,942	-	1,942
Amortisation at 31 March 2020	15,136	-	15,136
Net book value at 31 March 2020	4,960	1,227	6,187
Net book value at 1 April 2019	6,206	586	6,792

Note 12.2 Intangible assets - 2018/19

	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Gross cost at 1 April 2018	17,948	414	18,362
Additions	1,294	330	1,624
Reclassifications	158	(158)	-
Gross cost at 31 March 2019	19,400	586	19,986
Amortisation at 1 April 2018	10,907	-	10,907
Provided during the year	2,287	-	2,287
Amortisation at 31 March 2019	13,194	-	13,194
Net book value at 31 March 2019	6,206	586	6,792
Net book value at 1 April 2018	7,041	414	7,455

Note 13 Property, plant and equipment

Note 13.1 Property, plant and equipment - 2019/20

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2019	29,148	161,231	3,814	3,421	41,420	190	12,059	4,475	255,758
Additions	-	9,540	-	3,353	3,885	19	1,393	129	18,319
Reclassifications	-	892	-	(888)	-	-	112	-	116
Disposals / derecognition	-	-	-	-	(1,689)	-	-	-	(1,689)
Valuation/gross cost at 31 March 2020	29,148	171,663	3,814	5,886	43,616	209	13,564	4,604	272,504
Accumulated depreciation at 1 April 2019 - brought forward	-	-	-	-	30,647	168	8,561	3,014	42,390
Provided during the year	-	5,051	120	-	2,311	7	1,105	362	8,956
Disposals / derecognition	-	-	-	-	(1,687)	-	-	-	(1,687)
Accumulated depreciation at 31 March 2020	-	5,051	120	-	31,271	175	9,666	3,376	49,659
Net book value at 31 March 2020	29,148	166,612	3,694	5,886	12,345	34	3,898	1,228	222,845
Net book value at 1 April 2019	29,148	161,231	3,814	3,421	10,773	22	3,498	1,461	213,368

Note 13.2 Property, plant and equipment - 2018/19

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2018	29,160	174,804	4,161	4,821	41,463	186	11,053	4,586	270,234
Additions	-	2,277	245	2,205	670	12	994	167	6,570
Impairments charged to operating expenses	-	(382)	(280)	-	-	-	-	-	(662)
Impairments charged to the revaluation reserve	(12)	(17,676)	(363)	-	-	-	-	-	(18,051)
Reclassifications	-	2,208	51	(3,605)	1,304	-	12	30	-
Disposals / derecognition	-	-	-	-	(2,017)	(8)	-	(308)	(2,333)
Valuation/gross cost at 31 March 2019	29,148	161,231	3,814	3,421	41,420	190	12,059	4,475	255,758
Accumulated depreciation at 1 April 2018	-	3,855	87	-	29,751	168	7,393	2,937	44,191
Provided during the year	-	3,303	88	-	2,912	8	1,168	374	7,853
Revaluations	-	-	-	-	-	-	-	-	-
Impairments charged to the revaluation reserve	-	(7,169)	(175)	-	-	-	-	-	(7,344)
Reclassifications	-	11	-	-	(11)	-	-	-	-
Disposals / derecognition	-	-	-	-	(2,005)	(8)	-	(297)	(2,310)
Accumulated depreciation at 31 March 2019	-	-	-	-	30,647	168	8,561	3,014	42,390
Net book value at 31 March 2019	29,148	161,231	3,814	3,421	10,773	22	3,498	1,461	213,368
Net book value at 1 April 2018	29,160	170,949	4,074	4,821	11,712	18	3,660	1,649	226,043

Note 13.3 Property, plant and equipment financing - 2019/20

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2020									
Owned - purchased	29,148	163,547	3,694	5,886	10,908	34	3,893	1,205	218,316
Finance leased	-	2,368	-	-	1,221	-	-	-	3,589
Owned - donated	-	697	-	-	216	-	5	23	941
NBV total at 31 March 2020	29,148	166,612	3,694	5,886	12,345	34	3,898	1,228	222,846

Note 13.4 Property, plant and equipment financing - 2018/19

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2019									
Owned - purchased	29,148	160,535	3,814	3,420	10,568	22	3,491	1,439	212,438
Owned - donated	-	696	-	-	205	-	7	22	930
NBV total at 31 March 2019	29,148	161,231	3,814	3,420	10,773	22	3,498	1,461	213,368

Note 14 Revaluations of property, plant and equipment

A full formal valuation is carried out every 5 years, with the last full revaluation undertaken as at 31 March 2017. The Trust had a desktop valuation as at 31 March 2019, and guidance from valuers this year was that there has not been a material movement to asset values. Therefore, the Trust has not carried out a desktop valuation as at 31 March 2020 as it is comfortable the values in the accounts are materially correct without needing one.

In making these judgements, the Trust is aware that the Royal Institute of Chartered Surveyors (RICS) has issued a valuation practice notice which gives guidance to valuers where a valuer declares a materiality uncertainty attached to a valuation in light of the impact of COVID-19 on markets. As explained above, the Trust has not obtained a valuation for 2019/20 but it should be noted that there may now be a greater uncertainty in markets on which the desktop valuation obtained in 2018/19 and reflected in these financial statements is based.

Note 15 Disclosure of interests in other entities

The Trust holds a 25.5% share of each of Facilities First LLP and Pathology First LLP. These entities are jointly controlled by the Trust, Southend University Hospital NHS Foundation Trust and Integrated Pathology Partnerships (iPP). The arrangements are treated as a joint venture and are accounted for using equity accounting, such that 25.5% of the surplus/(deficit) made is included in the Trust's Statement of Comprehensive Income and 25.5% of the net assets of the Joint Venture are included in the Statement of Financial Position of the Trust.

Joint ventures are arrangements in which the Trust has joint control with one or more other parties, and where it has the rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method, where the value of the Trust's investment is recorded under investments. Group statements have not been prepared as the initial consideration in the Joint Venture is £nil. The amounts to be included under entity accounting is also £nil. As such there are no material changes to the statements.

In 2019/20 the two partnerships traded only with the Southend and Basildon Trust's and broke even. They are not expected to show a profit until they begin trading with third party customers. As at 31st March 2020, the value of their assets is not material and, therefore, they are not consolidated in the accounts.

	Facilities First 2019/20 £000	Pathology First 2019/20 £000	Combined 2019/20 £000	Combined 2018/19 £000
Profit and Loss Account				
Turnover	14,336	12,391	26,727	24,384
Cost of sales	(14,326)	(12,341)	(26,667)	(24,336)
Gross Profit	<u>10</u>	<u>50</u>	<u>60</u>	<u>48</u>
Operating expenditure	(10)	(50)	(60)	(48)
Profit/(Loss) before tax	-	-	-	-
Trust's share of profit/(loss) in Statement of Comprehensive Income	-	-	-	-
Statement of Financial Position				
Current assets	664	3,196	3,860	60
Payables - amounts due within one year	(664)	(3,196)	(3,860)	(60)
Net Assets/(Liabilities)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Share of net assets/(liabilities) recognised in the Statement of Financial Position	-	-	-	-

Note 16 Inventories

	31 March 2020 £000	31 March 2019 £000
Drugs	1,707	1,502
Consumables	5,248	5,188
Total inventories	<u>6,955</u>	<u>6,690</u>
of which:		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £52,733k (2018/19: £54,207k). Write-down of inventories recognised as expenses for the year were £62k (2018/19: £132k).

Note 17 Receivables

Note 17.1 Trade receivables and other receivables

	31 March 2020 £000	31 March 2019 £000
Current		
Contract receivables*	58,592	16,118
Allowance for impaired contract receivables	(1,458)	(1,680)
Prepayments (non-PFI)	2,420	2,413
PDC dividend receivable	709	130
VAT receivable	388	744
Clinician pension tax provision reimbursement funding from NHSE	19	-
Other receivables	409	125
Total current trade and other receivables	61,079	17,850
Non-current		
Contract receivables	2,566	2,267
Allowance for impaired contract receivables	(352)	(232)
Other receivables	787	-
Total non-current trade and other receivables	3,001	2,035
Of which receivables from NHS and DHSC group bodies:		
Current	55,678	11,689
Non-current	787	-

*Contract receivables as at 31 March 2020 include £33.1m due in respect of FRF funding.

Note 17.2 Allowances for credit losses - 2019/20

	Contract receivables £000	All other receivables £000
Allowances as at 1 Apr 2019 - brought forward	1,912	-
New allowances arising	1,039	-
Reversals of allowances	-	-
Utilisation of allowances (write offs)	(1,141)	-
Allowances as at 31 Mar 2020	1,810	-

	Contract receivables £000	All other receivables £000
Allowances as at 1 Apr 2018 - brought forward	-	1,679
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018	1,679	(1,679)
New allowances arising	1,079	-
Reversals of allowances	-	-
Utilisation of allowances (write offs)	(846)	-
Allowances as at 31 Mar 2019	1,912	-

Note 17.3 Exposure to credit risk

The Trust has no significant exposure to credit risk as the majority of the Trust's revenue comes from contracts with other NHS bodies.

Note 18 Cash and cash equivalents

Note 18.1 Cash and cash equivalents movements

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

	2019/20	2018/19
	£000	£000
At 1 April	8,981	13,786
Net change in year	(4,336)	(4,805)
At 31 March	4,645	8,981
Broken down into:		
Cash at commercial banks and in hand	459	460
Cash with the Government Banking Service	4,186	8,521
Total cash and cash equivalents as in SoFP and SOCF	4,645	8,981

Note 18.2 Third party assets held by the trust

The Trust held cash and cash equivalents which relate to monies held by the Trust on behalf of patients or other parties. This has been excluded from the cash and cash equivalents figure reported in the accounts.

	31 March 2020	31 March 2019
	£000	£000
Bank balances	3	6
Total third party assets	3	6

Note 19 Trade and other payables

Note 19.1 Trade and other payables

	2020	2019
	£000	£000
Current		
Trade payables	10,752	4,714
Capital payables	4,797	2,300
Accruals	18,204	17,510
Receipts in advance (including payments on account)	1,618	1,026
Social security costs	5,831	4,667
Other payables	5,610	5,374
Total current trade and other payables	46,812	35,591
Of which payables from NHS and DHSC group bodies:		
Current	13,501	5,972

Note 19.2 Early retirements in NHS payables above

There were no payments for early retirements during 2019/20 (2018/19 - none).

Note 20 Borrowings

	31 March 2020 £000	31 March 2019 £000
Current		
Loans from the Department of Health and Social Care*	153,485	57,161
Obligations under finance leases	1,093	-
Total current borrowings	154,578	57,161
Non-current		
Loans from the Department of Health and Social Care	15,909	80,736
Obligations under finance leases	2,461	-
Total non-current borrowings	18,370	80,736

Post year end, it was confirmed that all interim borrowing should be reported as falling due within one year and has been reported as an adjusting post balance sheet event as disclosed within note 27.

Note 20.1 Reconciliation of liabilities arising from financing activities

	Loans from DHSC £000	Other £000
Carrying value at 1 April 2019	137,897	-
Cash movements:		
Financing cash flows - payments and receipts of principal (net)	31,491	(274)
Financing cash flows - payments of interest	(3,304)	(21)
Non-cash movements:		
Additions	-	3,828
Application of effective interest rate	3,310	21
Transfer to FT upon authorisation	-	-
Carrying value at 31 March 2020	169,394	3,554

Note 20.2 Finance lease liabilities

	31 March 2020 £000	31 March 2019 £000
Gross lease liabilities	3,699	-
of which liabilities are due:		
- not later than one year;	1,075	-
- later than one year and not later than five years;	2,492	-
- later than five years.	132	-
Finance charges allocated to future periods	(145)	-
Net lease liabilities	3,554	-
of which payable:		
- not later than one year;	1,093	-
- later than one year and not later than five years;	2,434	-
- later than five years.	27	-
Total of future minimum sublease payments to be received at the reporting date	-	-
Contingent rent recognised as expense in the period	-	-

Note 21 Provisions for liabilities and charges

Note 21.1 Provisions for liabilities and charges analysis

	Pensions: early departure costs £000	Pensions: injury benefits* £000	Legal claims £000	Other £000	Total £000
At 1 April 2019	291	620	89	456	1,456
Arising during the year	76	245	42	806	1,169
Utilised during the year	(78)	(53)	(25)	-	(156)
Reversed unused	(47)	(115)	-	(456)	(618)
Unwinding of discount	(1)	(3)	-	-	(4)
At 31 March 2020	241	694	106	806	1,847
Expected timing of cash flows:					
- not later than one year;	49	18	106	19	192
- later than one year and not later than five years;	137	72	-	105	314
- later than five years.	55	604	-	682	1,341
Total	241	694	106	806	1,847

Provisions for legal claims represents the gross estimated liability from employer and public liability cases and other outstanding legal claims based on contractual or employment liabilities. Employer and public liability cases are managed by NHS Resolution through the Liabilities to Third Party scheme and the NHS Resolution share of the provision is included in its accounts.

*There were no pension provisions relating to former directors.

Note 21.2 Clinical negligence liabilities

As at 31 March 2020, £289,840k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Basildon & Thurrock University Hospitals NHS Foundation Trust (31 March 2019: £280,125k).

Note 22 Contractual capital commitments

	31 March 2020	31 March 2019
	£000	£000
Property, plant and equipment	5,227	7,028
Intangible assets	-	348
Total	5,227	7,376

Note 23 Financial instruments

Note 23.1 Financial risk management

The Trust's activities expose it to a variety of financial risks: market risk (including financial markets), credit risk and liquidity risk. The Trust's overall risk management programme focuses on credit risk.

Market risk

Market risk for the Trust is low as there are no significant foreign exchange transactions (although some suppliers prices are affected by foreign exchange fluctuations) and price risk is low as the Trust does not hold investments. Liquidity risk is minimised by regular cash flow forecasting and maintaining a working capital facility.

Where the Trust's Financial Assets and Liabilities are subject to floating interest rates these are all based on the prevailing Base Rate. The Trust is not, therefore, exposed to material interest-rate risk.

The book value of financial instruments is considered to be the same as the fair value.

Credit Risk

Credit risk primarily arises from two sources; cash deposits with banks and financial institutions and credit exposures to customers and other debtors.

Cash deposits with financial institutions are controlled by the Trust's Managing Operating Cash policy and this is regularly monitored by the Finance and Resources committee. The policy provides that deposits may only be made with 'A' rated institutions, or Government Banking services, and in addition operates additional single deposit, banking group and concentration limits.

The majority of the Trust's customers are Clinical Commissioning Groups and NHS England. As such, credit risk in this area is considered to be limited to disputes over activity rather than the customers' ability to pay. Other customers have an appropriate credit check or settle via cash or using major credit cards before any activity is undertaken (where clinical priorities allow). Where debtors exceed any agreed credit terms appropriate provision is made against that class of debt; full details of these provisions are given in note 17.2.

Liquidity risk

The Trust's net operating costs are incurred under contracts with local Clinical Commissioning Groups and NHS England, which are financed from resources voted annually by Parliament. The Trust mainly finances its capital expenditure from funds made available from Government under an agreed borrowing limit. The Trust is not, therefore, exposed to significant liquidity risk.

Note 23.2 Carrying values of financial assets

	Held at amortised cost	Total book value
	£000	£000
Carrying values of financial assets as at 31 March 2020		
Trade and other receivables excluding non financial assets	58,826	58,826
Cash and cash equivalents at bank and in hand	4,645	4,645
Total at 31 March 2020	63,471	63,471
	Loans and receivables	Total book value
	£000	£000
Carrying values of financial assets as at 31 March 2019		
Trade and other receivables excluding non financial assets	16,575	16,575
Cash and cash equivalents at bank and in hand	8,981	8,981
Total at 31 March 2019	25,556	25,556

Book value (carrying value) is a reasonable approximation of fair value.

Note 23.3 Carrying value of financial liabilities

	Held at amortised cost	Total book value
	£000	£000
Carrying values of financial liabilities as at 31 March 2020		
Loans from the Department of Health and Social Care	169,394	169,394
Trade and other payables excluding non financial liabilities	35,703	35,703
Finance lease obligations	3,554	3,554
Total at 31 March 2020	208,651	208,651
	Held at amortised cost	Total book value
	£000	£000
Carrying values of financial liabilities as at 31 March 2019 under IAS 39		
Loans from the Department of Health and Social Care	137,897	137,897
Trade and other payables excluding non financial liabilities	27,192	27,192
Total at 31 March 2019	165,089	165,089

Book value (carrying value) is a reasonable approximation of fair value.

Note 23.4 Maturity of financial liabilities

	31 March 2020 £000	31 March 2019 £000
In one year or less*	190,253	84,353
In more than one year but not more than two years	4,002	27,760
In more than two years but not more than five years	4,721	40,069
In more than five years	9,675	12,907
Total	208,651	165,089

*On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. Given this relates to liabilities that existed at 31 March 2020, DHSC has updated its Group Accounting Manual to advise this is considered an adjusting event after the reporting period for providers. Outstanding interim loans totalling £151,595,000 as at 31 March 2020 in these financial statements have been classified as current as they will be repayable within 12 months.

Note 24 Losses and special payments

	2019/20		2018/19	
	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000
Losses				
Bad debts and claims abandoned	155	843	567	839
Stores losses and damage to property	479	62	27	132
Total losses	634	905	594	971
Special payments				
Ex-gratia payments	13	5	27	40
Total special payments	13	5	27	40
Total losses and special payments	647	910	621	1,011
Compensation payments received		-		-

There were no cases individually over £300k in 2019/20 (2018/19 one case).

Note 25 Related parties

The Trust is a corporate body established by the Secretary of State. The Independent Regulator of NHS Foundation Trusts (Monitor operating as NHSI) and other Foundation Trusts are considered related parties. DHSC is regarded as a related party as it exerts influence over a number of financial and operating policies of the Trust. The Trust had a significant number of transactions with the DHSC and with entities for which DHSC is regarded as the parent department.

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies.

The Trust has also received revenue and capital payments from Basildon and Thurrock University Hospitals Charitable Trust. The Trust is Corporate Trustee of this charity and therefore it is considered a related party.

During the year none of the Board Members, Governors or members of the key management staff or parties related to them has undertaken any material transactions with the Trust other than compensation as disclosed in this note.

Due to the national Covid-19 emergency, a number of our employees have enabled contacts, or brokered discussions for the Trust with potential PPE suppliers. Where these discussions have led to a transaction, there have been no occasions where our employees have had an interest in the supplying entity. However, for transparency, we have sought declarations of interest where their involvement has been more extensive in facilitating a purchase.

Significant transactions with value greater than £1m have been with the following:

2019/20

Foundation Trusts

Essex Partnership University NHS Foundation Trust
Southend University Hospital NHS Foundation Trust

English NHS Trusts

Mid Essex Hospital Services NHS Trust

Clinical Commissioning Groups

NHS Basildon and Brentwood CCG
NHS Castle Point and Rochford CCG
NHS Havering CCG
NHS Mid Essex CCG
NHS North East Essex CCG
NHS Southend CCG
NHS Thurrock CCG
NHS West Essex CCG
NHS England

NHS Resolution

Department of Health
Health Education England
NHS England

2019/20	Expenditure with Related Party £000	Income from Related Party £000	Amount owed to Related Party £000	Amount Due from Related Party £000
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Basildon and Thurrock University Hospitals Charitable Trust	-	86	-	191
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2018/19

Foundation Trusts

Essex Partnership University NHS Foundation Trust
 North East London NHS Foundation Trust
 Southend University Hospital NHS Foundation Trust

English NHS Trusts

Barts Health NHS Trust
 Mid Essex Hospital Services NHS Trust

Clinical Commissioning Groups

NHS Barking and Dagenham CCG
 NHS Basildon and Brentwood CCG
 NHS Castle Point and Rochford CCG
 NHS East and North Hertfordshire CCG
 NHS Havering CCG
 NHS Ipswich and East Suffolk CCG
 NHS Mid Essex CCG
 NHS Newham CCG
 NHS North East Essex CCG
 NHS Southend CCG
 NHS Thurrock CCG
 NHS West Essex CCG

NHS England

Other

Department of Health
Health Education England
NHS England

2018/19	Expenditure with Related Party £000	Income from Related Party £000	Amount owed to Related Party £000	Amount Due from Related Party £000
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Basildon and Thurrock University Hospitals Charitable Trust	-	165	-	65
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Note 27 Events after the reporting period

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. Given this relates to liabilities that existed at 31 March 2020, DHSC has updated its Group Accounting Manual to advise this is considered an adjusting event after the reporting period for providers. Outstanding interim loans totalling £151,595,000 as at 31 March 2020 in these financial statements have been classified as current as they will be repayable within 12 months.

Following NHS Improvement (and Secretary of State for Mid Essex Hospital Services NHS Trust) approval in March 2020 of the acquisition of the Trust, along with Mid Essex Hospital Services NHS Trust by Southend University Hospital NHS Foundation Trust the Trust was acquired on 1 April 2020 and the combined organisation is known as Mid and South Essex NHS Foundation Trust.