NHS
Birmingham Women's and Children's
NHS Foundation Trust

Birmingham Women's and Children's NHS Foundation Trust

Annual Report and Accounts 2019-20

Birmingham Women's and Children's NHS Foundation Trust

Annual Report and Accounts 2019-20

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

Contents

Performance Report 10

Accountability Report 19

Remuneration Report 23

Staff Report 37

NHS Foundation Trust Code of Governance 43

Membership Report 55

NHS Improvement's Single Oversight Framework 57

Statement of the Chief Executive's responsibilities as the Accounting Officer of 58

Birmingham Women's and Children's NHS Foundation Trust 58

Annual Governance Statement 2019/20 59

Chairman's Foreword

The NHS has faced challenges every year since its inception just after the Second World War, but none quite like those experienced towards the end of the financial year 2019-20.

No part of society has been untouched by the devastating impact of COVID-19. The NHS has coped well, mainly due to its people, but the price has been high. Sadly we have lost four valued colleagues whom we will sorely miss because they embodied the spirit of BWC – caring, compassionate and committed to the care of patients.

It is those traits that have seen us rise to the unparalleled challenge that COVID-19 has presented. Our staff have put themselves in the path of the virus to provide care and worked cohesively to ensure that we remained there for those who urgently needed our specialist care.

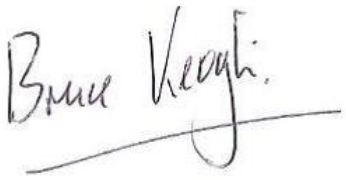
To each and every one of you, on behalf of the Board and Governors, thank you, for the part you played.

It seems hard to think now that COVID-19 impacted just over two months of a busy and successful 2019-20. It was a year when we achieved the majority of our operational goals, with waiting list, cancer and diagnostic targets being met. Through hard work and efficiency we also met our financial targets and delivered a small financial surplus, despite significant challenges faced across the public sector. We also received an excellent report from the healthcare regulator, the Care Quality Commission, who noted that each part of our Trust the Children's Hospital, the Women's Hospital and Mental Health services had improved. This constellation of objective assessments of success is rare in the NHS, particularly following major organisational change.

The year was also an important step towards our future. The Board approved a strategic business case to redevelop both our Children's and Women's hospital sites - an important first leg on a journey to delivering an ambitious new vision for our outdated hospital estate. We have ambition in our DNA and we know we have the expertise and skills of some of the finest doctors, nurses, allied health professionals, scientists and managers in the UK. We now have a clear vision for creating a home that allows that passion and innovation to thrive.

Starting this exciting new chapter in the Trust's history, coupled with living through a period when the NHS and society has had to think fundamentally about how we provide care and what the future will look like, provides us with the biggest opportunity for improvement we have ever had. It is a chance to radically reimagine what our services, hospitals and other sites should look like. Maximising the opportunity will not be easy in intellectual or practical terms, but there is no alternative. Radical thinking will be a necessity to meet the expectations of a public who supported the NHS so strongly during our time of COVID difficulty and also to meet the inevitable, tough future financial, clinical and regulatory demands that will be imposed as we try to regain ground lost due to the pandemic. We owe it to those that we have lost to think creatively and really seize this unique opportunity

Once again thank you to everyone, everywhere in our organisation, on behalf of our patients and the wider public.



……..

Professor Sir Bruce Keogh
Chairman

Chief Executive's Foreword

As we started another year, full of ambition for all we could achieve for the women, children, young people and families we serve, we could not have imagined how different all our lives would be by the end of it, or the strength, bravery and compassion we would need to draw on in our battle with COVID-19. More importantly we had no idea that our hearts would break at the tragic loss of our beloved colleagues, Consultant Neonatologist Vish Rasiah, Head of Capital Projects Mark Piggott, Midwife Safaa Alam and Mental Health Nurse Lillian Mudzivare. We will always remember their loyal and dedicated service, and will strive every day to improve our care in their honour, together with the support we provide to our staff, and in particular black, Asian and minority ethnic colleagues who deserve better from us.

But even in the face of such adversity there have been special times. The help we received from our friends and partners meant so much to us all and got us through our darkest moments, in practical ways with free parking, food and gifts, but also in knowing that we were wrapped in the love of the community we serve. And in all honesty we learned lots of things that we might never have known - in particular about the use of technology and remote working, and how well this meets the needs of many of our patients and families, as well as our staff.

Prior to the arrival of COVID we were innovating too, and one of our proudest moments was the life-changing surgery performed on Abi, born with Treacher Collins Syndrome, a genetic disorder characterised by deformities of the ears, eyes, cheekbones, and chin. It was the first time such an operation had been carried out in Europe, and a huge team effort. Consultant Paediatric Surgeon, Mr Max Pachl and his team, together with the Maxillofacial Unit at University Hospitals Birmingham, were also hard at work carrying out a unique surgical procedure on three year old Amelia, using a combination of keyhole surgery and 3D modelling to remove tiny, almost invisible legions from her kidneys, that sadly could have developed into cancer.

Another proud moment was joining forces with University of Birmingham and HSBC UK to improve the mental health and future potential of children living in Birmingham, via a focus on childhood bullying, one of the greatest preventable root causes of mental ill health. We also successfully launched the country's first single maternity record system across Birmingham and Solihull enabling clinical information to be shared between the four hospitals run by Birmingham Women's and Children's and University Hospitals Birmingham, helping to make care safer and more personalised for women and babies. However we were also all too aware that no digital system could ever replace the relational support a midwife provides to a woman, and so we continued our focus on Continuity of Carer, meaning a greater number of mums-to-be can now experience care from the same team of midwives throughout every step of their pregnancy journey, including the birth of their baby.

A further personal highlight was Takeover Challenge Day, where nine young people 'took over' a variety of roles within the Trust, including my own as Chief Executive. The alternative perspectives Sophia Badhan and Rashida Seidu were able to offer to the Board's discussions demonstrated the incredible impact young people can make on the way we think and work, and their legacy continues on in our actions, particularly across our mental health services.

And finally, while all of this breakthrough treatment and innovation was taking place, we did not forget about the basics of a well-run and governed organisation either, delivering strong operational and financial performance, and the highest levels of quality, an incredible achievement against such a difficult backdrop.

So now our attention turns to a new year, and the opportunities and challenges that lie ahead, beginning with the restoration and recovery of the key services that have been sadly reduced due to COVID, with a renewed focus on the health inequalities which have become increasingly stark. There is no doubt there will be tough times ahead for Birmingham Women's and Children's, and health and care services as a whole – but I am confident we will face these challenges together, firm in our appreciation of the privilege it is to be entrusted with the care of others.

……..

Sarah-Jane Marsh
Chief Executive Officer

Performance Report

Overview

This overview provides a short summary of the Trust' purpose, the key risks to the achievement of its objectives and how it has performed during the year.

History of the Trust

The Birmingham and Midland Free Hospital was founded in 1862 and moved to Steelhouse Lane in Birmingham in 1998 as Birmingham Children's Hospital.

Birmingham Children's Hospital was granted foundation trust status on 1 February 2007 under the Health and Social Care (Community Health and Standards) Act 2003 and was named Birmingham Children's Hospital NHS Foundation Trust.

At Parkview in Moseley the Trust hosts the Child and Adolescent Mental Health Service (CAMHS). The Trust also provides mental health services from a range of accommodation in the community.

On 1 February 2017 the Trust acquired Birmingham Women's Hospital in Edgbaston and in recognition of the extended services of the enlarged, integrated organisation, the Trust changed its name to Birmingham Women's and Children's NHS Foundation Trust.

In 2018 we opened Waterfall House at the Steelhouse Lane site – a state of the art building and home to the UK's first pioneering Rare Diseases Centre for children and a combined inpatient and outpatient Oncology and Haematology Centre.

Purpose of the Trust and activities

Our mission is to provide outstanding care and treatment, to share and spread new knowledge and practice, and to always be at the forefront of what is possible.

Our vision is to be a world-leading team, providing world-leading care.

Our goal is to be the best place to work and be cared for, where research and innovation thrives, creating a global impact.

Birmingham Women's Hospital Key Facts

- A centre of excellence, providing specialist services to more than 50,000 women, men and their families every year from Birmingham, the wider region and beyond.
- One of only two dedicated women's hospitals in the UK, with the busiest single site maternity unit, delivering more than 8,200 babies a year.
- Provides a full range of gynaecological, maternity and neonatal care, including a Fertility Centre, a Fetal Medicine Centre and the West Midlands Regional Genetics Laboratory - the largest of its type in Europe.
- An international centre for education, research and development.

Birmingham Children's Hospital Key Facts

- A leading specialist paediatric centre, caring for sick children and young people.
- A world leader in some of the most advanced treatments, complex surgical procedures and cutting-edge research and development.
- A national liver and small bowel transplant centre
- A global centre of excellence for complex heart conditions, the treatment of burns, cancer and liver and kidney disease .
- A nationally designated specialist centre for epilepsy surgery
- A paediatric major trauma centre for the West Midlands.
- The largest single Paediatric Intensive Care Unit in the UK with 31 beds.
- One of the largest Child and Adolescent Mental Health Services in the country, with a dedicated inpatient Eating Disorder Unit and Acute Assessment Unit for regional referrals of children and young people with the most serious of problems (Tier 4) and the Forward Thinking Birmingham community mental health service for 0-25 year olds.

Mission

To provide outstanding care and treatment, to share and spread new knowledge and practice, and to always be at the forefront of what is possible.

NHS
Birmingham Women's and Children's
NHS Foundation Trust

Our vision

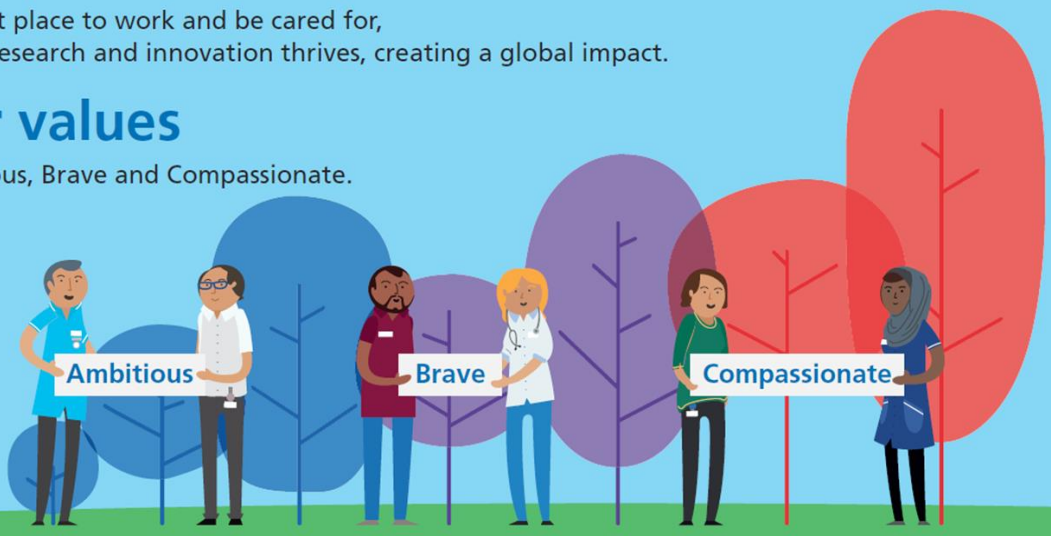
A world-leading team providing world-leading care.

Our goal

The best place to work and be cared for,
where research and innovation thrives, creating a global impact.

Our values

Ambitious, Brave and Compassionate.



Enabled by

Sustainable workforce, digital revolution, new buildings and effective use of resources.

Chief Executive's Statement on Performance

The financial pressures faced by the public sector have meant the continued use of financial control totals within the provider sector to ensure that the NHS lives within the resources made available. 2019/20 was the final year of the control total regime in its original form the Trust was required to secure a surplus control total of £2.3million. Despite the impact of the Covid-19 pandemic during March the Trust managed to deliver this surplus. The majority of operational targets were achieved during the year, although a number of these were impacted in March as a result of the actions the Trust had to take to manage the impact of the Covid-19 pandemic. For the third year in a row we only met the financial control target through the use of one-off means. The success in achieving the majority of operational and financial targets meant that the Trust secured £5.5million of baseline Provider Sustainability Funding (PSF) directly linked to 2019/20 performance.

From a financial perspective the changes to the national financial regime and the joint commissioning approach of the Birmingham and Solihull STP and Specialised Commissioners enabled the Trust to withstand the loss of clinical income through reduced activity in March, as well as the increase in costs directly linked to our Covid response.

We could not have achieved our performance without our staff so great credit has to go to them for their achievements at a time when the financial, operational and clinical pressures were added to by an increasingly difficult labour market. Workforce supply remains a significant risk across the NHS and is recognised as one of our key strategic risks within the Trust, especially in its impact on delivering activity within our operating theatres and Paediatric Intensive Care unit. Despite this we have managed to reduce our overall use of temporary staffing in the year and unlike in 2018/19, we have lived within the agency expenditure ceiling set by NHS England/Improvement (NHSE/I).

Although the Trust's headline financial performance appears strong, this includes monies received as a result of hitting the very challenging control total and delivering our operational performance targets. To achieve this we have had to utilise the remaining financial flexibility which had been built up over a number of years. The shortfalls in delivering another year of challenging efficiency targets meant that this measure was necessary and we have been transparent in our reporting of this throughout the year. We continue to seek to make every penny count without compromising patient care or the patient experience. However, our underlying finances remain below where we need them to be; a message that we have communicated throughout the year. One downside of this is that we are again carrying forward an efficiency legacy into 2020/21.

Prior to the impact of Covid we continued to deliver strong operational performance, whether in meeting our waiting list targets, or our cancer targets. At crucial times of the year we have seen significant growth in Emergency Department attendances and this resulted in us failing to hit the requisite target across all quarters of the year. We have worked hard during the year to maintain the six-week diagnostic wait target and achieved this in nine months of 2019/20, with the actions to manage Covid accounting for a downturn in March.

Performance Overview

Performance Analysis

With 2019/20 being another very challenging period for the NHS it is pleasing that the organisation ended the year again achieving its key financial targets. At the start of the year, after due consideration the Board agreed that on balance it was in the best interests of the Trust to sign up to its control total which allowed access to the final year of Provider Sustainability Funding (PSF) which allows additional capital investment in future periods.

The varied nature of PSF monies does not allow full comparisons to be made with previous financial years. However, given continued internal scrutiny and enhanced understanding of the Trust's

finances, despite the wider financial environment, the organisation's financial performance in 2019/20 should be regarded as an excellent achievement with an overall surplus before impairment of £8.6m.

The lower surplus in 2019/20 compared with the previous year was also reflected in a fall in earnings before interest, tax, depreciation and amortisation (EBITDA) which at 4.5% for the financial year was down from 7.8% in 2018/19. The Trust has once again had to absorb additional pressures in 2019/20 so the overall position is a net result of:

a) The achievement of the control total and the subsequent receipt of PSF monies.

b) The changing nature of the national tariff. In 2019/20 the Trust's gross clinical income from the national tariff increased, especially for maternity services. However, any gain on tariff was recognised in a control total adjustment thereby removing any opportunity to invest this additional income within the service.

c) Absorbing the cost of providing the requirements of the Forward Thinking Birmingham contract. This was a combination of increased temporary staffing costs for community services combined with the continued pressure of delivering inpatient services for 18-25 year-olds.

d) The challenges and costs of maintaining service provision during core weekday hours when faced with workforce pressures in key clinical staffing groups. This has impacted on the clinical activity levels delivered in 2019/20.

e) The continued difficulty in fully realising cost efficiency targets.

Overall income increased by 3.8% over the past year to £462 million. The percentage of total income derived through clinical activities increased by 3% such that this now represents 90% of total income. This is influenced by PSF monies and the receipt of additional funding to offset the impact of the increase in NHS employer pension contributions.

Clinical income levels were driven by change in the mix and number of patients treated. The reduction in activity in March due to actions taken as part of the response to Covid activity influences the comparison of activity between 2019/20 and 2018/19. The following table highlights this comparison.

	2018/19	**2019/20**	**Movement %**
Outpatient attendances including contacts	**465100**	**458675**	**-1.4%**
ED attendances	**60215**	**60085**	**-0.2%**
Inpatient admissions			
Emergency admissions	20800	19892	-4.4%
Day-case admissions	21730	20921	-3.7%
Inpatient admissions	8192	8137	-0.7%
Total inpatient admissions	**50,722**	**48,950**	**-3.5%**
Obstetrics inpatients	**10,912**	**11,239**	**3.0%**
Obstetrics packages of care	*12,880*	*11,757*	**-8.7%**
Total patient episodes	**586,949**	**578,949**	**-1.4%**

It is pleasing to report that the Trust achieved 99% of its CQUIN targets in 2019/20. Over the past six years 99% of these targets have been achieved and this has had a direct impact upon the quality and safety of the care provided at the Trust.

It cost £450 million to run the Trust during the year; a 5.4% increase on 2018/19. The key drivers of this were the increase in employer pension contributions, contractual arrangements associated with the 0-25 Forward Thinking Birmingham (FTB) mental health contract, an increase in pass-through

drug and device expenditure, increased staff costs linked to the Agenda for Change pay rates award and the continued dependence on temporary staff.

The three highest spend categories are staff, clinical supplies and services (linked to the FTB contract) and drugs. Employee expenses as a share of overall expenditure increased by 2% to 60% (was 58%). This in part was a result of the increase in employer pension contributions.

The other key cost change in year was in our clinical negligence premium with NHS Resolution. This has continued to rise and will do so again in 2020/21. The Trust successfully recouped the 10% Maternity Incentive Scheme bonus and will look to be equally successful in 2020/21 in reducing this cost.

The average number of monthly employees in 2019/20 was 5,196 (whole time equivalent), 1.0% more than in 2018/19. The average cost of our employees was 9.2% more in 2019/20 than in 2018/19 with the largest element of this change relating to the 6% increase in employer pension contributions.

This has been driven by the increase in the Agenda for Change pay award, an increase in the number of medical staff at the Trust and the continued reliance on temporary staff. These increases outweigh the benefits of workforce savings through the efficiency programme, which were lower than planned, and the expansion of the clinical support worker and apprentice programme.

During the year we saved £12.1 million in planned cost releasing savings (£12.6 million in 2018/19), which contributed towards the nationally determined efficiency target. This represents 94% of the target we set at the beginning of the year (74% of the 2017/18 target was achieved). As experienced in previous years it was the impact of the non-recurrent element of the prior year's programme carried forward that caused difficulties, combined with the impact of increased activity levels and lead time for scheme delivery. It was acknowledged that 2019/20 would again be a difficult year for delivering savings whilst plans for wider Trust-wide signature schemes were developed. Although there was once again a strong in-year delivery the Trust is once again carrying forward a significant legacy into 2020/21.

The impact of the Covid pandemic on the operational planning process for 2020/21 has delayed the setting of the efficiency programme for the forthcoming year. Once the Trust exits the interim planning period it will be vital that the performance of 2019/20 is built upon and captures the potential realisable benefits from the innovations and opportunities arising out of our response to Covid.

As the NHS changes the basis on which providers are paid for the care they provide the focus going forward will be on identifying cash releasing efficiencies to reduce our expenditure base. There will need to be significant changes to our cost base in order to deliver this and given that over 60% of our costs are incurred through the pay bill this is an area where the majority of our efficiencies will have to be found especially in targeting the causes of our high temporary staffing spend. During 2019/20 we improved on our system of ensuring that cost savings did not impact on the safety and quality of services delivered; as part of this every savings scheme was required to be signed off by at least two senior clinical staff (most frequently the Chief Medical Officer as well as the Chief Nurse). Further to this, the Quality Committee received regular reports on Cost Improvement Programme Quality Impact Assessments.

Investment in maintaining our estate and the development of new facilities and equipment replacement is currently funded from the surpluses that we make. During 2019/20 £18.2 million was invested in new capital schemes with some of these schemes due for completion during the 2020/21 financial year. The overall capital expenditure in the year was lower than planned as slippage was experienced across a range of schemes.

Our extensive capital programme is reflected in our cash balances. However, primarily due to the receipt of Provider Sustainability Fund (PSF) monies the Trust's cash balance has increased. The Trust had £94.2million in cash or cash equivalents at the end of the financial year (£49 million in 2018/19).

During 2019/20 the Trust's cash position was also supplemented by improvements in working capital derived from resolving maternity pathway disputes and receiving the balance of integration monies. The former remains an administrative burden and the Trust needs to work across the STP to improve these processes and prioritise further debt reduction in 2020/21.

Our previous financial positions have provided a sound foundation upon which to address the challenges resulting from the national savings priorities. However, 2019/20 was another difficult year for the Trust in delivering its financial plan especially on an underlying basis. The efficiency legacy being carried forward into 2020/21 combined with the core efficiency requirement presents a delivery challenge that cannot be under-estimated. Our approach will balance responsibilities to patients, staff and taxpayers.

As part of our efficiency process we will continue to work in partnership with our commissioners to ensure that children are treated in the most appropriate setting for their condition.

The Trust continues to be actively engaged with the Department of Health and Social Care and NHSE/I on a number of financially orientated national groups which enables us to be at the forefront of decision and policy making.

Our operational position

The Trust delivered strong operational performance for most of the year, although at the end of the year the response to the COVID-19 pandemic had a significant impact and performance on many access standards fell in March.

Our Emergency Department saw a similar level of attendances to previous years until the national 'lockdown' saw attendances fall markedly. The Trust achieved the four-hour wait target for 21 weeks in the year.

The Trust achieved the 18-week referral to treatment targets and the 6-week target for access to diagnostics for most of the year despite continued increases in demand for our services. The number of patients waiting a long time for some of our service - notably Trauma and Orthopaedics and Plastic Surgery – has grown. Like many Trusts, we find that the main constraint on increasing surgical activity and reducing waiting lists is recruiting and retaining the specialist theatre workforce required. A number of initiatives are in place to increase theatre staff numbers. The Trust has largely avoided breaches of the maximum 52-week waiting time standard but the increase in the backlog of patients waiting following the NHS pandemic response means that the number of such breaches will increase in 2020/21.

The Trust continues to operate the Forward Thinking Birmingham service in partnership with The Priory Group. The number of patients waiting for appointments fell by about 50% during the year. There were no patients waiting over 52 weeks. The service has improved the range of services available to new patients and ensures that new referrals have access to a range of self-help and community services, reducing the pressure on referral to specialist services.

Activity in our maternity service remained stable, although there have been improvements in the choices available to women introduced by our BUMP maternity transformation programme. For example, more community appointments and better clinic organisation has led to reduced waiting time and improved patient experience in our antenatal clinics. Bette neonatal outreach services also meant we were able to discharge babies from our Neonatal Intensive Care Unit at the point they no longer needed intensive care.

Our Genetics service is now the leading laboratory in one of the five regional Genetics Laboratory Hubs in England. This will lead to an increase in genetic testing in our laboratory and large-scale investment in laboratory capacity and staff. As demand increased, the backlog of laboratory tests increased and the Trust introduced additional weekend-working sessions to analyse and report on laboratory samples. The overall backlog is falling but at the end of the year only 50% of tests were completed in the accepted standard turnaround time.

Financial risk management objectives and policies

Our Finance and Resources Committee oversees the cash management and investment strategy which is based on NHSE/I (previously Monitor) best practice and is reviewed by our auditors. Following previous changes to the calculation of public dividend capital all surplus cash is retained within Government Banking Services/National Loans Funds accounts thereby negating any risk of loss through inappropriate investments. Cashflow forecasts are updated on a weekly basis to ensure that no cashflow and liquidity risks are evident. The working capital review undertaken as part of the integration work and subsequent efficiency initiatives have provided the Trust with a basis for a more detailed cash management strategy. Future cashflow planning will be undertaken for the Trust's long-term modelling and this will support the site development work to be undertaken as part of the Outline Business Case in 2020/21 for redevelopment of the Birmingham Women's and Children's Hospitals.

The Committee also scrutinises all our major capital investment and business cases above the delegated threshold of the Investment Committee. The Scheme of Delegation, which was revised in late 2017/18 to aid financial recovery, continued to operate at the same authority levels with a minor amendment in March 2020 to reflect the revised governance arrangements associated with the Trust's Covid management arrangements. The scrutiny of the Committee ensures such developments are affordable and provide value for money. The Investment Committee and Finance and Resources Committee both undertook a series of reviews of previously approved business cases to ensure that their original benefits, both financial and non-financial, were being delivered. This review process will continue into 2020/21.

With the increased importance of efficiency savings the Committee has scrutinised the delivery of the savings plan during the year to ensure that the approach does not impact on the quality of services provided. The scrutiny of financial efficiency plans continues through the CIP Delivery Group which is chaired by the Deputy Chief Executive. The Quality Committee leads on ensuring that the efficiency plans do not impact on the quality of services.

During the year the Trust was active in ensuring that any risks associated with the UK's exit from the European Union are minimised. This was multi-faceted and included daily situation reports, weekly internal EU Exit review meetings and wider health economy reviews and meetings. This was added to the Trust's Board Assurance Framework during the course of the year and reported to the Board through the Finance and Resources Committee.

The Trust's approach to managing Covid resulted in a revised set of financial arrangements both nationally and at the Trust during March. These are continuing into 2020/21 with the Trust responding to guidance when this is released. Costs associated with Covid in March were reclaimed in line with the national process. These were approved in line with the revised Scheme of Delegation and totalled £0.4m.

The Trust's activities expose it to a variety of financial risks, though due to their nature the degree of exposure is reduced compared to that faced by many business entities. The financial risks are mainly credit and inflation risks with minimal exposure to market or liquidity risks. The nature of how the Trust is financed exposes it to a degree of customer credit risk. The Trust regularly reviews the level of actual and contracted activity with commissioners to ensure that any income risk is resolved at a high level at the earliest available opportunity. The Trust mitigates its exposure to credit risk through regular review of receivables due and by calculating a bad debt provision.

The Trust has exposure to annual price increases of medical and non-medical supplies and services arising out of its core healthcare activities. This risk is mitigated through, for example, transferring the risk to suppliers by contract tendering, negotiating fixed purchase costs and in the case of external agency staff costs via the operation of the Trust's own staff bank. This latter issue has been further controlled through the imposition of national price and wage caps the enforcement of which has escalated since April 2016.

Details of other risks and uncertainties facing the Trust are described in the Annual Governance Statement

Going concern

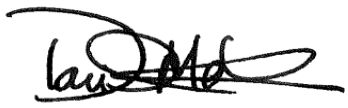
After making enquiries, the Directors have a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future. NHSI's Single Oversight Framework oversees and supports Trusts in improving financial sustainability, efficiency and compliance with controls within the financial sector.

Using these measures at the end of 2019/20 we have the lowest level of risk with the Use of Resource rating being measured as a "1". All five of the measures supporting this framework are at either the lowest or second lowest level of risk.

Prior to the Covid pandemic the Board of Directors approved the Trust's NHSE/I Operational Plan which identified that for the next financial year the Trust will again be planning to achieve a financial surplus with a strong cash position.

The plan submitted for 2019/20 incorporated some assumptions that ordinarily would be deemed part of a downside financial case. However, the Covid pandemic has created a set of financial circumstances that no organisation has ever planned for. NHSE/I is not yet able to announce the financial and contracting arrangements for the full 2020/21 financial year and beyond. It remains the case that the Government has issued a mandate to NHS England for the continued provision of services in England in 2020/21. Providers can therefore continue to expect NHS funding to flow at similar levels to that previously provided, where services are reasonably still expected to be commissioned. While mechanisms for contracting and payment are not definitively in place, it is clear that NHS services will continue to be funded, and government funding is in place for this.

For the reasons stated, the Directors continue to adopt the going concern basis in preparing the accounts.



…….

David Melbourne
Acting Chief Executive Officer
24 June 2020

Accountability Report

Directors' Report

Executive and Non-Executive Directors in 2019/20	
At year end	
Professor Sir Bruce Keogh	Chairman
Mr Vij Randeniya	Deputy Chairman and Senior Independent Director
Mr Alan Edwards	Deputy Chairman
Mrs Sue Noyes	Non-Executive Director
Dr Niti Pall	Non-Executive Director
Mr David Richmond	Non-Executive Director
Professor Judith Smith	Non-Executive Director
Mr Matthew Boazman	Chief Officer for Strategy and Innovation
Mr Steve Cumley	Chief Operating Officer (from 15 April 2019)
Ms Sarah-Jane Marsh	Chief Executive Officer
Mr David Melbourne	Deputy Chief Executive Officer / Chief Finance Officer
Mrs Marion Harris	Chief Nursing Officer (from 23 May 2019)
Mrs Theresa Nelson	Chief Officer for Workforce Development
Dr Fiona Reynolds	Chief Medical Officer

Details of all significant interests held by Directors are contained in a Register of Interests which may be obtained via the Publication Scheme on the Trust's website: www.bwc.nhs.uk.

Finance Statements

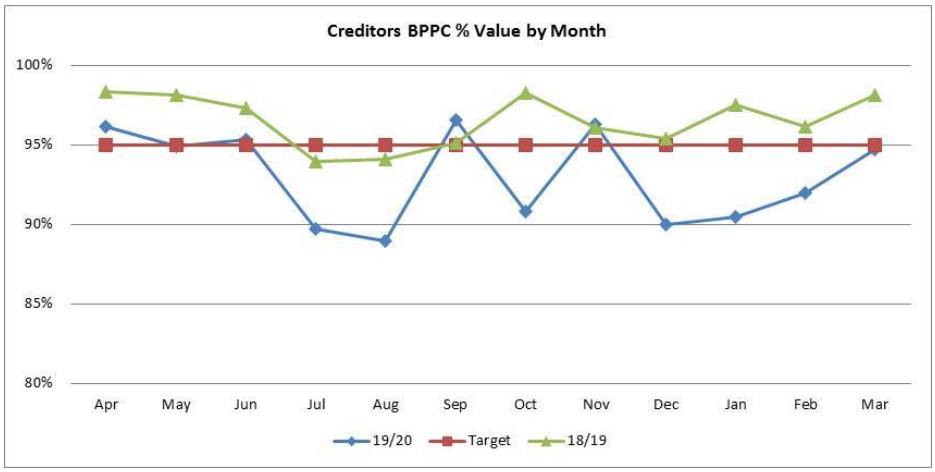
- The Trust's accounts have been prepared under a direction issued by NHS Improvement.
- The Trust has complied with the cost allocation and charging guidance issued by HM Treasury.
- The Trust has complied with the requirement that the income from the provision of goods and services for the purposes of the health service in England must be greater than the income from the provision of goods and services for any other purposes.
- The Trust has made no political donations.
- So far as each director is aware, there is no relevant audit information of which the Trust's auditor is unaware and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Trust's auditor is aware of that information.
- The Trust has not levied fees or charges for any service that is material to the accounts, or where the full cost exceeds £1 million.

Policy and payment of creditors

We liaise closely with our suppliers to ensure there are no unintentional cash problems. We are aiming to comply with the target of all payable invoices to be paid within 30 days. It is disappointing that overall performance dipped below 95% for the year which has been driven by periods of low compliance during the summer and winter months. We recognise that there is still more work we can do in this area particularly in the early months of 2020/21 in order to support our suppliers' cashflow during the Covid pandemic. Pleasingly the performance since 1 April 2020 has been above

95%. The Trust incurred no interest charges under the Late Payment of Commercial Debts Act 1998 during the year.

Creditors Better Payment Practice Code (BPPC) Value % by Month 2018/19 – 2019/20



Pensions and Benefits

Accounting policies for pensions and other retirement benefits are set out in note 1.5 to the accounts. Details of senior managers' remuneration can be found in the Remuneration Report.

Ill health retirements and redundancies

There were three ill health retirements in 2019/20. A number of staff exit packages have been agreed during the year, these are summarised as follows.

Exit Package Cost Band	**Number of Compulsory Redundancies**	**Number of Other Departures Agreed**	**Total Number of Exit Packages by Cost Band**
< £10,000	-	10	10
£10,000 - £25,000	1	2	3
£25,001 - £50,000	-	-	-
£50,001 - £100,000	1	-	1
£100,001 - £150,000	-	1	1
£150,001 - £200,000	-	-	-
> £200,000	-	-	-
Total Number of Exit Packages	2	13	15
Total Resource Cost - £	107,000	169,000	276,000
Exit Package Cost Band	**Number of Compulsory Redundancies**	**Number of Other Departures Agreed**	**Total Number of Exit Packages by Cost Band**
< £10,000	-	20	20
£10,000 - £25,000	-	8	8
£25,001 - £50,000	-	1	1
£50,001 - £100,000	-	1	1
£100,001 - £150,000	-	-	-
£150,001 - £200,000	-	-	-
> £200,000	-	-	-
Total Number of Exit Packages	-	30	30
Total Resource Cost - £	-	300,000	300,000

NHS Improvement's Well Led Framework

The well-led framework has been developed by NHS Improvement and the Care Quality Commission to support trusts to undertake reviews of their leadership and governance. More information about how the Trust uses this framework to ensure its services are well-led can be found in the Annual Governance Statement.

There are no material inconsistencies between the Annual Governance Statement, the corporate governance statement, the quality and annual reports and reports arising from Care Quality Commission reviews.

Partnerships and Stakeholders

During 2019/20 the Trust has entered into or continued with formal arrangements with the following organisations, which are essential to the Trust's business:

- **BWC Management Services Limited.** Trading as Vital Services, this company is a wholly owned subsidiary of the Trust. This company provides the Trust with a fully managed healthcare facility. In practical terms this means that it is licenced to occupy the Trust's estate for the purpose of providing all of its soft and hard facilities services.
- **Birmingham Children's Hospital Pharmacy Limited (BCH Pharmacy).** This company is a wholly owned subsidiary of Birmingham Children's Hospital Health Services, which is a wholly owned subsidiary of the Trust. BCH Pharmacy is responsible for the operation of The Medicine Chest, the Outpatient Pharmacy located at the front of our hospital.
- **Priory Group, The Children's Society, Operose Health.** Forward Thinking Birmingham (FTB) is a partnership between the Trust and these organisations working together to provide mental health services for 0-25 year olds in Birmingham.
- **Birmingham Hospitals Alliance (BHA).** The Trust has a memorandum of understanding with University Hospitals Birmingham NHS Foundation Trust and the Royal Orthopaedic Hospital NHS Foundation Trust. BHA has an approved work programme overseen by Board members drawn from each of the three constituent members.

Actions taken to make employees aware of the financial factors affecting the Trust

- Monthly budget reports are available to managers.
- During the year we sought to raise awareness of the Trust's financial position and how all staff can make the hospital more financially sustainable.
- Model Hospital information is shared across the organisation.
- A detailed Resources Report is contained within the monthly Public Board of Directors papers which are available for all staff.
- The monthly financial headlines are reported at the Chief Executive's briefings.
- The Chief Executive's Leadership Group receive a monthly update on the key financial issues as part of the Integrated Performance Report.

Consultation and Involvement

In 2019/20 children, young people, patients and families were consulted on a variety of issues, including the Birmingham Clean Air Zone and the implementation of our plan for Birmingham Women's Hospital to become smoke free.

Much of the involvement of children and young people has been coordinated through our young people's participation groups, including Young Persons' Advisory Group (YPAG) and Think 4 Brum.

"YPAG are an indispensable group of passionate young people aged 11 to 19, representing the voice of youth across our Trust and beyond. Members of YPAG have exclusive opportunities to shape local healthcare services through sitting on interview panels, participating in ward walkabouts, engaging in a huge variety of exciting projects and much more. Joining YPAG gives you a chance to have exciting new experiences and develop new skills, but most importantly – help you make a difference." Aleena Mahmood, YPAG member

"We are a group of passionate and driven young people aged 16 to 25. We believe that young people should be at the heart of every decision made by the service from co-producing research and representing the service for the young people who will come after us. "Our shared experiences have seen us collaborate on innovative projects such as #TeenTalk, which aims to improve communication and interactions between clinicians and service users through role reversal. "For many of its members, Think4Brum has given a direction and focus needed in their recovery and together, we believe we can improve mental health services for all young people in Birmingham." Sophia Badhan, Think4Brum member

…….
David Melbourne
Acting Chief Executive Officer
24 June 2020

Remuneration Report

Annual Statement on Remuneration

The remuneration, terms and conditions of employment of Executive Directors are determined by the Appointments and Remuneration Committee, a committee of the Board of Directors, chaired by the Trust Chairman.

During 2019/20 the Committee:

- Reviewed the performance appraisals of the executive directors.
- Agreed to offer a 1.1% salary increase to the Chief Officers in substantive positions that had been in post for a full year.
- Reviewed the objectives set for the Chief Officer Team for 2020/21.
- Agreed to commence a recruitment process for a Chief People Officer.

The Committee's decisions were made in the context of national guidance and pay awards, the Trust's strategy, the performance of the Trust, the size of the organisation and the operational and financial challenges within which the Board operates.

Senior Managers' Remuneration Policy

Senior Managers' Remuneration Package: Future policy table

					A description of the framework used to assess performance					
Element	**Description**	**How does this component support short and long-term strategic objectives of BCH**	**How the component operates**	**Maximum amount that can be paid**	**Description**	**Performance measures that apply (indication of weighting where more than one applies)**	**Details of the performance period**	**The amount (£) that may be paid in respect of minimum level of performance which results in a payment**	**The amount (£) that may be paid in respect of any further levels of performance set in accordance with the policy**	**Provisions for recovery of sums paid or for withholding payment of sums**
Salary	Annual salary	Takes into account attraction and retention considerations essential to the Trust's strategy.	In accordance with agreed rates of pay	In accordance with agreed rates of pay awarded nationally	Aligned to national award/ benchmarking if performance targets met and agreed annually	None	None	None	None	None
Taxable Benefits	Lease car/ contribution to car or allowance absorbed into base salary.	Takes into account attraction and retention considerations essential to the Trust's strategy.	Paid in equal monthly instalments	£5,000	None	None	None	None	None	None
Performance-related Bonus	Performance fund representing a % of combined salaries, individually apportioned based on performance.	Executive directors are set objectives related to Trust's strategic objectives.	Following annual individual performance assessment; paid monthly.	Considered annually.	5 point performance scale.	-1 below expectations 0 solid performance 1 sometimes exceeded expectations 2 regularly exceeded expectations 3 outstanding	Financial year.	Agreed annually by A&R committee and based on organisational performance and financial position	None	Pay is subject to potential 'earn-back' of up to 10% of pay in the event of performance failing to meet agreed objectives

Notes

The Very Senior Manager (VSM) reward framework includes an assessment of performance linked to pay, which could result in an increase or a reduction in salary. This ensures that individual performance is recognised and provides an incentive for excellent or outstanding performance. The framework enables an annual decision to be made as to the size or existence of a performance fund based on the financial position of the organisation at that time and taking into account any direct or relevant national guidance.

The general policy for employee remuneration is to apply the national agreement as recommended by the Pay Review Body (PRB) and accepted by the treasury. The Trust would not normally deviate from this position except for VSMs.

Three senior managers were paid more than £150,000 a year: the Chief Executive Officer, the Deputy Chief Executive Officer, and the Chief Medical Officer (including salary for clinical work). The Appointments and Remuneration Committee awarded these salaries having considered the depth and breadth of each role and benchmarking (including established pay ranges in acute foundation trusts published by NHS Improvement) and is satisfied that they are appropriate. An opinion was sought from NHS Improvement in each case.

Non-Executive Director Remuneration

Fee payable	Additional fees for other duties	Other items considered to be remuneration
Annual remuneration for non-executive Board member role	The Deputy Chairman is paid additional fees to reflect additional responsibilities.	None

Service Contracts Obligations

No obligations on the Trust are contained in any senior managers' service contracts which could give rise to or impact on remuneration payments or payments for loss of office. The Trust does not propose to include any such obligations in any future senior manager contracts.

Policy on payment for loss of office

The notice period for all non-executive directors is set at one month. The notice period for all other senior managers is set at six months.

The Trust does not have a policy for the payment of loss of office and does not propose to set such a policy. No payments were made for loss of office to a Senior Manager in 2019/20. No payments of money or other assets were made to any individual who was not a senior manager during the financial year but has previously been a senior manager at any time.

Statement of consideration of employment conditions elsewhere in the Trust

In making its decisions regarding components of and increases to senior managers' remuneration packages the Appointments and Remuneration Committee takes into account the pay and conditions of the Trust's employees, including any annual NHS pay award.

The Trust's employees were not consulted in 2019/20 regarding decisions relating to senior managers' remuneration.

The executive salary strategy is based on benchmarking and taking into account national guidance and pay awards as described above.

Annual Report on Remuneration

a) Information not subject to audit

Senior Managers' Service Contracts (a senior manager is defined as an Executive or Non-Executive Director of the Board of Directors)

Senior Manager Service Contract Details (Board membership only)					
Senior Manager	**Title**	**Date of Contract**	**Unexpired Term (as at 31.3.2020)**	**Notice Period**	**Provision for compensation for early termination**
Professor Sir Bruce Keogh	Chairman	01/12/2017	1 year and 8 months	1 month (informal)	None
Professor Judith Smith	Non- Executive Director	01/06/2014	1 year and 2 months	1 month (informal)	None
Mr Alan Edwards	Non- Executive Director/Deputy Chairman	01/02/2015	1 year and 10 months	1 month (informal)	None
Mr Vij Randeniya	Non- Executive Director/Deputy Chairman	01/02/2015	1 year and 10 months	1 month (informal)	None
Sue Noyes	Non- Executive Director	01/04/2018	2 years	1 month (informal)	None
Niti Pall	Non- Executive Director	01/06/2018	2 years and 2 months	1 month (informal)	None
David Richmond	Non- Executive Director	01/04/2018	2 years	1 month (informal)	None
David Adams	Non- Executive Director	01/04/2018	Ended August 2019*	1 month (informal)	None
Ms Sarah-Jane Marsh	Chief Executive Officer	01/09/2010	Permanent appointment	6 months	None
Mr David Melbourne	Deputy Chief Executive Officer/Chief Finance Officer	01/11/2009	Permanent appointment	6 months	None
Mrs Michelle McLoughlin	Chief Nursing Officer	01/08/2007	Ended May 2019	6 months	None
Mrs Theresa Nelson	Chief Officer for Workforce Development	06/06/2011	Permanent appointment	6 months	None
Mr Matthew Boazman	Chief Officer for Strategy and Innovation	01/03/2015	Permanent appointment	6 months	None
Dr Fiona Reynolds	Chief Medical Officer	16/07/2015	Permanent appointment	6 months	None
Mr Steve Cumley	Chief Operating Officer	15/04/2019	Permanent appointment	6 months	None
Mr Alex Borg	Interim Chief Operating Officer	01/10/2017	Ended April 2019**	6 months	None
Mrs Marion Harris	Chief Nurse	23/3/2019	Permanent appointment	6 months	None

*Appointed Associate Non-Executive Director – not a Board position.

**Appointed Director of Mental Health – not a Board position.

Appointments and Remuneration Committee

The Appointments and Remuneration Committee was established under paragraph 18 (2) of Schedule 7 to the NHS Act 2006. The Committee met three times in 2019/20. The work of the Committee is described above. The Committee is chaired by the Trust Chairman and has a core membership of Non-Executive Directors, including the Deputy Chairs.

Appointments and Remuneration Committee Meeting Attendance			
Member of Committee	**26 June 2019**	**18 December 2019**	**6 February 2020**
Bruce Keogh, Chairman	✓	✓	✓
Vijith Randeniya, Deputy Chairman	✗	✓	✓
Alan Edwards, Deputy Chairman	✓	✓	✓

Sarah-Jane Marsh, Chief Executive Officer attended each meeting to provide advice and contribute to discussions, withdrawing from the meetings where potential conflicts of interest arose. Theresa Nelson, Chief Officer for Workforce Development attended meetings by invitation to provide advice and assistance to the Committee.

The Trust's policy and procedures on pay

The Trust follows national pay arrangements for employees. The Trust has a range of policies in place which describe any local variations to or the application of national arrangements.

Expenses Paid

Directors' Expenses

Year	Number of Directors in office	Number of Directors receiving expenses	Aggregate sum of expenses paid to Directors
2016/17	18	7	£4,900
2017/18	19	6	£4,000
2018/19	19	7	£5,400
2019/20	17	5	£5,000

Governors' Expenses

Year	Number of Governors in office	Number of Governors receiving expenses	Aggregate sum of expenses paid to Governors
2016/17	19	1	£100
2017/18	19	1	£20
2018/19	24	0	0
2019/20	25	1	£79

b) Information Subject to audit

Salary and Pension entitlements of senior managers

(i) Remuneration

2019/20 Remuneration Table

Name and Title		Notes	1st April 2019 to 31st March 2020					
			Salary & Fees	Taxable Benefits	Annual Performance-related Bonus	Long-term Performance-related Bonuses	Pension-related Benefits	Total
			(bands of £5000) £000	(to nearest £100) £00	(bands of £5000) £000	(bands of £5000) £000	(bands of £2500) £000	(bands of £5000) £000
Ms Sarah-Jane Marsh	Chief Executive Officer		230-235	-	-	-	45-47.5	275-280
Mr David Melbourne	Deputy Chief Executive and Chief Finance Officer	4,5	150-155	62	-	-	15-17.5	175-180
Mr Alex Borg	Interim Chief Operating Officer	6	0-5	-	-	-	0-2.5	5-10
Mr Steve Cumley	Chief Operating Officer	7	115-120	-	-	-	102.5-105	220-225
Ms Michelle McLoughlin	Chief Nursing Officer	8	20-25	-	-	-	-	20-25
Mrs Marion Harris	Interim Chief Nursing Officer/Chief Nursing Officer	9	90-95	-	-	-	120-122.5	210-215
Mrs Theresa Nelson	Chief Officer for Workforce Development		115-120	-	-	-	-	115-120
Dr Fiona Reynolds	Chief Medical Officer	10	180-185	-	-	-	35-37.5	215-220
Mr Matthew Boazman	Chief Officer for Strategy and Innovation		125-130	-	-	-	25-27.5	150-155
Professor Sir Bruce Keogh	Chairman		55-60	-	-	-	-	55-60
Mr Vijith Randeniya	Deputy Chairman		20-25	-	-	-	-	20-25
Mr Alan Edwards	Deputy Chairman		20-25	-	-	-	-	20-25
Mr David Adams	Non-Executive Director		10-15	-	-	-	-	10-15
Mrs Sue Noyes	Non-Executive Director		10-15	-	-	-	-	10-15
Dr Niti Pall	Non-Executive Director		10-15	-	-	-	-	10-15
Mr David Richmond	Non-Executive Director		10-15	-	-	-	-	10-15
Professor Judith Smith	Non-Executive Director		10-15	-	-	-	-	10-15
			1225-1230	62	-	-	350-352.5	1585-1590

1) The definition of Senior Managers includes only the Chief Officers and the Non-Executive Directors. These are the senior officers of the Trust having Board of Director voting powers unless otherwise specified below.

2) In setting the remuneration of Executive Directors the Appointments and Remuneration Committee has met and considered a range of benchmark information on reward packages in the NHS.

3) Pension-related benefits do not represent an amount that will be received by the employees unless otherwise specified below. This is a calculation intended to provide users of the accounts with an estimate of the benefit that being a member of the NHS Pension Scheme could provide.

4) Taxable Benefits relates to lease cars.

5) Pension-related benefits for Mr David Melbourne include the cash value of payments in lieu of retirement benefits.

6) Mr Alex Borg was Interim Chief Operating Officer until 14 April 2019.

7) Mr Steve Cumley was appointed Chief Operating Officer from 15 April 2019.

8) Ms Michelle McLoughlin was Chief Nursing Officer until her retirement on 23 May 2019.

9) Mrs Marion Harris was appointed Interim Chief Nursing Officer from 24 May 2019 and Chief Nursing Officer from 18 December 2019.

10) Salary and Fees for Dr Fiona Reynolds included £85,000-90,000 in respect of clinical work. Total remuneration included £125,000-130,000 in respect of clinical work.

2018/19 Remuneration Table

Name and Title		Notes	1st April 2018 to 31st March 2019					
			Salary & Fees	Taxable Benefits	Annual Performance-related Bonus	Long-term Performance-related Bonuses	Pension-related Benefits	Total
			(bands of £5000) £000	(to nearest £100) £00	(bands of £5000) £000	(bands of £5000) £000	(bands of £2500) £000	(bands of £5000) £000
Ms Sarah-Jane Marsh	Chief Executive Officer		215-220	-	-	-	65-67.5	280-285
Mr David Melbourne	Deputy Chief Executive Officer and Chief Finance Officer	4,5	150-155	61	-	-	15-17.5	170-175
Mr Tim Atack	Chief Operating Officer (Mental Health Services)	6	65-70	-	-	-	30-32.5	100-105
Mr Alex Borg	Chief Operating Officer (Acute Services)/Interim Chief Operating Officer	7	110-115	-	-	-	65-67.5	175-180
Ms Michelle McLoughlin	Chief Nursing Officer		125-130	-	-	-	52.5-55	180-185
Mrs Theresa Nelson	Chief Officer for Workforce Development	8	40-45	-	-	-	30-32.5	70-75
Ms Sara Brown	Interim Chief Officer for Workforce Development	9	50-55	-	-	-	15-17.5	65-70
Dr Fiona Reynolds	Chief Medical Officer	10	195-200	-	-	-	87.5-90	285-290
Mr Matthew Boazman	Chief Officer for Strategy and Innovation		120-125	-	-	-	10-12.5	135-140
Professor Sir Bruce Keogh	Chairman		55-60	-	-	-	-	55-60
Mr Vijith Randeniya	Deputy Chair / Senior Independent Director		20-25	-	-	-	-	20-25
Mr Alan Edwards	Deputy Chairman		20-25	-	-	-	-	20-25
Mr Colin Horwath	Non-Executive Director	11	0-5	-	-	-	-	0-5
Mr David Adams	Non-Executive Director	12	10-15	-	-	-	-	10-15
Mrs Sue Noyes	Non-Executive Director	13	10-15	-	-	-	-	10-15
Dr Niti Pall	Non-Executive Director	14	10-15	-	-	-	-	10-15
Mr David Richmond	Non-Executive Director	15	10-15	-	-	-	-	10-15
Professor Judith Smith	Non-Executive Director		10-15	-	-	-	-	10-15
Mr Paul Heaven	Non-Executive Director	16	0-5	-	-	-	-	0-5
			1265-1270	61	-	-	380-382.5	1655-1660

1) The definition of Senior Managers includes only the Chief Officers and the Non-Executive Directors. These are the senior officers of the Trust having Board of Director voting powers unless otherwise specified below.

2) In setting the remuneration of Executive Directors the Appointments and Remuneration Committee has met and considered a range of benchmark information on reward packages in the NHS.

3) Pension-related benefits do not represent an amount that will be received by the employees unless otherwise specified below. This is a calculation intended to provide users of the accounts with an estimate of the benefit that being a member of the NHS Pension Scheme could provide.
4) Taxable Benefits relates to lease cars.
5) Pension-related benefits for Mr David Melbourne include the cash value of payments in lieu of retirement benefits
6) Mr Tim Atack was Chief Operating Office (Mental Health Services) until 23 October 2018 (non voting).
7) Mr Alex Borg was Chief Operating Officer (Acute Services) until 23 October 2018 and Interim Chief Operating Officer from 24 October 2018.
8) Mrs Theresa Nelson, Chief Officer for Workforce Development was on extended leave 12 April 2018 to 21 October 2018.
9) Ms Sara Brown was Interim Chief Officer for Workforce and Development from 15 April 2018 to 21 October 2018.
10) Salary and Fees for Dr Fiona Reynolds included £85,000-90,000 in respect of clinical work. Total remuneration included £125,000-130,000 in respect of clinical work.
11) Mr Colin Horwath was a Non-Executive Director until 31 May 2018.
12) Mr David Adams was appointed Non-Executive Director from 1 April 2018.
13) Mrs Sue Noyes was appointed Non-Executive Director from 1 April 2018.
14) Dr Niti Pall was appointed Non-Executive Director from 1 June 2018.
15) Mr David Richmond was appointed Non-Executive Director from 1 April 2018.
16) Mr Paul Heaven was Non-Executive Director until 30 April 2018.

(ii) Pension Benefits

2019/20 Pension Table

Name and Title		1st April 2019 to 31st March 2020							
		Real increase in pension at retirement age	Real increase in pension lump sum at retirement age	Total accrued pension at retirement age at 31 March 2020	Lump sum at retirement age related to accrued pension at 31 March 2020	Cash Equivalent Transfer Value at 1 April 2019	Real Increase in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2020	Employers Contribution to Stakeholder Pension
		(bands of £2500) £000	(bands of £2500) £000	(bands of £5000) £000	(bands of £5000) £000	£000	£000	£000	£000
Ms Sarah-Jane Marsh	Chief Executive Officer	2.5-5	0-2.5	50-55	95-100	677	28	749	-
Mr David Melbourne	Deputy Chief Executive / Chief Finance Officer	-	-	55-60	165-170	1,268	-	1,298	-
Mr Alex Borg	Interim Chief Operating Officer	0-2.5	-	20-25	35-40	240	-	266	-
Mr Steve Cumley	Chief Operating Officer	5-7.5	7.5-10	35-40	70-75	421	69	520	-
Ms Michelle McLoughlin	Chief Nursing Officer	-	-	-	-	1,084	-	-	-
Mrs Marion Harris	Interim Chief Nursing Officer	5-7.5	15-17.5	45-50	145-150	1,027	154	1,244	-
Mrs Theresa Nelson	Chief Officer for Workforce Development	0-2.5	-	25-30	45-50	474	-	497	-
Dr Fiona Reynolds	Deputy Chief Medical Officer	2.5-5	-	70-75	170-175	1,348	44	1,450	-
Mr Matthew Boazman	Chief Officer for Strategy and Innovation	0-2.5	-	30-35	55-60	394	11	433	-

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

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the institute and Faculty of Actuaries.

Real Increase/(Decrease) in CETV - This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Employer contributions to the NHS pension scheme are 20.6% (previously 14.3%) of the pensionable pay of scheme members. Employee contributions are based on annualised, full-time salary. For directors where this figure falls between £70,631 and £111,377 the contribution rate is 13.5% of pensionable pay, while it is 14.5% for those where this figure is in excess of £111,377.

2018/19 Pensions Table

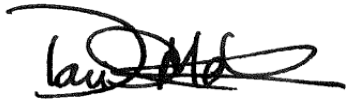
Name and Title		1st April 2018 to 31st March 2019							
		Real increase in pension at retirement age	Real increase in pension lump sum at retirement age	Total accrued pension at retirement age at 31 March 2019	Lump sum at retirement age related to accrued pension at 31 March 2019	Cash Equivalent Transfer Value at 1 April 2018	Real Increase in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2019	Employers Contribution to Stakeholder Pension
		(bands of £2500) £000	(bands of £2500) £000	(bands of £5000) £000	(bands of £5000) £000	£000	£000	£000	£000
Ms Sarah-Jane Marsh	Chief Executive Officer	2.5-5	0-2.5	45-50	95-100	541	137	677	-
Mr David Melbourne	Deputy Chief Executive / Chief Finance Officer	0-2.5	0-2.5	55-60	165-170	1,147	(63)	1,084	-
Mr Tim Atack	Chief Operating Officer (Mental Health Services)	0-2.5	-	45-50	125-130	898	132	1,030	-
Mr Alex Borg	Chief Operating Officer (Acute Services)	2.5-5	2.5-5	15-20	35-40	163	78	240	-
Ms Michelle McLoughlin	Chief Nursing Officer	2.5-5	7.5-10	45-50	145-150	917	167	1,084	-
Mrs Theresa Nelson	Chief Officer for Workforce Development	0-2.5	-	20-25	50-55	395	69	464	-
Dr Fiona Reynolds	Deputy Chief Medical Officer	5-7.5	5-7.5	65-70	165-170	1,110	238	1,348	-
Mr Matthew Boazman	Chief Strategy Officer	0-2.5	-	25-30	55-60	326	69	394	-
Mrs Sara Brown	Director of Maternity Transformation	0-2.5	0-2.5	20-25	50-55	355	72	427	-

Median Remuneration

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director at the Trust in the financial year 2019/20 was £230,000-235,000 (2018/19, £215,000-220,000). This was 7.72 times (2018/19, 7.36 times) the median remuneration of the workforce, which was £30,122 (2018/19, £29,608).

The changes in the mix of workforce have not impacted upon the median salary of the Trust.



……
David Melbourne
Acting Chief Executive Officer
24 June 2020

Staff Report

Analysis of staff costs

	2018/19 £'000	2019/20 £'000
Costs of permanently employed staff	£244,989	£269,980
Costs of other staff	£11,854	£8,809

Analysis of average staff numbers

Average number of employees (Whole Time Equivalent basis)	Total	Permanent	Other
Medical and dental	593.93	303.65	290.28
Administration and estates	1,307.90	1,217.69	90.22
Healthcare assistants and other support staff	712.21	686.7	25.5
Nursing, midwifery and health visiting staff	1,770.49	1,736.47	34.02
Scientific, therapeutic and technical staff	460.47	440.36	20.1
Healthcare science staff	350.76	337.17	13.59
Total average numbers	5195.75	4722.04	473.71

Gender of directors and employees as at 31 March 2020

	Male (Number)	Female (Number)	Male (%)	Female (%)
Board members	7	7	50%	50%
Other employees	1026	4836	18%	82%

Gender Pay Gap

The Trust's gender pay gap information can be found on the Trust's website: https://bwc.nhs.uk/reports. This information can also be compared with information from other organisations on the Government's website: https://gender-pay-gap.service.gov.uk/. Due to Coronavirus (COVID-19), enforcement of reporting deadlines does not apply to organisations in the 2019/20 reporting year.

Sickness Absence

One of the Trust's priorities is 'Creating the Best Place to Work'. We recognise the value that employee wellbeing plays in creating a happy and engaged workforce and the promotion of a culture and environment that encourages employees to live healthy and balanced lives. Our Sickness Absence policy and procedures are intended to support individuals in maintaining good levels of attendance, and we strive to promote a culture and working environment that helps prevention of injury and ill health, encourages staff to look after their own wellbeing and self-care, and achieve a work and home life balance. We monitor sickness absence monthly and report this through our Trust governance framework. We address particular challenges through appropriate and bespoke support and interventions.

Sickness absence data is published by NHS Digital and can be found here: https://digital.nhs.uk/data-and-information/publications/statistical/nhs-sickness-absence-rates.

The Trust's Occupational Health service, which is provided by People Asset Management, includes pre-employment screening, health validation, health screening and advice and guidance on employee health and absence.

Equal Opportunities for Disabled Staff

The Trust recognises that having a diverse workforce and culture that enables everyone to 'bring their true selves to work' enables greater levels of engagement and advocacy. Diversity enhances creativity; it encourages the search for new information and perspectives, leading to better decision-making, problem-solving and quality of care. We can only provide the best possible care for our patients if we also recognise and meet the diverse needs of our staff, value the richness that diversity brings and its positive influences on the services that the Trust provide.

Our Equality and Diversity policy requires the Trust to:

- Make reasonable adjustments to maintain the services of an employee who becomes disabled including training and development, provision of special equipment and reviewing working patterns.
- Give full and proper consideration to disabled people who apply for jobs, having regard to reasonable adjustments.
- Make every effort to ensure our key areas and events are accessible for staff with physical disabilities.

Our recruitment policy supports effective and fair recruitment processes including mandatory NHS standards ensuring all new staff provide a safe and risk free service to our patients.

We aim to ensure that all applicants who declare a disability are offered an interview if they meet the minimum requirements for the post.

Monitoring and auditing is used to help identify and eliminate possible discrimination and to improve recruitment processes. Reasonable adjustments are made for staff with a disability in relation to training and all other work related activities supported by our occupational health services and our sickness absence procedures.

The Trust recognises that discrimination and victimisation is unacceptable. It is our aim to ensure that no disabled employee or job applicant receives less favourable treatment or facilities (either directly or indirectly) in recruitment or employment.

The Trust is fully compliant with the requirements of the Public Sector Equality Duty through ensuring it has fully analysed all available data, drawn conclusions and published this in line with national reporting requirement.

Staff Survey

Approach to Staff Engagement

We are fully committed to involving, consulting and engaging with our staff and want our staff to have the best experience possible. The importance of this is highlighted by our organisational priority 'Creating the best place to work.'

We involve our staff in all decisions about our future strategy, their working environment and the development of services through a variety of methods including:

- An annual staff engagement week which is used to inform the development and implementation of the Trust's strategic objectives.
- Listening Events, which ,
- An active programme of engagement operated by the Staff Ambassador (Freedom to Speak up Guardian) and Inclusivity Ambassador.
- Leaders' Summits to engage leaders in strategy development and workforce priorities.
- Quality Improvement Huddles.
- Joint Consultative and Negotiation Committees.
- A detailed Resources Report is contained within the monthly Board of Directors papers which are available for all staff and also shared with our JCNC colleagues.
- A daily email bulletin containing significant items of Trust and site specific news.
- Regular Chief Executive Briefing sessions at both sites.
- Invitation to Board of Directors meetings in public.

Feedback on staff engagement is monitored quarterly by the local Staff Friends and Family survey and annually by the National Staff Survey. These results inform on-going approaches and areas of focus.

Staff Survey Results

The NHS staff survey is conducted annually. From 2018 onwards, the results from questions are grouped to give scores in ten indicators. The indicator scores are based on a score out of 10 for certain questions with the indicator score being the average of those.

The response rate to the 2019/20 survey among Trust staff was 52% (2018/19: 33 %). Scores for each indicator together with that of the survey benchmarking group (acute specialist) are presented below.

	2019/20		2018/19		2017/18	
	Trust	Benchmarking group	Trust	Benchmarking group	Trust	Benchmarking group
Equality, Diversity and Inclusion	9.1	9.2	8.79	9.33	10	8
Health and Wellbeing	5.8	6	5.50	6.24	3.63	3.69
Immediate Managers	7	6.9	6.49	7.07	3.75	3.81
Morale	6.1	6.2	5.57	6.40		
Quality of appraisals	5.5	5.5	4.75	5.60	3.01	3.10
Quality of Care	7.2	7.5	6.91	7.74	3.77	3.94
Safe Environment –Bullying and Harassment	8.2	8.2	8.04	8.46	23	20
Safe Environment - Violence	9.7	9.5	9.65	9.74	8	7
Safety Culture	6.8	6.8	6.33	7.05		
Staff Engagement	7.1	7.1	6.92	7.43		

Following disappointing results in 2018 we took a range of actions including the appointment of an Inclusion Ambassador and a staff engagement week focused on our new improvement framework and the importance of values and of understanding each other.

It is therefore pleasing to see a significant increase in the response rate in 2019 and a positive shift in almost every question and theme within the survey. We were particularly pleased to see our recommender and overall engagement scores improve.

Our priority areas for improvement in 2020/21 and the actions planned are set out below. The implementation and success of these actions will be monitored through a combination of audit, staff feedback and review of next year's survey results.

Priority Area	Actions
Inclusion, equality and diversity	• Develop a more inclusive recruitment process. • Launch development centre for aspiring leaders. • Develop a new Equality, Diversity and Inclusion framework.
Quality of appraisals	• Improve appraisal training for managers. • Extended programme of appraisal workshops for staff
Management support/team working/wellbeing	• Management training • Human factors training • Campaign on use of breaks
Bullying and harassment	• Resolution and Restoration framework • Civility campaign
Violence and aggression from patients/families	• Encourage reporting and review incident themes • Revise messaging to families. • Revise de-escalation training for staff.

Trade Union Facility Time

Number of employees who were relevant union officials during the relevant period	33
Full-time equivalent employee number	29.8
Total cost of facility time	£52,000
Total pay bill	£278,789,000
Percentage of total pay bill spent on facility time	0.02%
Time spent on paid trade union activities as a percentage of total paid facility time hours	48.17%
Percentage of time spent on facility time	**Number of employees**
0%	0
1 to 50%	33
51 to 99%	0
100%	0

Health and Safety

The most significant risks to the non-clinical safety of our patients, staff and visitors are monitored by our Non-Clinical Risk Coordinating Committee. A Non-Clinical Safety Report is presented regularly to our Quality Committee to provide assurance about what is being done to make sure our environment and practices are as safe and secure as they can be.

During 2019/20 the key health and safety matters considered by the Non-Clinical Risk Coordinating Committee were:

- Fire safety at the Children's Hospital.
- Security at the Women's Hospital.
- Personal safety of all staff.
- A programme of health and safety inspections across the Trust.

Counter Fraud and Corruption

In accordance with NHS Standard contract, the Trust has an on-going programme to prevent fraud and bribery and ensure proper use of public funds. The Counter Fraud service at BWC aims to prevent fraudulent activity which threatens this principle. This is supported by the Trust's Counter Fraud, Bribery and Corruption Policy.

The Trust has continued to promote the awareness of fraud and bribery throughout the year, creating an anti-fraud culture and ensuring that all employees are aware of their role and responsibilities with regard to identifying and preventing suspicious activity. This has been achieved by the inclusion of counter fraud training at the core of our mandatory training programme, supplemented with an online learning module and presentations by the Local Counter Fraud Specialist. A staff survey was also circulated to all employees, to identify areas for development, and to ensure that the counter fraud programme is risk based. Responses demonstrated clear awareness and knowledge of fraud and bribery within the NHS and how to raise concerns.

We have continued to proactively identify and prevent fraud, undertaking proactive reviews and working alongside the Internal Auditor, as well as assisting with the implementation and review of key policies and procedures, in accordance with best practice guidance. Where referrals have been received, the Trust has demonstrated a zero tolerance approach and internal and external investigations have been undertaken where necessary. We have an annual counter fraud plan which will continue to raise the awareness of fraud and bribery and respond to emerging issues identified nationally and locally by the NHS Counter Fraud Authority, so that appropriate controls are implemented to safeguard public funds. The Trust has implemented recommendations following a review of counter fraud arrangements last year and continues to perform well against this organisational assessment.

Expenditure on Consultancy

Expenditure on consultancy during 2019/20 was £76k.

High Paid Off-payroll Engagements

The Trust allows off-payroll arrangements to be made only in circumstances where vital specialised roles cannot, in the short-term, be supported through standard payroll arrangements. The Trust regularly monitors and reviews all high paid off-payroll arrangements to ensure alternative solutions are sought in order to reduce the duration of such arrangements to the minimum. This includes the use of HMRC's online employment status indicator tool. The Trust seeks evidence that appropriate arrangements are in place in relation to tax and national insurance from individuals with whom such arrangements are made.

The Trust does not make off payroll arrangements with members of the Board of Directors.

Table 1: All off-payroll engagements as of 31 March 2020 for more than £245 per day that last for longer than six months

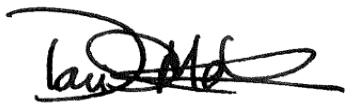
Total number of existing engagements as of 31 March 2020	4
Of which...	
Number that have existed for less than one year at time of reporting	4
Number that have existed for between one and two years at time of reporting	0
Number that have existed for between two and three years at time of reporting	0
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four or more years at time	0

Table 2: All new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months

Number of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	4
Of which...	
Number assessed as within the scope of IR35	4
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	0
Number of engagements that saw a change to IR35 status following the consistency review	0

Table 3: Any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020

Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during 2019/20.	0
Number of individuals that have been deemed "board members and/or senior officials with significant financial responsibility" during 2018/19, including both off-payroll and on-payroll engagements.	17



……
David Melbourne
Acting Chief Executive Officer
24 June 2020

NHS Foundation Trust Code of Governance

Birmingham Women's and Children's NHS Foundation Trust has applied the principles of the NHS Foundation Trust Code of Governance on a comply or explain basis. The NHS Foundation Trust Code of Governance, most recently revised in July 2014, is based on the principles of the UK Corporate Governance Code issued in 2012.

Board of Directors and Council of Governors

Constitutionally formed, the Council of Governors has the following key responsibilities:

- **Strategic –** Providing advice on our general direction and ensuring that our plans assist in the delivery of our long-term goals;
- **Guardianship –** Ensuring that the Board of Directors conforms to the terms of authorisation, acting as a trustee of the Trust;
- **Advisory –** Providing advice to the Board of Directors to ensure the Trust continues to deliver services to meet the needs of the patients, parents, families and the wider local communities.

The Council of Governors is also responsible for:

- Representing the views of the members and acting as a source of information on members' views;
- Working with the Board of Directors to inform the Trust's strategic direction;
- Appointing (and removing) the Chairman and Non-Executive Directors;
- Setting the remuneration of the Chairman and Non-Executive Directors;
- Approving the appointment of the Chief Executive Officer;
- Appointing the External Auditor;
- Receiving copies of our annual reports, annual accounts and the External Auditor's report;
- Holding the Non-Executive Directors individually and collectively to account;
- Approving any amendments to the Core Constitution.

The Board of Directors is legally accountable for the services we provide and is specifically responsible for:

- Setting the Trust's strategic direction (having taken into account the Council of Governors' views);
- Ensuring that clinical services provide high-quality and safe care for patients, parents and their families;
- Ensuring that governance arrangements are implemented to provide assurance that there are safe systems of internal control in place;
- Ensuring that a rigorous performance management framework is implemented which ensures the Trust continues to perform well against national and local targets;
- Ensuring the Trust is at all times compliant with its Terms of Authorisation.

The Constitution sets out the key responsibilities of the Board of Directors. The accountability framework defines the Committees of the Board and sets out within the approved terms of reference the responsibilities for each of these Committees. Non-Executive Directors are members (or the Chair) of each of these Committees.

In the event of a dispute between the Council of Governors and the Board of Directors, the Council of Governors and the Board of Directors should meet and attempt to resolve the dispute by negotiation. If agreement cannot be reached, the dispute should be referred to the Chairman, whose decision shall be final. In the event that a dispute is referred to the Chairman and the Chairman considers that he/she has a perceived or real interest in the outcome of that dispute and that the dispute would be better resolved externally, then the Chairman may refer the dispute for

resolution by arbitration under the Rules of the Chartered Institute of Arbitrators (as amended or re-issued from time to time).

Governors' views are shared with the Board of Directors through the formal meetings of the Council of Governors, which are chaired by the Chairman who presides over the Board of Directors and are attended by the Non-Executive Directors. The Executive Directors are invited to attend the meetings to present reports and information. In addition, the Council of Governors and the Board of Directors hold joint meetings where the focus is on strategic or policy issues.

The views of members and the public are ascertained by the Governors through walkabouts to Trust services and receiving patient experience information such as patient stories.

The Governors' Scrutiny Committee is a committee of the Council of Governors which provides a forum to support the Council to meet its obligations, in particular to hold the Non-Executive Directors to account. This Committee is chaired by the Deputy Chair and has a core membership of Governors, including the Lead Governor. Meetings of the Committee are also attended by Non-Executive Directors and Executive Directors for appropriate agenda items.

Board of Directors meetings

**Board members are not routinely required to attend Council of Governors meetings. All Board members attended Council of Governors meetings when invited or requested to do so.*

NON-EXECUTIVE DIRECTORS All the Non-Executive Directors of the Board are considered to be independent					
Board member	**Title**	**Meeting Attendance (actual/possible)**			
		Board of Directors	***Council of Governors**	**Appointments & Remuneration Committee**	**Audit Committee**
Bruce Keogh	Chair	11/11	4/4	3/3	n/a
Vijith Randeniya	Deputy Chair/Senior Independent Director	9/11	2/4	2/3	6/7
Alan Edwards	Deputy Chair/ Chair of Audit Committee	10/11	4/4	3/3	7/7
Judith Smith	Non-Executive Director	9/11	1/4	n/a	6/7
Niti Pall	Non-Executive Director	7/11	0/4	n/a	n/a
David Richmond	Non-Executive Director	11/11	1/4	n/a	n/a
David Adams	Non-Executive Director	2/11	0/4	n/a	n/a
Sue Noyes	Non-Executive Director	11/11	3/4	n/a	n/a

EXECUTIVE DIRECTORS			
Board member	**Title**	**Meeting Attendance (actual/possible)**	
		Board of Directors	***Council of Governors**
Sarah-Jane Marsh	Chief Executive Officer	10/11	4/4
David Melbourne	Deputy Chief Executive Officer/ Chief Finance Officer	10/11	3/4
Marion Harris	Chief Nursing Officer	11/11	0/4
Theresa Nelson	Chief Officer for Workforce Development (extended leave April-October 2018)	9/11	2/4
Matthew Boazman	Chief Officer for Strategy and Innovation	11/11	1/4
Fiona Reynolds	Chief Medical Officer	11/11	3/4
Steve Cumley	Chief Operating Officer	11/11	4/4

Council of Governors and Meetings

Governor	Constituency/ Class	Tenure	Meeting attendance (actual/possible)		
			Council of Governors	Governors Scrutiny Committee	Nominations Committee
Elected Governors					
Zaira Akhtar	BCH Patient	3 years from June 2017 (second term)	3/4	n/a	n/a
Zafin Aktar	BWH Patient/Carer	3 years from June 2017	1/4	2/3	n/a
Christopher Allen	Rest of West Midlands	3 years from September 2017	3/4	n/a	n/a
Kate Archer	BWH Patient/Carer	3 years from June 2017	2/4	0/3	n/a
Alex Baum	Staff – Non-Clinical	Resigned	0/2	n/a	n/a
Elizabeth Bernthal	BWH Patient/Carer	Resigned	1/3	n/a	n/a
Rachel Brown	Rest of West Midlands	3 years from December 2018	3/4	n/a	n/a
Lynda Cooper	Black Country	Term ended	1/4	n/a	n/a
Helen Cox	Staff – Nursing	3 years from December 2018	4/4	n/a	n/a
Jennie Dalton	Black Country	3 years from September 2019	1/2	n/a	n/a
Judith Ferrarin	Birmingham and Solihull	3 years from December 2018	2/4	n/a	n/a
Kiah Ferrarin	Birmingham and Solihull	3 years from September 2017	1/4	n/a	n/a
Omega Gavaza	Rest of West Midlands	3 years from December 2018 (second term)	1/4	n/a	n/a
Rizwan Jalil	Black Country	3 years from June 2017	3/4	n/a	1/1
Andrea Jester	Staff – Medical/Dental	3 years from September 2017	4/4	2/3	n/a
Chris Jones	Birmingham and Solihull	3 years from June 2017 (second term)	3/4	n/a	n/a
Clare Maceachen	BCH Carer	3 years from June 2017	3/4	n/a	n/a
Marie McGee	Staff – Non-Clinical	3 years from September	2/2	n/a	n/a
Shelagh Musgrave	BCH Carer	3 years from December 2018	1/4	0/3	n/a
Musa Nela	BCH Patient	3 years from September 2017	1/4	n/a	n/a
Rebecca O'Sullivan	Staff – Clinical Other	3 years from September 2017	2/4	3/3	n/a
Claire Powers	Black Country	3 years from September 2019	2/2	n/a	n/a
Gemma Price	Staff – Midwife	3 years from February 2020	0/0	n/a	n/a
Claire Terry, Lead Governor	Birmingham and Solihull	3 years from January 2020 (second term)	4/4	2/3	1/1

Nicola Turner	Birmingham and Solihull	Term ended	4/4	n/a	1/1
Sandra Wallace	Staff – Mental Health	3 years from September 2017	0/4	n/a	n/a
Alison Ward	Black Country	3 years from December 2018	0/4	n/a	n/a
Gilles de Wildt	Birmingham and Solihull	3 years from February 2020	0/0	n/a	n/a
Appointed Governors					
Karen McCarthy	Birmingham City Council	3 years from June 2017	2/4	0/3	n/a

Balance and Completeness of the Board of Directors

The Executive and Non-Executive Directors of the Board provide a balance and breadth of knowledge, experience and skills. The Executive Directors have at a senior level considerable NHS experience in a range of areas including finance, medicine, nursing, midwifery, strategic and operational planning, research and workforce development. Their expertise is complemented by the Non-Executive Directors who have extensive private and public sector experience in business, commerce, banking, accounting, audit, research, management and leadership, marketing, NHS service provision, medicine, health care and health policy, and local enterprise.

The Nominations Committee and the Appointments and Remuneration Committee consider the balance and breadth of knowledge, experience and skills required on the Board at each appointment and reappointment of directors and have ensured the maintenance of a balanced and complete Board throughout the year.

The Chairman has no other significant commitments.

Board Member Skills, Expertise and Experience

Professor Sir Bruce Keogh - Chairman

Appointed	January 2018
Expertise and Experience	Sir Bruce has had a distinguished international career as a cardiac surgeon. He has had a longstanding interest in healthcare quality and has served on the boards of the Commission for Health Improvement and Healthcare Commission. He was appointed Medical Director of the NHS in 2007. For a decade he was responsible for clinical policy, clinical leadership and innovation across the health service. In 2018 he became Chair of the Birmingham Women's and Children's NHS Foundation Trust. He is keen to encourage a focus on upgrading our estate to facilitate delivery of 21st century care, supporting our staff, research, clinical outcomes and taxpayer value. He was knighted for services to medicine in 2003.
Qualifications	MD, DSc, FRCS, FRCP

Vij Randeniya – Deputy Chairman, Senior Independent Director

Appointed	February 2015
Expertise and Experience	Vij is the former Chief Fire Officer for the West Midlands Fire Service, spanning a thirty year career; Vij was also the elected President of the UK Fire Chiefs Association and served as the Chairman of Birmingham Metropolitan College. He led the Fire Service during a five year period which saw real terms budget cuts of 20%, yet improving outcomes for the public. Formerly a Chairman of Birmingham St Mary's Hospice, Vij is now the Vice Chairman for the Royal Society for Public Health, an Associate Non-Executive Director at Dudley Group of Hospitals NHSFT, and sits on Aston Universities Board. For the last three years he has been the Chairman of the Environment Agency's Trent River flood and coastal committee. He is also part of the Grenfell Tower Fire enquiry process.
Qualifications	Ba (Hons) History, MA Management, Diploma in Business Excellence, Honorary Doctorate in Science from Aston University, Member of the Institute of Fire Engineers, Fellow of the Royal Society for the Arts and a Fellow for the Royal Society for Public Health.

Alan Edwards – Deputy Chairman

Appointed	February 2015
Expertise and Experience	Alan Edwards is an experienced public sector board member having previously been Chair of the Royal Wolverhampton NHS Trust and an Independent Member of the Board of the UK National Policing Improvement Agency. He is currently Deputy Chair of the Ethics, Transparency and Audit Panel for Staffordshire Police, Fire and Crime Commissioner and an Independent Governor at the University of Wolverhampton. He is also Chair CIPFA Development at the Chartered Institute of Public Finance and Accountancy. Most of his career has been spent as a management consultant having being a consulting Partner at PwC, KPMG and IBM.
Qualifications	BA (Hons) Business Studies and CPFA (Chartered Public Finance Accountant)

Judith Smith – Non-Executive Director

Appointed June 2014

Expertise and Experience Judith is Professor of Health Policy and Management and Director of the Health Services Management Centre (HSMC) at the University of Birmingham. She is also Director of the National Institute of Health Research-funded BRACE (Birmingham, RAND Europe and University of Cambridge) Rapid Service Evaluation Centre. Judith has worked in health services research and policy analysis for 25 years in the UK and New Zealand, prior to which she was a senior manager in the NHS, and a graduate of the NHS Management Training Scheme. Judith took up post at HSMC in June 2015 following six years as Director of Policy at the Nuffield Trust, an independent charitable health research foundation in London. Judith is Deputy Chair, and a trustee of Health Services Research UK, the professional membership body for health services and organisational research. Previous roles have included: expert advisor on NHS organisation and commissioning, and policy assessor to the Mid Staffordshire NHS Foundation Trust Public Inquiry; and chair of the Royal Pharmaceutical Society Commission on Future Models of Care.

Qualifications BA (Hons) French Language and Literature, Diploma in Health Services Management, MBA, PhD Health Services Management.

Sue Noyes – Non-Executive Director

Appointed April 2018

Expertise and Experience Sue Noyes is a chartered accountant by background, with twenty years' experience across the NHS at a senior level, including more than ten years as a finance director, and a number of acting Chief Executive positions in NHS provider and commissioner organisations. In 2013 Sue took the position of Chief Executive at East Midlands Ambulance Service NHS Trust where she led on a transformation programme; she has also managed organisational change including the merger of three organisations. She has a track record of delivering improved staff engagement, performance reporting and monitoring systems and collaboration across a number of organisations. She is Chair of Coventry Further Education College, Chair of the national Ambulance Staff Charity, and is a qualified coach and mentor, with her own career coaching business.

Qualifications BA (Hons) English Studies, Member of ICAEW (Chartered Accountant), NHS Strategic Financial Leadership Programme, Counselling Skills Certificate, Coaching Diploma, DiSC Personality Profiler.

David Richmond – Non-Executive Director

Appointed April 2018

Expertise and Experience David was a Consultant Gynaecologist at Liverpool Women's Hospital and Honorary Lecturer at Liverpool University (1991-2017) and the Medical Director of the Trust from 1993 to 2010. He was involved with the Royal College of Obstetricians and Gynaecologists (RCOG) for 20 years culminating in becoming its Vice President (Clinical Quality) in 2010 and then President of the College from 2013-2016. He was a member of the Better Births report team in 2016 and then the Maternity Transformation Board in 2017. Through his Royal College positions, he has held several national and international roles, including Vice Chair of the Academy of Medical Royal Colleges. He retired from clinical practice at Liverpool Women's in July 2017. David is currently the South West Ambassador for Getting It Right First Time, a national quality improvement programme with NHSI, and national Clinical Lead for Obstetrics and Gynaecology.

Qualifications BSc, MBChB, MD, FRCOG, FFMLM; Honorary Fellowships: FRCPE (Edinburgh), FRCPI (Ireland), FACOG (USA), FSOGC (Canada), FGSOG (Germany).

Niti Pall – Non-Executive Director

Appointed June 2018

Expertise and Experience Niti worked as a GP Partner from 1992 until 2013 and continues to hold sessions. She has been a practicing clinician for 30 years, initially training in Obstetrics and Gynaecology before becoming a GP. She has held numerous appointments as Director and Board Member over the last 25 years in the provider, commissioning, independent and voluntary sectors. Her previous executive appointments include Medical and Innovation Director for International Development Markets at BUPA, Chief Medical Officer for HCL Healthcare, and Founder for Health India Private Limited .She has held commissioning roles in the West Midlands for Sandwell and West Birmingham. Her voluntary sector roles include being a Trustee for Diabetes UK, President of the International Diabetes Federation, and a member of the advisory Board of the King's Fund. She has also established community interest companies locally for day services for Asian elders and Asian women's counselling. Niti is also Board Chair of Well Tech, a social impact technology accelerator for healthcare based out of the UK.

Qualifications MBBS, LRCP, MRCS, VTS certified.

Sarah-Jane Marsh – Chief Executive Officer	
Appointed	June 2009
Expertise and Experience	Sarah-Jane joined the NHS via the Graduate Management Scheme, holding various roles in primary and secondary care and at the Department of Health, before promotion to Director of Planning and Productivity at Walsall Hospitals NHS Trust. Appointed Chief Operating Officer at Birmingham Children's Hospital in December 2007, and Chief Executive Officer in March 2009, the Trust has been under her leadership for over nine years and was named 'Provider Trust of the Year' by the Health Service Journal in 2015, and rated Outstanding by the CQC in February 2017. In 2015, Sarah-Jane took on the additional role of Chief Executive of Birmingham Women's NHS Foundation Trust, before going on to integrate the two Trusts to create the first Women's and Children's NHS Foundation Trust in Europe, just 18 months later. She also led the development of an innovative new mental health partnership for 0-25 year olds in the city – Forward Thinking Birmingham, the first of its type in the NHS. Sarah-Jane is also Chair of the NHS England Maternity Transformation Programme Board, which aims to make maternity care across England safer, and give women greater control and choice. Her passions are exceeding the expectations of patients and families, and making Birmingham Women's and Children's the very best place to work and be cared for.
Qualifications	BA (Hons) History, MA Russian and Eastern European Studies, MSc Health Care Management

David Melbourne – Deputy Chief Executive/Chief Finance Officer	
Appointed	November 2009
Expertise and Experience	David joined the NHS from KPMG in the late 1990s and has held a variety of Board positions in Derbyshire, Lincolnshire and Birmingham. David joined BCH in late 2009 and his current roles include Board responsibility for finance, information and technology, performance, fundraising, estates and capital planning. He is a board member of Birmingham Children's Hospital Pharmacy Limited that operates the outpatient pharmacy, and BWC Management Services which is responsible for Estates and Facilities at both Birmingham Children's and Birmingham Women's hospitals. He is also a board member and chair of finance at the Health Exchange - a community interest company that provides health advice to communities across the West Midlands. He was selected as NHS Director of Finance of the year in December 2011. David is also a member of the NHS National Procurement Customer Board and chairs the Midlands Procurement Customer Board.
Qualifications	BA (Hons) Economics and History, ACA, CPFA, MBA

Theresa Nelson – Chief Officer for Workforce Development

Appointed September 2011

Expertise and Experience Theresa joined the NHS in 2003 following a long career with Marks and Spencer where she held roles in Commercial Management and Human Resources. She has extensive workforce development experience operating in senior board level roles and has led the people element of the merger of two NHS organisations. She held a national role as lead for Clinical Leadership at the Department of Health and continues to champion clinical leadership through her regional roles. Theresa is passionate about workforce development and getting the best out of people through staff engagement, culture development and coaching. Through her leadership at BWC, the people agenda is a top priority in delivering high quality care for children, young people and their families.

Qualifications FCIPD; NLP Practitioner and Executive Coach

Fiona Reynolds – Chief Medical Officer

Appointed July 2015

Expertise and Experience Fiona joined Birmingham Children's Hospital in 2002 as a Consultant Paediatric Intensivist and held a variety of clinical leadership roles. Between 2007 and 2010 she was the clinical lead in PICU, overseeing a major expansion of the department. She was appointed as Deputy Chief Medical Officer in 2010. In 2012, Fiona led implementation of BCH becoming a Major Trauma Centre. She has led projects in long term ventilation, paediatric palliative care, electronic prescribing and e-learning. Fiona's major interests include patient safety and service and workforce redesign.

Qualifications BSc, MBChB, FRCA

Matthew Boazman – Chief Officer for Strategy and Innovation

Appointed March 2015

Expertise and Experience Matthew first joined the NHS in 2002, via the Graduate Management Training Scheme and has worked in a variety of NHS roles across Kent and the South East within secondary care, before moving to the Aids Committee of Toronto in Canada. In 2004 he joined the Whittington Hospital NHS Trust in North London as a General Manager, before going on to become Director of Operations for the Trust in 2011 and subsequently Whittington Health when it merged with the local community NHS Trust. Matthew joined Birmingham Children's Hospital in 2013 as Director of Strategy and Planning before becoming Chief Officer for Strategy and Innovation when Birmingham Women's and Children's Hospital was formed in 2017. His particular areas of interest are maternal and infant health, child health, rare diseases and genomics and he is the lead for the West Midlands, Oxfordshire and Wessex genomics medicine consortium.

Qualifications BSc (Hons) Biological Chemistry, MChem Biological Chemistry, MSc Health Care Management

Steve Cumley – Chief Operating Officer

Appointed April 2019

Expertise and Experience Steve joined the NHS in 1999 as a radiographer before moving into operational management in 2006. Steve held a number of divisional management positions at University Hospitals Birmingham (UHB), including Deputy Divisional Director of Operations, Divisional Director of Operations, and Deputy Chief Operating Officer. Steve became Chief Operating Officer at BWC in 2019.
Steve has a particular interest in whole pathway redesign and integrated models of care, having worked on a number of transformational projects involving a range of partner organisations across the wider healthcare system.

Qualifications BSc (Hons) Diagnostic Radiography, MSc, MBA

Marion Harris – Chief Nursing Officer

Appointed May 2019

Expertise and Experience Marion is an experienced Paediatric Nurse who has had an extensive career in acute hospitals (district general and specialised hospitals) and community settings in a variety of nursing and management roles. Prior to her appointment as Chief Nurse in 2019 she was the Deputy Chief Nurse at BWC, a role she held for five years. She has championed nursing leadership and recruitment, encouraging nurses at all levels to be the best nurse or midwife they can be. Previous roles have included Head of Nursing Surgery, Ward Manager, Clinical Nurse Specialist Urology, Modern Matron and Clinical Director for Surgery. She is passionate about nursing and advanced nursing practice to ensure patients receive high quality care, regardless of age. She is also a CQC specialist inspector and has undertaken numerous inspections to ensure babies, children and young people receive the best care in all settings.

Qualifications BSc (Hons), RGN, RSCN, HV Dip

Nominations Committee

The Nominations Committee is a committee of the Council of Governors, chaired by the Trust's Chairman. The Committee is responsible for the identification and nomination of non-executive directors for appointment (including the Chairman), giving consideration to succession planning and the balance of skills, expertise and experience required on the Board of Directors.

The Nominations Committee is also responsible for deciding upon the termination and renewal of non-executive terms of office and oversees the terms and conditions of office and remuneration of all Non-Executive Directors.

During 2019/20 the Nominations Committee:

- Agreed a process of non-executive director recruitment to fill existing and anticipated Board vacancies.
- Undertook a Board skill-mix review and agreed the parameters for a non-executive director search.
- Reviewed the outcome of non-executive director appraisals.

Performance evaluation of the Board, its committees and its directors

The Board has conducted a review of the effectiveness of its system of internal control. During the year the Board obtained a significant amount of assurance through the work of the Internal Auditor which is described in detail in the Annual Governance Statement. In addition, evaluation was undertaken as follows:

- Annual reviews of the Audit, Quality, and Finance and Resources Committees.
- Annual appraisal of each Board member.
- CQC inspection, including a review of the well-led domain.

Responsibility for Preparation of the Annual Report and Accounts

The Directors are responsible for preparing the annual reports and accounts. The Directors consider that the Annual Report and Accounts 2019/20 taken as a whole are fair, balanced and understandable and provide the information necessary for patients, regulators and other stakeholders to assess the Trust's performance, business model and strategy.

The Audit and Value Committee

The Audit and Value Committee's key role is to provide oversight and assurance to the Board, specifically with regard to the Trust's financial reporting, audit arrangements, risk management and internal control processes and governance framework. The Committee:

- Provides assurance of independence for external and internal audit.
- Ensures that appropriate standards are set and that compliance with them is monitored.
- Monitors corporate governance.

The Committee reviews the adequacy of:

- The structures, processes and responsibilities for identifying and managing key risks;
- Risk and control related disclosure statements;
- The underlying assurance processes that indicate the degree of the achievement of our corporate objectives;
- The policies for ensuring that there is compliance with relevant regulatory, legal and code of conduct requirements;

- The operational effectiveness of relevant policies and procedures;
- The policies and procedures relating to fraud and corruption as set out in Secretary of State Directions and as required by the NHS Counter Fraud and Security Management Service;
- Our 'whistle blowing' procedures to ensure that arrangements are in place for the proportionate and appropriate investigation and follow-up of allegations.

The Audit Committee ensures that there is an effective internal audit function established by management that meets Government Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board of Directors. The Internal Audit function is provided by KPMG. For more information see the Annual Governance Statement.

The Audit Committee reviews the work and findings of the External Auditor and considers the implications of the External Auditor's work and the Trust's response to it. The External Audit function is provided by Deloitte.

We tendered in respect of our external auditors in 2018; following a tender exercise conducted by a working group the Council of Governors awarded a three year contract to Deloitte with an option to extend for a further 2 years.

The value of external audit services provided in 2019/20 is £85k including VAT.

Deloitte also provides non audit services; the value of the non-audit services provided is £4k including VAT, which is for regulatory reporting. These services are overseen by the Audit Committee. The Audit Committee is assured that the External Auditor's internal controls and appropriate challenge by the Committee ensure that auditor objectivity and independence is safeguarded.

The Audit Committee monitors the integrity of the financial statements of the Trust and any formal announcements relating to the Trust's financial performance.

During the year the Committee also considered the following matters:

- Reference Costs processes
- Estates survey
- The outcomes of fraud investigations and counter fraud activity
- Single tender waivers
- Business case approval process
- Raising concerns at work policy
- Accounting policies
- Annual reviews of Quality Committee and Finance and Resources Committee
- Arrangements for financial management and governance control during the COVID-19 pandemic.

Membership Report

Eligibility

Membership of Birmingham Women's and Children's NHS Foundation Trust is open to:

- Any person who is or has been a patient/service user of Birmingham Children's Hospital or Birmingham Women's Hospital in the last five years
- Any person who is or has been a parent/carer of a patient/service user of Birmingham Children's Hospital or Birmingham Women's Hospital in the last five years
- All permanent staff members and those staff members who are on a temporary contract of 12 months or greater
- Any member of the public aged 10 or over who lives in one of the following constituencies:
  - Birmingham and Solihull
  - The Black Country
  - Rest of England

Membership Numbers

The Trust set and achieved a target of 10,000 members by 2010/11 and this has been maintained since that time.

The number of members in each constituency is as follows:

Membership 2019/20	
Total Public Members	4,056
Total Patient/Carer Members	5,009
Total Staff Members	5,860
TOTAL	14,925

Membership Engagement

During 2019/20 we continued our approach to membership communication through fully electronic means by issuing a quarterly newsletter to all public, patient and carer members.

Each year we hold an Annual General Meeting (AGM) to which our members are invited to hear about how the Trust has performed over the year.

Our Young Person's Advisory Group (YPAG) has evolved from our membership.

Our staff members are engaged throughout the year on the Trust's strategy, and their input sets the agenda of our annual week-long staff engagement week, which drives the Trust's strategy development.

More information about how we have engaged with staff can be found in the Staff Report.

Membership Strategy

We are able to access a range of information about the make-up of our membership. The data allows us to determine whether our membership is representative of the population we serve. This assists us to identify where sections of the population are under-represented which helps to inform our membership strategy.

In 2019/20 we focused on increasing communication and engagement with our current members by:

- Communication through our website and social media platforms.

- Distributing regular information to members via email.
- Inviting members to attend events such as Council of Governors meetings and the Annual General Meeting.
- Supporting Governors to communicate with members and the public.
- Encouraging members to communicate with Governors.
- Actively publicising governor elections.

Members can communicate with Governors as follows:

By email: bwc.foundationtrustoffice@nhs.net

By post:
Birmingham Women's and Children's NHS Foundation Trust
Foundation Trust Office
Birmingham Children's Hospital
Steelhouse Lane
Birmingham
B4 6NH

Details of all material interests held by Governors are contained in a Register of Interests which is open to the public and may be obtained on the Trust's website.

NHS Improvement's Single Oversight Framework

NHS Improvement's 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.

This segmentation information is the Trust's position as at May 2020. Current segmentation information for NHS trusts and foundation trusts is published on the NHS Improvement website.

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 disclosed above might not be the same as the overall finance score here.

Use of Resources Ratings 2019/20

Area	**Metric**	**Q4 2019/20 Score**
Financial sustainability	Capital service capacity	1
	Liquidity	1
Financial efficiency	I&E margin	1
Financial controls	Distance from financial plan	2
	Agency plan	1
Overall scoring		1

Statement of the Chief Executive's responsibilities as the Accounting Officer of Birmingham Women's and Children's 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.

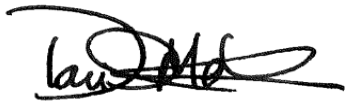
NHS Improvement, in exercise of the powers conferred on Monitor by the NHS Act 2006, has given Accounts Directions which require Birmingham Women's and Children's NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis required by those Directions. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Birmingham Women's and Children's NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Department of Health 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 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 and
- prepare the financial statements on a going concern basis.

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

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



……..
David Melbourne
Acting Chief Executive
24 June 2020

Annual Governance Statement 2019/20

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Birmingham Women's and Children's NHS Foundation Trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS Foundation Trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the NHS Foundation Trust Accounting Officer Memorandum.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Birmingham Women's and Children's NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Birmingham Women's and Children's NHS Foundation Trust for the year ended 31 March 2019 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

Leadership

The Board of Directors has ultimate responsibility for risk management and internal control. This is managed through the Board's corporate governance arrangements, including layers of risk reporting through the Board's committee structure which ensures a link between risk management at Board and at local department level.

Risk Management Training and Guidance

Staff are trained and equipped to manage risk in the following ways:

- Mandatory risk, health and safety training on induction and thereafter every three years.
- Mandatory annual information governance training.
- Training on incident investigation and risk management for managers.
- Advanced investigations training for staff required to lead serious incident investigations.
- Management Matters training (available to all managers) includes risk management and quality governance skills.
- Staff governance leads in each Clinical Division support good risk management practice.
- Support, guidance and one to one training is provided by the Quality Governance Team, and through guidance documents available on the staff intranet.

Learning from Good Practice

Learning from good practice is as important as learning from when things go wrong. This is achieved at the Trust in a number of ways, including:

- **Learning from Excellence Reporting**: Episodes of excellent practice are reported by staff through the incident reporting system and learning is shared.
- **ABC Monthly Staff Awards**: Staff are nominated by patients, families and colleagues for actions that exemplify the Trust values; the nominations are widely shared across the Trust.
- **Quality Improvement huddles**: This key element of our Quality Improvement methodology includes celebrating positive results.

4. Risk and Control Framework

Risk Management Strategy

The Trust's risk management framework supports the organisation to understand the risks it faces and to make informed decisions about the extent to which risks can be tolerated and controlled. This is achieved through governance systems and frameworks, risk management tools and staff training.

The Risk Assessment Policy sets out the responsibilities and accountability for the assessment of risk and provides guidance on day to day risk management.

The Board sets and regularly reviews its strategic objectives through engagement with staff. The risks to achievement of those objectives are set out in the Board Assurance Framework (BAF), which describes the ways in which each risk is controlled, the assurances as to the effectiveness of those controls, and the additional mitigating actions required.

The Board agrees its appetite or tolerance for each individual risk by setting a target risk score, which is regularly reviewed and updated.

Quality Governance

The BAF is informed by the work of the Board and its committees through Key Issues and Assurance Reports, which assign an assurance rating to each issue considered during each Committee meeting. The Quality Committees oversee the risks relating to the quality of services set out in the BAF by receiving reports which describe the controls and actions taken to manage each risk.

The Clinical Safety and Quality Assurance Committee and the Non-Clinical Risk Coordinating Committee are responsible for reviewing information about risks escalated by the Clinical Groups and corporate departments, and for ensuring appropriate controls and mitigations are in place. The Information Governance Committee monitors risks relating to the Trust's information. The Workforce Committee monitors workforce related risks. These sub-committees report to the Board via the Quality Committee, which holds the sub-committees to account for managing the risks within their terms of reference through the use of Key Issues and Assurance Reports.

The Trust is subject to a range of reviews by external bodies, including regulators and peer reviewers. Processes are in place to identify and monitor the risks to compliance with the standards assessed by these external bodies, and to monitor the implementation of actions to address these risks. Information about planned or completed external reviews is included within a regular Integrated Assurance Report to the Quality Committee alongside a summary of CQC assurance information, internal audit outcomes and summaries of operational performance reviews.

The Trust's risk management and quality monitoring processes are used to identify any potential risks to compliance with Care Quality Commission (CQC) registration requirements. Any areas of concern are reviewed in depth to identify actions for any improvement required. During 2019/20 the CQC inspected the Trust and rated it as good overall under the well-led domain.

Data Security

Cyber security is included on the Board Assurance Framework with a target risk score that reflects the long-term nature of the risk. During 2019/20 the Internal Auditor completed two reviews to provide assurance to the Board regarding the controls in place to manage this risk:

- Compliance with the Data Security and Protection Toolkit: rated partial assurance with improvement required, which reflected a number of improvements required to meet the national standard mandatory assertions by the March 2020 deadline.
- Cyber security: Malware protection: rated partial ssurance with improvement required in the areas of monitoring and reporting, incident response, enterprise solution design, and education and awareness.

In both cases, the Audit and Value Committee was satisfied with the planned actions to adress these issues

Major Trust Risks

The risks described below have been assessed as high risk on the Board Assurance Framework and are the most significant risks for the organisation now and going into the future. At the beginning of 2020/21, after the reporting period, the impact of COVID-19 on these risks was assessed.

Quality

Failure to improve significant quality issues identified internally or by external review

Management and mitigation

- Action plans in place for each area of concern with implementation overseen by an appropriate committee and leadership team.
- Internal audit commissioned to undertake detailed reviews in areas of concern to suport the ifentification of further improvements and to provide assurance that new controls are effective.
- Maintaining communication with relevant regulatory or reviewing bodies to provide assurance and gain expert insight regarding the Trust's controls and actions.

Outcomes

Successful control of these risks will be assessed by the Quality Committee through detailed review of the implementation of action plans to address quality concerns, supported where approproate by assurance from local audit, the Internal Auditor, or follow-up reviews by the relevant regulatory bodies.

Workforce

Inablity to recruit and retain the right staff with the right skills

Management and mitigation

- Implementation of People Strategy
- Implementation of recruitment and retention project, developed with staff.
- Implementation of Workforce Race Equality Standard action plan.
- Staff Ambassador and Inclusion Ambassador supporting staff.
- Staff health and wellbing initiatives

Outcomes

Successful control of these risks will be demonstrated by a reduction in turnover and vacancy levels, successful recruitment, and measures of increased staff satisfaction.

Finance

Failure to deliver financial and performance efficiency targets

Management and mitigation

- Expenditure controls
- Forward look process focused on clinical activity and output with a view to improving alignment between capacity and demand.
- Project Management Office approach to overseeing delivery of efficiency plans
- Implementation of financial recovery plans.

Outcomes

Successful management of this risk will be demonstrated by achievement of financial targets, including efficiency plans.

Capacity and flow

Failure to manage capacity and patient flow through our services

Management and mitigation

- Hospital Operations Centres at each site manage capacity and flow.
- Weekly forward look at demand and capacity of clinical services at divisional and corporate levels.

Outcomes

Successful management of this risk will result in improved productivity and achievements of performance targets in areas such as waiting times and cancelled operations.

Corporate Governance Statement

The Board is assured that the Trust is fully compliant with NHS Foundation Trust Licence Condition 4 (foundation trust governance).

The Board receives independent assurance on an annual basis from the External and Internal Auditors that its corporate governance systems are appropriate, which provides validity to this statement.

The principal risks to compliance with Condition 4 are:

- *Failure to improve significant quality issues identified internally or by external review.*
- *Inablity to recruit and retain the right staff with the right skills.*
- *Failure to deliver financial and performance efficiency targets.*
- *Failure to manage capacity and patient flow through our services.*

These risks are described in the Marjor Trust Risks section above. They are overseen by the Board and its committees through review of the Board Assurance Framework.

Embedded Risk Management

Risk management is embedded into the activity in a range of ways and is supported by the central Quality Governance Team as well as governance leads who work within each Cinical Division to support effective risk management, including a positive incident reeporting and learning culture.

The Trust's Staff Ambassador and newly appointed Inclusion Ambassador provide further support to staff by encouraging openness and advising staff on the appropriate processes to formally report risks or incidents.

In order to assess risks to compliance with the Trust's equality and diversity obligations the Trust requires every formal policy to include an equality impact assessment. On an annual basis the Trust publishes a report describing compliance with national, regional and local standards including the Workforce Race Equality Standard and the Equality Delivery System for the NHS.

The Trust provides information and assurance on risk management to the public through the Council of Governors, which includes Governors elected by the public, patients, carers and staff, and Governors appointed to represent our key partners.

Workforce Safeguards

The Board delegates to the Committees the role of obtaining assureance that staffing processes are safe, sustainable and effective.

The Finance and Resources Committee regularly reviews information about the Trust's workforce, including staffing efficiencies, productivity, workforce performance metrics and strategic workforce priorities.

The Quality Committee regularly receives a People Report, which provides key data including vacancy rates, staff turnover and compliance with targets for completion of mandatory training and staff appraisals. This information is used by the Quality Committee to identify any workforce issues that could impact on the quality of services.

In 2019/20 the Audit and Value Committee received Internal Audit reviews regarding E-Rostering and Job Planning to obtain assurance regarding effectiveness and sustainability of those processes. Both reviews were rated limited assurance with improvement required; the Committee was satisfied with the management response to the recommendations and the plans to improve.

In October 2018 NHS Improvement published 'Developing Workforce Safeguards', a document designed to help trusts manage common workforce problems by making recommendations to support workforce decision making that is informed, safe and sustainable.

The Trust now has a single digital rostering system in use across all services, which supports short term deployment of staff to ensure safe staffing levels across all clinical roles. This also enables management of any short term changes to staffing levels to ensure safety throughout the organisation.

Medium term workforce planning is undertaken using a broad range of information about emerging workforce risks. Strategies are developed to mitigate these risks, including programmes of work to improve staff experience, development and retention.

A regional approach to long-term workforce planning has been developed as part of the Sustainability and Transformation Partnership (STP).

Additional approcahes are being developed with partners to grow the numbers of staff in training, and to increase capacity for professional mentoring.

The successful development of the Nursing Associate role will be critical in addressing gaps in the registered nursing workforce.

Compliance Statements

- The Trust is compliant with the registration requirements of the Care Quality Commission (CQC).
- The Trust has published on its website an up-to-date register of interests, including gifts and hospitality, for decision-making staff (as defined by the Trust with reference to the guidance) within the past twelve months, as required by the 'Managing Conflicts of Interest in the NHS' guidance.
- As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.
- Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.
- The Trust has undertaken risk assessments and has a sustainable development management plan in place which takes account of UK Climate Projections 2018 (UKCP18). The Trust ensures that its obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

5. Review of economy, efficiency and effectiveness in the use of resources

The Trust has a range of processes embedded throughout the organisation to monitor the economic, efficient and effective use of resources and these are reported to the Board through a detailed Resources Report and an Integrated Performance Report. The latter provides a summary of performance against key indicators relating to operations, finance, workforce and quality. This includes efficiency and productivity measures.

The Finance and Resources Committee undertakes on behalf of the Board regular in-depth reviews of the Trust's financial position, business cases for significant revenue and capital investments, and the investment of cash balances.

The Audit and Value Committee supports the delivery of effective, efficient and economic services through detailed review of the internal controls in areas such as procurement, reference costs, accounting policies and practices, financial reporting and fraud.

The Audit and Value Committee is supported by the work of the Internal Auditor, which undertakes reviews of core risk areas such as financial controls, payroll, data quality and risk management.

The Trust met its statutory and regulatory financial targets for the financial uear and achieved a financial risk rating of one at year end (the top rating).

6. Information Governance

During 2019/20 the Trust investigated a Serious Incident Requiring Investigation related to the actions of a member of staff who inappropriately shared personal information pertaining to an individual patient. The incident was reported to the Information Commisssioner and steps were taken to improve the controls in place to mitigate the risk of a similar incident occuring.

7. Data Quality and Governance

The Trust's data quality arrangements have been estabished to ensure the accuracy of data and to provide assurance to the Board. This includes:

- Data Quality Policy and Strategy.
- A Data Quality Group, which reports to the Information Governance Committee, which, in turn reports to the Board Quality Committee.
- A programme of local audit, including audit of elective surgery waiting time data, which is validated each to day to identify any risks to the quality and accuracy of the data.
- Internal Audit reviews; in 2019/20 this included the maternity booking system and diagnostic waiting times.

8. 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 and Value Committee, Finance and Resources Committee and Quality Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Role of the Board

The Board maintains oversight of the system of internal control through a framework of governance and assurance. The Board delegates assurance functions in relation to governance, quality, workforce, finance and operational performance to its Committees, enabling the Board to focus on the most significant risks and issues and to set a strategic direction based on clarity around the quality of the Trust's services and the strength of its internal controls.

Governance and Assurance Framework Key Elements

Finance and Resources Committee
Provides assurance to the Board as to the effective management and utilisation of the Trust's resources and maintains oversight of financial control and management arrangements. This includes:

- Approving strategies and monitoring their implementation.
- Receiving regular reports from the sub-committees and groups responsible for managing matters such as workforce, operational performance, financial sustainability and capital project implementation.
- Approval of business cases for investment and review of the achievement of business case benefits post-investment.

Quality Committee
Provides assurance to the Board as to the adequacy of controls to ensure the provision of high quality and safe care. This includes:

- Receiving regular reports from sub-committees and groups focused on the core elements of quality – safety, effectiveness and patient experience, plus key areas of regulatory control, such as information governance and the Mental Health Act.
- Monitoring compliance in areas such as safeguarding, infection control and safe working.
- Reviewing independent assurance on quality from the internal auditor and regulatory and other review bodies.
- Monitoring key quality metrics through regular reports on quality, workforce and non-clinical safety.
- Reviewing the effectiveness of governance and assurance processes such as mortality review.
- Overseeing the implementation of significant quality improvement schemes.

Audit and Value Committee
Responsible for providing assurance to the Board on the Trust's financial and internal controls and risk management systems, the integrity of the financial statements and the effectiveness of the internal audit function.

The Audit and Value Committee plays an important role in reviewing the effectiveness of other main Board Committees by receiving an annual report from each.

A report from the Committee reviewing its own effectiveness in fulfilling its terms of reference is presented to the Board annually.

Research and Service Innovation Committee
Supports and oversees the development and implementation of the Research and Development Strategy and associated strategies and improvement programmes.

Appointments and Remuneration Committee
Oversees the performance of the executive members of the Board and assesses the mix of skills required on the Board.

Board Assurance Framework
Monitored by the Board Committees and regularly refreshed to ensure it reflects the changing internal and external environment and the Trust's shifting priorities and objectives.

Key Issues and Assurance Reports
Reported from each meeting of each Board Committee draw the Board's attention to areas where the Committees have rated assurance as low or required actions to improve the level of assurance.

Integrated Performance Report
Provides the Board with an integrated summary of key metrics within four quadrants of performance: quality, workforce, operations and finance.

Council of Governors
Obtains assurance regarding the performance of the Board from the Non-Executive Directors.

Quality Committee

Key areas of focus for the Quality Committee in 2019/20 were:

- Implementation of the Primary Malignant Bone Transfer (PMBT) Service, which transferred from the Royal Orthopaedic Hospital NHS Foundation Trust during the year.
- Review of the PMBT service following the occurrence of two serious incidents resulting in major patient harm.
- Continued improvements in the Forward Thinking Birmingham service.
- The development of a strategy to improve the monitoring and reporting of clinical outcomes.
- Gynaecology cancer diagnosis processes.
- Patient experience in the Fertility Service, Antenatal Clinic and Delivery Suite.
- Theatre safety in Children's Services.

Finance and Resources Committee

Key areas of focus for the Committee during the year included:

- Approval of operational and financial plans and business cases for major investments.
- Review of an Estate Strategy and a Strategic Outline Case for the development of the Trust's Women's and Children's hospital estates.
- Implementation of key workstreams in the delivery of the efficiency target.
- Strengthening financial controls to support achievement of the financial target.
- Staff efficiencies
- Financial recovery
- Areas of operational under-performance.

Audit and Value Committee

During the year the following were key areas of focus for the Audit and Value Committee in providing assurance to the Board as to the effectivness of internal controls:

- Reference costs.
- A review of the condition of the Trust's Estate.
- Implementation of the recommendations of a well-led review undertaken in 2018/19.
- Business case approval process.

Role of Internal Audit

The Trust uses a comprehensive Internal Audit service as part of its assurance process around internal controls. An annual risk-based internal audit work programme is approved by the Audit and Value Committee and progress is reported at each meeting. The work programme may be amended during the year to respond to the Trust's changing needs or any emerging risks.

Reports of each review within the work programme include an assurance rating; either:

- Significant Assurance
- Significant Assurance with minor improvement opportunities
- Partial Assurance with improvements required
- No assurance

Each review also includes a management response which describes the actions the Trust will take to address any recommendations for improvement. The Audit and Value Committee receives regular reports on progress to implement these actions.

The following areas were reviewed by the Internal Auditor in 2019/20 with a rating of *Significant Assurance with minor improvement opportunities*. This included all the 'core reviews' which are central to the Trust's overall internal controls.

- Key financial controls
- Payroll
- Risk management and Board Assurance Framework
- Subsidiary company realisation of benefits
- Data quality – maternity booking system

The Internal Auditor gave a rating of Partial Assurance with improvement required to the following reviews. The Audit and Value Committee was assured by the plans to address the issues identified by the issues identified.

- IT general controls – Telepath
- Data Security and Protection Toolkit
- IT Digital Strategy
- FTB demand and capacity
- E Rostering
- Cyber security: Malware protection
- Data quality: diagnostic waiting times
- General Data Protection Regulations
- Job planning reviews.

The Head of Internal Audit and the Audit and Value Committee have advised me that 'significant with minor improvements assurance can be given on the overall adequacy and effectiveness of the Trust's framework of governance, risk management and control'.

COVID-19

In March 2020 it became clear that COVID-19 would have an impact on all the Trust's activities. Anticipated challenges included social distancing and self-isolation requirements, government advice regarding essential travel, increased staff and leadership absences, and reduced staff and leadership capacity.

The Board governance arrangements and processes were promptly reviewed to enable the Board to respond to these challenges while maintaining internal and financial control, complying with core legal and governance responsibilities and meeting the requirements of regulators.

Video conferencing facilities were established for all meetings to ensure the Board and its committees could continue to function in accordance with their standing orders and terms of reference.

Reporting schedules for the Board and committees were revised, with non-urgent matters deferred or resolved via other means where appropriate.

These changes were reviewed and supported by the Audit Committee; national guidance subsequently described an approach that closely aligned with the Trust's actions, which further assured the Board that the steps taken were appropriate.

In addition to the formal governance arrangements, informal means of communication between the executive and non-executive directors of the Board were established to maintain a regular flow of information appropriate to the rapid pace of events.

In parallel with the Board governance arrangements, a process was swiftly established for the management of Trust operations by adopting the well-established major incident command and

control structure and adapting it as appropriate to the challenges of COVID-19. This focused initially on four areas:

1. **Business Continuity**: ensuring we continue to run key services when we have increased staff sickness and disruptions to the supply chain.

2. **Clinical Response**: Ensuring that we have the right clinical policies and procedures to respond to the incident, both for patients who display COVID-19 symptoms and those who do not.

3. **Mutual Aid**: Ensuring that we work with the wider NHS providing and receiving mutual aid in the best interest of our patients and staff.

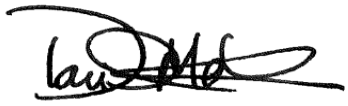
4. **Safety**: Keeping our staff and patients safe.

In April 2020, following the end of the reporting period, an additional area was added: **Restoration and Recovery**, which focused on developing a process for the safe restoration of services and planning for the longer-term recovery of the Trust, including learning from the impact of COVID-19.

Through the implementation of these revised arrangements the Trust did not experience any significant control issues and this position was maintained beyond March 2020, up to the date of reporting.

9. Conclusion

There are no significant internal control issues that I wish to report. I am satisfied that all internal control issues raised have been, or are being, addressed by the Trust through appropriate action plans and that the implementation of these action plans is monitored.



…….
David Melbourne
Acting Chief Executive Officer
24 June 2020

Birmingham Women's and Children's NHS Foundation Trust

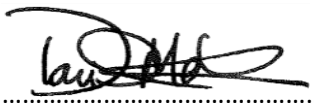
Statutory Accounts

Year ended 31 March 2020

Foreword to the Accounts

Birmingham Women's and Children's NHS Foundation Trust

These accounts for the year ended 31 March 2020 have been prepared by Birmingham Women's and Children's NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 7 to the National Health Service Act 2006.



…… Date 24 June 2020

David Melbourne
Acting Chief Executive Officer

Statement of Comprehensive Income (Group)

	NOTE	Year Ended 31 March 2020 £000	Year Ended 31 March 2019 £000
Operating income from patient care activities		414,909	385,828
Provider Sustainability Fund income		5,981	17,224
Other operating income		41,138	42,310
Operating income from continuing operations	2	**462,028**	**445,362**
Operating expenses of continuing operations	3	(448,849)	(418,544)
Impairments recognised in operating expenses	3,10	(1,685)	(8,113)
Total operating expenses of continuing operations	3	**(450,534)**	**(426,657)**
OPERATING SURPLUS		**11,494**	**18,705**
FINANCE COSTS			
Finance income	6.1	546	217
Finance expense	6.2	(822)	(704)
PDC dividends payable		(4,167)	(4,931)
NET FINANCE COSTS		**(4,443)**	**(5,418)**
Other losses	7	-	(135)
Corporation tax expense	34	(130)	(28)
SURPLUS FOR THE YEAR	2.6	**6,921**	**13,124**
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	10	(458)	-
Revaluations	26	337	59
Other reserve movements		88	(4)
Total other comprehensive (expense)/income		**(33)**	**55**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,888**	**13,179**

There are no Minority Interests in the Group, therefore the surplus for the year and the Total Comprehensive Income are wholly attributable to the Group.

As permitted by the Department of Health and Social Care Group Accounting Manual, the Trust has taken the exemption afforded by Section 408 of the Companies Act 2006 not to present its own income statement and statement of comprehensive income. Further information is available in note 8.

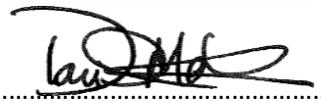
All income is derived from continuing operations.

Statement of Financial Position

		Group		Trust	
		31 March 2020	31 March 2019	31 March 2020	31 March 2019
	NOTE	£000	£000	£000	£000
Non-current assets					
Intangible assets	11	597	1,097	597	1,097
Property, plant and equipment	12	180,368	172,029	171,428	172,029
Investments in subsidiaries	15	-	-	8,000	5,000
Trade and other receivables	18	3,369	2,008	3,369	2,008
Loans to subsidiaries	16	-	-	32,136	26,416
Total non-current assets		**184,334**	**175,134**	**215,530**	**206,550**
Current assets					
Inventories	17	7,066	7,400	6,656	6,900
Trade and other receivables	18	28,395	50,838	28,853	48,475
Loans to subsidiaries	16	-	-	776	1,671
Cash and cash equivalents	20	94,171	48,976	89,978	46,143
Total current assets		**129,632**	**107,214**	**126,263**	**103,189**
Current liabilities					
Trade and other payables	21	(61,641)	(59,559)	(53,506)	(52,186)
Borrowings	22	(1,585)	(230)	(3,982)	(2,153)
Provisions	24	(457)	(915)	(1,089)	(915)
Other liabilities	23	(18,352)	(11,645)	(18,352)	(11,645)
Total current liabilities		**(82,035)**	**(72,349)**	**(76,929)**	**(66,899)**
Total assets less current liabilities		**231,931**	**209,999**	**264,864**	**242,840**
Non-current liabilities					
Borrowings	22	(15,474)	(4,181)	(49,392)	(36,762)
Provisions	29	(1,679)	-	(1,047)	-
Total non-current liabilities		**(17,153)**	**(4,181)**	**(50,439)**	**(36,762)**
Total assets employed		**214,778**	**205,818**	**214,425**	**206,078**
Financed by					
Taxpayers' equity					
Public dividend capital	33	135,622	133,550	135,622	133,550
Revaluation reserve	26	22,697	22,830	22,697	22,830
Income and expenditure reserve		56,459	49,438	56,106	49,698
Total taxpayers' and others' equity		**214,778**	**205,818**	**214,425**	**206,078**

The notes on pages 6 to 59 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on their behalf by:



…… Date 24 June 2020

David Melbourne
Acting Chief Executive Officer

Statement of Changes in Equity

Group	NOTE	Total £000	Public Dividend Capital £000	Revaluation Reserve £000	Income and Expenditure Reserve £000
Taxpayers' Equity at 1 April 2018 - as previously stated		**192,269**	**133,469**	**22,771**	**36,029**
Impact of implementing IFRS 15 on reserves		**95**	-	-	95
Impact of implementing IFRS 9 on reserves		**194**	-	-	194
Taxpayers' Equity at 1 April 2018 - restated		**192,558**	**133,469**	**22,771**	**36,318**
Surplus for the year		**13,124**	-	-	13,124
Revaluations - property, plant and equipment		**59**	-	59	-
Other reserve movements		(4)	-	-	(4)
Total comprehensive income for the year		**13,179**	**-**	**59**	**13,120**
Public Dividend Capital received	33	**81**	81	-	-
Taxpayers' Equity at 31 March 2019		**205,818**	**133,550**	**22,830**	**49,438**
Taxpayers' Equity at 1 April 2019 - brought forward		**205,818**	**133,550**	**22,830**	**49,438**
Surplus for the year		**6,921**	-	-	6,921
Impairments	26	**(458)**	-	**(458)**	**-**
Revaluations - property, plant and equipment	26	**337**	-	**337**	**-**
Transfer to I&E reserve on disposal of assets		**-**	-	**(12)**	**12**
Other reserve movements		**88**	-	-	88
Total comprehensive income for the year		**6,888**	**-**	**(133)**	**7,021**
Public Dividend Capital received	33	**2,072**	2,072	**-**	**-**
Taxpayers' Equity at 31 March 2020		**214,778**	**135,622**	**22,697**	**56,459**

Statement of Changes in Equity

Trust	NOTE	Total £000	Public Dividend Capital £000	Revaluation Reserve £000	Income and Expenditure Reserve £000
Taxpayers' Equity at 1 April 2018 - as previously stated		**192,263**	**133,469**	**22,771**	**36,023**
Impact of implementing IFRS 15 on reserves		**95**	-	-	95
Impact of implementing IFRS 9 on reserves		**194**	-	-	194
Taxpayers' Equity at 1 April 2018 - restated		**192,552**	**133,469**	**22,771**	**36,312**
Surplus for the year		**13,297**	-	-	13,297
Revaluations - property, plant and equipment		**59**	-	59	-
Other reserve movements		89	-	-	89
Total comprehensive income for the year		**13,445**	**-**	**59**	**13,386**
Public Dividend Capital received	33	**81**	81	-	-
Taxpayers' Equity at 31 March 2019		**206,078**	**133,550**	**22,830**	**49,698**
Taxpayers' Equity at 1 April 2019 - brought forward		**206,078**	**133,550**	**22,830**	**49,698**
Surplus for the year		**6,365**	-	-	6,365
Impairments	26	**(458)**	-	**(458)**	**-**
Revaluations - property, plant and equipment	26	**337**	-	**337**	**-**
Transfer to I&E reserve on disposal of assets		**-**	-	**(12)**	**12**
Other reserve movements		**31**	-	-	31
Total comprehensive income for the year		**6,275**	**-**	**(133)**	**6,408**
Public Dividend Capital received	33	**2,072**	2,072	**-**	**-**
Taxpayers' Equity at 31 March 2020		**214,425**	**135,622**	**22,697**	**56,106**

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 and Social Care 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, in which case they are charged to operating expenditure.

Income and expenditure reserve

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

Statement of Cash Flows

		Group		Trust	
		31 March 2020	31 March 2019	31 March 2020	31 March 2019
	NOTE	£000	£000	£000	£000
Cash flows from operating activities					
Operating surplus		**11,494**	**18,705**	**10,807**	**18,514**
Non-cash income and expense					
Depreciation and amortisation		8,533	8,115	8,188	8,115
Net impairments	3,10	1,685	8,113	1,685	8,113
Income recognised in respect of capital donations		(1,051)	(396)	(1,051)	(396)
Decrease/(increase) in receivables		21,101	(1,296)	18,280	187
(Increase)/decrease in other assets		-	-	(4,825)	1,730
Decrease/(increase) in inventories		334	(807)	244	(741)
Increase in trade and other payables		3,897	9,828	5,360	3,200
Increase/(decrease) in other liabilities		6,707	(3,552)	6,707	(3,552)
Increase in provisions		1,221	325	1,221	325
Corporation tax paid		(28)	(38)	-	-
Other movements in operating cash flows		(14)	7	146	90
Net cash generated from operating activities		**53,879**	**39,004**	**46,762**	**35,585**
Cash flows from investing activities					
Interest received		546	217	1,347	1,068
Purchase of intangible assets		(57)	(212)	(57)	(212)
Purchase of Property, Plant and Equipment		(19,347)	(15,264)	(17,325)	(15,264)
Receipt of donations to purchase capital assets		462	69	462	69
Net cash used in investing activities		(18,396)	(15,190)	(15,573)	(14,339)
Cash flows from financing activities					
Public dividend capital received	33	2,072	81	2,072	81
Movement on loans from DHSC	22	12,800	1,200	12,800	1,200
Movement on service concession obligations		-	-	3,734	6,391
Capital element of PFI		(219)	(189)	(219)	(189)
Interest on DHSC loans		(101)	(19)	(101)	(19)
Interest element of PFI		(654)	(676)	(654)	(676)
PDC Dividend paid		(4,186)	(4,375)	(4,186)	(4,375)
Cash flows from other financing activities		-	-	(800)	(515)
Net cash generated from/(used in) financing activities		**9,712**	**(3,978)**	**12,646**	**1,898**
Increase in cash and cash equivalents		45,195	19,836	43,835	23,144
Cash and Cash equivalents at 1 April		**48,976**	**29,140**	**46,143**	**22,999**
Cash and Cash equivalents at 31 March	20.1	**94,171**	**48,976**	**89,978**	**46,143**

Notes to the Financial Statements

1. Accounting policies

NHS Improvement, in exercising the statutory functions conferred on Monitor, is responsible for issuing an accounts direction to NHS foundation trusts under the NHS Act 2006. NHS Improvement has directed that the financial statements of NHS foundation trusts shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (DHSC GAM) which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DHSC GAM 2019/20 issued by the Department of Health and Social Care. The accounting policies contained in the DHSC GAM follow International Financial Reporting Standards (IFRS) to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the DHSC GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Going concern

After making enquiries, the Directors have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. NHS Improvement's Single Oversight Framework oversees and supports Trusts in improving financial sustainability, efficiency and compliance with controls within the financial sector.

Using these measures at the end of 2019/20 the Trust has the lowest level of risk with the Use of Resource rating being measured as a "1". All five of the measures supporting this framework are at either the lowest or second lowest level of risk.

Prior to the COVID-19 pandemic the Board of Directors approved the Trust's NHS England and NHS Improvement (NHSE/I) Operational Plan which identified that for the next financial year the Trust will again be planning to achieve a financial surplus with a strong cash position.

The plan submitted for 2019/20 incorporated some assumptions that ordinarily would be deemed part of a downside financial case. However, the COVID-19 pandemic has created a set of financial circumstances that no organisation has ever planned for. NHSE/I isn't yet able to announce the financial and contracting arrangements for the full 2020/21 financial year and beyond. It remains the case that the Government has issued a mandate to NHS England for the continued provision of services in England in 2020/21. Providers can therefore continue to expect NHS funding to flow at similar levels to that previously provided where services are reasonably still expected to be commissioned. While mechanisms for contracting and payment

are not definitively in place, it is clear that NHS services will continue to be funded, and government funding is in place for this.

For the reasons stated, the Directors continue to adopt the going concern basis in preparing the accounts.

1.3 Consolidation

NHS Charitable Funds

The DHSC GAM requires NHS foundation trusts to consolidate the accounts of NHS charitable funds to which they are corporate trustees. The Trust is not the corporate trustee to Birmingham Women's and Children's Hospital Charity (BWCH Charity). The Trust has further assessed its relationship to the charitable fund, with specific reference to the definitions of control contained within IFRS 10, and determined it not to be a subsidiary because the Trust has no power to govern the financial and operating policies of the charitable fund so as to obtain benefits from its activities for itself, its patients or its staff.

Other Subsidiaries

Subsidiary entities are those over which the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group financial statements consolidate the financial statements of the Trust and all of its subsidiary undertakings made up to 31 March 2020. The income, expenses, assets, liabilities, equity and reserves of the subsidiaries have been consolidated into the Trust's financial statements and Group financial statements have been prepared. Where figures for the Trust differ from those for the Group, separate tables have been included.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

1.4.1 Revenue from contracts with customers

Where income is derived from contracts with customers, it is accounted for under IFRS 15. The DHSC GAM expands the definition of a contract to include legislation and regulations which enable an entity to receive cash or another financial asset that is not classified as 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 healthcare is generally satisfied over time as healthcare is received and consumed simultaneously by the customer as the Trust performs it. The customer in such a contract is the commissioner, but the customer benefits as services are provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligns with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that are substantially the same and have a similar pattern of transfer. At the year end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete. This accrual is disclosed as a contract receivable as entitlement to payment for work completed is usually only dependent of the passage of time.

Revenue is recognised to the extent that collection of considerations is probable. Where contract challenges from commissioners are expected to be upheld, the Trust reflects this in the transaction price and derecognises the relevant portion of income.

The Trust receives income from commissioners under Commissioning for Quality and Innovation (CQUIN) schemes. The Trust agrees schemes with its commissioner, but they affect how care is provided to patients. That is, the CQUIN payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the contract.

Revenue from research contracts

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

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 performance obligations are satisfied. In practical terms this means that treatment has been given, it receives notification from the Department of Work and Pensions' 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.

Provider Sustainability Fund (PSF)

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

1.4.2 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. Where a grant is used to fund capital expenditure it is taken to the Statement of Comprehensive Income once conditions attached to the grant have been met. Donations are treated in the same way as government grants.

The value of the benefit received when accessing funds from the Government's apprenticeship service is recognised as income at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider from the Trust's Digital Apprenticeship Service (DAS) account held by the Department for Education, the corresponding notional expense is also recognised at the point of recognition of the benefit.

1.4.3 Other income

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

1.5 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 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.

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

Additional pension liabilities 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 operating expenses at the time the Trust commits itself to the retirement, regardless of the method of payment.

Alternative Pension Scheme
Where employees are ineligible for membership of the NHS Pension Scheme, alternative pension arrangements are made available through the National Employment Savings Trust (NEST). The NEST pension scheme is a defined contribution scheme, and is accounted for as such.

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

1.6 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.

1.7 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised where:

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

Where a large asset, for example a building, includes a number of components with significantly different asset lives, e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

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.

Buildings and land are measured subsequently at valuation. As a minimum, a full revaluation is conducted every five years with an interim valuation after three years, undertaken by a professional valuer holding appropriate Royal Institute of Chartered Surveyors qualifications. The valuation is based on depreciated replacement value, using modern equivalent asset and alternative site methodology.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets in the course of construction are valued at cost and are valued by a professional valuer as part of the three or five-yearly valuation or when they are brought into use.

Equipment and fixtures classified as Plant and Machinery, Information Technology or Furniture and Fittings, are carried at cost less accumulated depreciation and any accumulated impairment losses, adjusted annually for changes in the Consumer Price Index, as this is not considered to be materially different from the fair value of assets which have low values or short useful economic lives.

Subsequent expenditure

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

Depreciation

Items of property, plant and equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits, using the straight line method. Minimum and maximum remaining useful economic lives are disclosed in note 14 to the financial statements. Freehold land is considered to have an infinite life and is not depreciated.

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 DHSC GAM, impairments that arise from a clear consumption of economic benefits or 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 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 income to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

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

De-recognition

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

- The asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- The sale must be highly probable i.e.:
    - Management is 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 dropped or significant changes made to it.

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

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

Donated and grant funded assets

Donated and grant funded property, plant and equipment assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

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

1.8 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Trust's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the Trust and where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

Internally generated intangible assets

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets. Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- The project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- The Trust intends to complete the asset and sell or use it;
- The Trust has the ability to sell or use the asset;
- How the intangible asset will generate probable future economic or service delivery benefits, e.g., the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- Adequate financial, technical and other resources are available to the Trust to complete the development and sell or use the asset; and

- The Trust can measure reliably the expenses attributable to the asset during development.

Software

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

Measurement

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

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 or 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 economic lives in a manner consistent with the consumption of economic or service delivery benefits, using the straight line method. Minimum and maximum remaining useful economic lives are disclosed in note 13 to the financial statements.

1.9 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.

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 as an item of property plant and equipment.

The annual rental 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. The lease liability is de-recognised when the liability is discharged, cancelled or expires.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the lease. 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.

Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

The Trust as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Trust's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Trust's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

1.10 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The Trust therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- Payment for the fair value of services received;
- Payment for the PFI asset, including finance costs; and
- Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

PFI asset

PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as "on-Statement of Financial Position" by the Trust. In accordance with HM Treasury's FReM, the underlying assets are recognised as property, plant and equipment at their fair value, together with an equivalent finance lease liability. Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

PFI liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services. An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Statement of Comprehensive Income.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

The service charge is recognised in operating expenses and the finance cost is charged to Finance Costs in the Statement of Comprehensive Income.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with HM Treasury's FReM, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Income.

Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Trust's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle

component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Assets contributed by the Trust to the operator for use in the scheme

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the Trust's Statement of Financial Position.

1.11 Inventories

Inventories are valued at the lower of cost and net realisable value. Pharmacy stocks are valued using a weighted average cost method. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

1.12 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three 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.

Cash and bank balances are shown at current value.

1.13 Financial assets and financial liabilities

Recognition

Financial assets and financial liabilities arise where the Trust is party to the contractual provisions of a financial instrument, and as a result has a legal right to receive or a legal obligation to pay cash or another financial instrument. The DHSC 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 tax by the ONS.

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

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 or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described above in note 1.9.

Financial assets are classified as subsequently measured at cost, fair value through income and expenditure or fair value through other comprehensive income.

Financial liabilities are classified as subsequently measured at amortised cost or fair value through income and expenditure.

Financial assets and financial liabilities at amortised cost

Financial assets and financial liabilities at amortised cost are those held with the object 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 as 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).

Credit losses are not normally recognised in relation to other NHS bodies, since any adjustments to income from such bodies is generally deemed to be a price concession on income from contracts with customers, under IFRS 15.

Credit losses in relation to receivables from non-NHS sources are split between:

(i) NHS Injury Cost Recovery Scheme, where a rate equal to the probability on non-recovery calculated by the Cost Recovery Unit is used, currently 21.79%;
(ii) Private patient debtors, which are analysed individually and included within the allowance for credit losses where it is deemed more likely than not that the debt will not be recovered; and
(iii) Other debtors, where historical recovery rates are applied to existing debtor balances at the period end, adjusting for current economic circumstances where it is deemed that this may have a material impact on the future recovery of debt.

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.

De-recognition

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.

1.14 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.

	Nominal rate
Short-term (up to 5 years)	0.51%
Medium term (over 5 and up to 10 years)	0.55%
Long-term (over 10 years)	1.99%

HM Treasury provides discount rates for general provisions on a nominal rate basis. Expected future cash flows are therefore adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates are set by HM Treasury.

	Inflation rate
Year 1	1.90%
Year 2	2.00%
Into perpetuity	2.00%

The exception to this is for early retirement provisions and injury benefit provisions which both use the HM Treasury's pension discount rate of minus 0.50% in nominal terms.

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the Trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Trust is disclosed at note 24.3 but is not recognised in the Trust's accounts.

Non-clinical risk pooling

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

1.15 Contingencies

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust, or a present obligation arising from past events that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

Where the time value of money is material, contingencies are disclosed at their present value.

1.16 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS 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 and grant funded 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 of the audit of the annual accounts.

1.17 Research and Development

Expenditure on research is not capitalised, it is treated as an operating cost in the year in which it is incurred.

Research and development income and expenditure have been separately disclosed in notes 2.3 and 3.1 to these financial statements, respectively.

1.18 Value Added Tax (VAT)

Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. 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.

Most of the activities of the Trust's subsidiary companies are within the scope of VAT and, for those companies, output tax applies and input tax is recoverable. Supplies made by the companies are predominantly to the Trust. Within both Group and Trust figures, VAT is included or excluded according to the extent to which the Trust VAT is recoverable by the Trust.

Where VAT has been recovered on the purchase of non-current assets, or where it is expected that VAT will be recoverable on the replacement of existing non-current assets, those assets are valued excluding VAT.

1.19 Corporation tax

The Trust is a Health Service Body within the meaning of s519A ICTA 1988 and accordingly is exempt from taxation in respect of income and capital gains within categories covered by this. There is a power for the Treasury to dis-apply the exemption in relation to specified activities of a Foundation Trust (s519A (3) to (8) ICTA 1988). Accordingly, the Trust is potentially within the future scope of income tax in respect of activities where income is received from a non-public sector source.

The tax expense on the surplus or deficit for the year comprises current and deferred tax due to the Trust's trading commercial subsidiaries, see note 34 to the financial statements. Current tax is the expected tax payable for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on taxable temporary differences arising on the initial recognition of goodwill or for temporary differences arising from the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.

Deferred taxation is calculated using rates that are expected to apply when the related deferred asset is realised or the deferred taxation liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised.

1.20 Foreign exchange

The Trust's functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Resulting exchange gains and losses for either of these are recognised in the Trust's surplus/deficit in the period in which they arise.

1.21 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. Details of third party assets are disclosed in note 20.2 to the accounts in accordance with the requirements of HM Treasury's FReM.

1.22 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that 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 NHS foundation trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

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.

1.23 Critical judgements in applying accounting policies

In the application of the Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The following are the critical accounting judgements that have the most significant effect on the amounts recognised in the financial statements:

Income from contracts

Adjustments have been made to income from commissioners where it is probable that discussions with those commissioners will result in the actual income received being lower than the invoiced or contracted rate. These adjustments are based on estimates using relevant and reliable information as is available at the time the financial statements are prepared. Any difference between expectations and the actual income received will be accounted for in the period in which the discussions are resolved.

These adjustments are accounted for as price concessions on income from contracts with customers, in accordance with IFRS 15, and are incorporated into the income figures detailed in notes 2.1 to 2.5 to the financial statements.

Provisions

Provisions have been made for probable legal and constructive obligations of uncertain timings and amount as at the reporting date. These are based on estimates using relevant and reliable information as is available at the time the financial statements are prepared. These provisions are estimates of the actual

costs of future cash flows and are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

The carrying amounts of the Trust's provisions are detailed in notes 24.1 and 24.2 to the financial statements.

1.24 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:

Allowances for credit losses

As detailed in policy note 1.13 'Financial assets and financial liabilities', the Trust adopts an approach to the calculation of a credit loss allowance based on historical recovery rates, adjusting for current economic circumstances where it is deemed that this may have a material impact on the future recovery of debt. Estimates based on past performance and the prevailing economic climate may not provide an accurate indication of future performance and, as such, future debt recovery rate may differ significantly from the estimates included.

Modern equivalent asset valuation

As detailed in policy note 1.7 'Property, plant and equipment', a professional valuer provided the Trust with a valuation of the land and building assets (estimated fair value and remaining useful life), based on depreciated replacement value, using modern equivalent asset and alternative site methodology. This valuation, based on estimates provided by a suitably qualified professional in accordance with HM Treasury guidance, lead to various significant increases and reductions in the reported fair value for a number of the Trust's land and building assets.

The most recent, full valuation was effective 31 March 2018. An additional valuation was undertaken on a single, new clinical building when it was brought into use, effective 1 August 2018. These valuations resulted in impairments to asset values.

In January 2020, the Trust's professional valuer advised that there were no significant movements in building cost and market indices since the last revaluation, indicating that there was no significant change to the underlying degree of uncertainty in carrying values. Following the outbreak of the novel coronavirus (COVID-19), declared as a global pandemic by the World Health Organisation on 11 March 2020, this position has changed. Global financial markets have been impacted, travel restrictions have been implemented by many countries, and market activity is being impacted in many sectors. In response to this unprecedented set of circumstances, RICS regulated members are able to attach less weight to previous market evidence for comparison purposes to inform opinions of value, and are including 'material valuation uncertainty' declarations in their reporting and advice.

There is an increased possibility that future revaluations of the Trust's property will result in further material changes to the carrying values of non-current assets. Future revaluations may also result in changes to the remaining useful lives of non-current assets, which may impact on future depreciation charges.

1.25 Accounting standards, interpretations and amendments adopted in the year

All new, revised and amended standards and interpretations which are mandatory as at the reporting date have been adopted within the year.

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

1.26 Accounting standards that have been issued but have not yet been adopted

The DHSC GAM does not require the following Standards and Interpretations to be applied in 2019/20. These standards are still subject to HM Treasury Financial Reporting Manual (FReM) adoption, with IFRS 16 being for implementation in 2021/22.

- IFRS 14 Regulatory Deferral Accounts – Not yet EU endorsed – Applies to first time adopters of IFRS after 1 January 2016; therefore not applicable to DH group bodies;
- IFRS 16 Leases – Application required for accounting periods beginning on or after 1 January 2019, but adopted by the FReM from 1 April 2021: early adoption is not therefore permitted; and
- 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.

IFRS 16 Leases

IFRS 16 Leases will replace *IAS 17 Leases*, *IFRIC 4 Determining whether an arrangement contains a lease* and other interpretations and is applicable in the public sector for periods beginning 1 April 2021. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the statement of financial position the standard also requires the re-measurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

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

On transition to IFRS 16 on 1 April 2021, the Trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the Trust's incremental borrowing rate. The Trust's

incremental borrowing rate will be defined by HM Treasury. Currently this rate is 1.27% but this may change between now and adoption of the standard. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. For existing peppercorn leases not classified as finance leases, a right of use asset will be measured at current value in existing use or fair value. The difference between the asset value and the calculated lease liability will be recognised in the income and expenditure reserve on transition. No adjustments will be made on 1 April 2021 for existing finance leases.

For leases commencing in 2021/22, the Trust will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

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

IFRS 17 Insurance Contracts

Although detailed work on the impact of IFRS 17 has not yet been undertaken, the nature of the Trust means no significant impact is expected from the adoption of this standard.

2 Operating segments

The Board as 'Chief Operating Decision Maker' has given due consideration to the issue of Segmental Reporting and, after analysing the financial, reporting and performance decision making activities of the Trust, has concluded that only one Operating Segment, "Healthcare", is to be reported. This meets the requirements and aggregation criteria laid out in IFRS 8. The provision of healthcare (including medical treatment, research and education) is within one main geographical segment, the United Kingdom, and materially from Departments of HM Government in England. Revenue from activities (medical treatment of patients) is analysed by customer type in note 2.3 to the financial statements. Other operating income is also analysed in note 2.3 to the financial statements and materially consists of revenues from healthcare research and development, medical education and the provision of services to other NHS bodies.

2.1 Operating income – by nature (Group)

	Note	31 March 2020 £000	31 March 2019 £000
Income from Activities			
Acute Services			
Elective income		51,782	50,440
Non-elective income		68,979	68,973
First outpatient income		19,615	17,783
Follow up outpatient income		22,259	20,894
A & E income		7,872	6,843
High cost drugs income		46,030	38,145
Other NHS clinical income	(a)	137,454	130,817
Mental Health services			
Cost and volume contract income		8,218	7,159
Block contract income		36,936	35,877
Community services			
Income from CCGs and NHS England		2,208	2,684
Other			
Private patient income		1,654	2,243
AfC pay award central funding	(b)	-	3,002
Pension contribution funding	(c)	11,099	-
Other clinical income	(d)	803	968
Total income from activities		**414,909**	**385,828**
PSF income	(e)	5,981	17,224
Other operating income	(f)	41,138	42,310
TOTAL OPERATING INCOME		**462,028**	**445,362**

(a) Other NHS clinical income represents income outside the scope of the National Tariff Payment System (NTPS). This income comprises funding from NHS England and Clinical Commissioning Groups (CCGs) for NTPS exclusions. The specialist nature of the Trust means this comprises a significant proportion of clinical income.

(b) AfC pay award central funding in the prior period was funding from DHSC to cover the costs of national pay awards that were not included within healthcare contracting income inflation.

(c) During 2019/20, the Trust has been paying an employer contribution of 14.38% to the NHS pension scheme. However, from 1 April 2019 the employers' pension contribution is actually 20.68%. The difference of 6.3% has been funded and paid to the NHS Business Services Authority centrally by NHS England. The full contribution is recognised in the expenditure of the Trust. Pension contribution funding reflects the nominal income associated with this arrangement.

(d) Other non-protected clinical income relates to income from the NHS Injury Cost Recovery Scheme.

(e) PSF income is funding allocated to the Trust by DHSC as part of the national Provider Sustainability Fund.

(f) Other operating income includes £414k received from NHS England to fund the reimbursement of costs, the loss of non-NHS patient care income and the loss of other operating income directly associated with the Covid-19 pandemic.

2.2 Operating lease income

There has been no operating lease income in either the current or previous accounting periods.

2.3 Operating income – by source (Group)

	Note	31 March 2020 £000	31 March 2019 £000
Income from activities			
NHS England	(a),(b)	255,251	223,754
Clinical commissioning groups	(a)	148,426	142,048
NHS Foundation Trusts	(a),(c)	2,436	3,315
NHS Trusts	(a),(c)	1,878	3,304
DHSC	(a),(d)	-	3,002
NHS Other	(e)	4,461	7,195
Non-NHS: Private patients	(f)	1,654	2,243
Non-NHS: Overseas patients	(f)	294	505
NHS injury cost recovery scheme	(g)	509	462
Total income from activities	(h)	**414,909**	**385,828**
Other operating income			
Research and development		4,932	6,738
Education and training		13,007	11,570
Capital grants and donations	(i)	1,051	396
Charitable/other contributions	(j)	3,429	5,614
Non-patient care services		15,528	14,357
PSF income		5,981	17,224
Other *		3,191	3,635
Total other operating income		**47,119**	**59,534**
TOTAL OPERATING INCOME		**462,028**	**445,362**

(a) The Department of Health and Social Care (DHSC) is regarded as the parent Department of NHS England, Clinical Commissioning Groups (CCGs), NHS Trusts and NHS Foundation Trusts. When combined these four areas are regarded as a related party as outlined in note 27.

(b) Increase in income from NHS England includes nominal income in relation to increases in employer pension contributions that were paid direct to the NHS Business Services Authority by NHS England on behalf of the Trust.

(c) Decreases in income from NHS Foundation Trusts and NHS Trusts are primarily the result of the funding pathway for maternity care. The host provider for each patient receives funding for the full care pathway from the relevant commissioner, with appropriate elements paid by the host provider to the provider delivering care.

(d) Income from DHSC in the prior period was AfC pay award central funding to cover the costs of national pay awards that were not included within healthcare contracting income inflation.

(e) NHS Other includes the income from activities by Non-English Health bodies: Wales, Scotland and Northern Ireland, as well as income from Public Health England.

(f) Income from overseas patients relates entirely to direct charges to overseas visitors. Income from private patients relates to UK patients charged directly by the Trust.

(g) NHS Injury Cost Recovery Scheme income is subject to an allowance for credit losses of 21.79% (2018/19: 21.89%) of the original debtor notified to the Trust, to reflect expected rates of collection and the probability of not receiving income due to withdrawn cases or exemptions. Cases withdrawn or exempt are written against this provision.

(h) All activity income other than overseas visitor and private patient income is associated with Commissioner Requested Services, as detailed in note 2.5.

(i) The income from BWCH Charity is specific funding for the purchase of medical and other equipment, and for other capital developments.

(j) This sum relates primarily to the grant to cover the cost of the Fundraising Team and other services supported by BWCH Charity. This varies on an annual basis dependent on the agreement between the Trust and BWCH Charity regarding the financial plan for that year. Additional funding was received in the prior year towards the revenue costs of setting up services to be delivered in a new clinical building.

***Analysis of Other Operating Income: Other**

	31 March 2020	31 March 2019
	£000	£000
PFI support income	19	19
Car Parking income	400	360
Catering	280	270
Pharmacy sales	10	25
Property rental	-	103
Staff accommodation rental	123	133
Clinical tests	1,150	1,154
Clinical excellence awards	888	1,076
Other	321	495
Total	**3,191**	**3,635**

2.4 Overseas visitors (relating to patients charged directly by the Trust)

	31 March 2020 £000	31 March 2019 £000
Income recognised this year	294	505
Cash payments received in-year	517	678
Amounts added to provision for impairment of receivables	139	236
Amounts written off in-year	-	-

2.5 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 licence 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:

	31 March 2020 £000	31 March 2019 £000
Income from commissioner requested services	412,961	383,080
Income from services not commissioner requested	1,948	2,748
Total	**414,909**	**385,828**

2.6 Reconciliation to Control Total

The financial performance regime under which the Trust operates includes the setting of a 'control total', which is a specific financial position that the Trust is required to meet in order to access additional cash funding. The surplus for the organisation includes a number of items, mainly deemed non-recurrent, that are excluded from this calculation of financial performance. The following table shows the financial position relative to the organisation's control total.

		31 March 2020	31 March 2019
		£000	£000
Surplus for the year		**6,921**	**13,124**
Add: one-off technical adjustments			
Impairments taken to expenditure	(a)	1,685	8,113
Less: items included within surplus but not counted towards control total achievement			
Provider Sustainability Fund income	(b)	(5,981)	(17,224)
I&E impact of donated assets	(c)	(455)	230
Performance for control total calculation		**2,170**	**4,243**
Original control total for the year		2,333	4,170
Adjustments to control total			
Covid-19 annual leave adjustment	(d)	(188)	-
Final control total for the year		**2,145**	**4,170**
Surplus against control total		**25**	**73**

(a) Impairments taken to expenditure in the current year are the result of adjustments to the carrying values of items of medical equipment. More information is given in note 10. Impairments taken to expenditure in the prior period are the result of a revaluation of the Trust's buildings.

(b) Provider Sustainability Fund (PSF) income allocated by the Department of Health and Social Care is non-recurrent cash funding that was contingent on the Trust achieving an agreed surplus for the year, and was not available to fund expenditure.

(c) I&E impact of donated assets comprises the recognition of medical equipment donated to the Trust and funding from BWCH Charity towards the Trust purchasing medical equipment or other capital developments, less the depreciation on donated assets.

(d) Covid-19 annual leave adjustment reflects an increase in the cost of annual leave entitlement earned but not taken by employees at the end of the period, where this annual leave has been untaken as a direct result of the Trust's actions in managing risks associated with the Covid-19 pandemic.

3.1 Operating expenses (Group)

	31 March 2020	31 March 2019
	£000	£000
Purchase of healthcare from DHSC bodies	6,722	7,818
Purchase of healthcare from non-DHSC bodies	29	36
Staff and executive directors costs	271,074	249,910
Remuneration of non-executive directors	209	215
Supplies and services - clinical (excluding drugs costs)	56,474	56,952
Supplies and services - general	7,869	5,785
Drug costs	47,097	43,659
Consultancy costs	76	131
Establishment	4,438	3,940
Premises	17,784	13,335
Transport (including patient travel)	2,828	2,387
Depreciation on property, plant and equipment	7,967	7,512
Amortisation on intangible assets	566	603
Impairments	1,685	8,113
Movement in credit loss allowance	1,432	217
Provisions arising in period	214	563
Audit fees payable to the external auditor		
audit services- statutory audit	85	94
other auditor remuneration	4	18
Internal audit costs	212	238
Clinical negligence	12,181	11,811
Legal fees	151	237
Insurance	136	139
Research and development	4,139	5,398
Education and training	4,585	4,376
Rentals under operating leases	1,020	1,596
Operating expenditure on PFI scheme	104	100
Car parking & security	441	415
Losses, ex gratia & special payments	10	11
Other services (including external payroll)	974	1,043
Other	28	5
TOTAL	**450,534**	**426,657**

Impairments are the result of non-current asset valuations, as detailed in notes 1.7 and 10.

3.2 Other audit remuneration

Other auditor remuneration paid to the external auditor is analysed as follows:	31 March 2020 £000	31 March 2019 £000
Audit-related assurance services	4	18
TOTAL	4	18

3.3 Limitation on Auditor's liability

	31 March 2020 £000	31 March 2019 £000
Limitation on Auditor's liability as per agreement dated 30 March 2019	1,000	1,000

4.1 Employee benefits (Group)

	31 March 2020 £000	31 March 2019 £000
Salaries and wages	213,363	201,964
Social security costs	21,669	20,546
Apprenticeship levy	1,033	987
Employer's contributions to NHS pensions	25,420	24,431
Pension cost - employer contributions paid by NHSE	11,099	-
Temporary staff - agency/contract	6,205	8,915
Total staff costs	**278,789**	**256,843**
Included within:		
Costs capitalised as part of assets	909	829
Operating expenditure analysed as:		
Employee expenses - staff & executive directors	271,074	249,910
Research & development	4,048	3,481
Education and training	2,758	2,623
Total employee benefits excl. capitalised staff costs	**277,880**	**256,014**

4.2 Early retirements due to ill health

	31 March 2020	31 March 2019
No. of early retirements on the grounds of ill-health	3	4
Estimated pension liabilities of these ill-health retirements (£000)	145	361

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

4.3 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 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.

5 Operating Leases (Group)

There are no operating lease agreements where the Trust is the lessor. This note discloses costs and commitments incurred in operating lease arrangements where the Trust is the lessee.

5.1 Operating lease expense

	31 March 2020 £000	31 March 2019 £000
Lease payments recognised as an expense in year:		
Minimum lease payments	1,020	1,596
TOTAL	**1,020**	**1,596**

5.2 Future minimum operating lease payments

	Total £000	Land £000	Buildings £000	Other £000
Future minimum lease payments due at 31 March 2020:				
- not later than one year;	971	32	704	235
- later than one year and not later than five years;	1,777	81	1,226	470
- later than five years.	1,966	-	1,870	96
TOTAL	**4,714**	**113**	**3,800**	**801**

	Total £000	Land £000	Buildings £000	Other £000
Future minimum lease payments due at 31 March 2019:				
- not later than one year;	1,132	33	906	193
- later than one year and not later than five years;	1,536	99	1,057	380
- later than five years.	-	-	-	-
TOTAL	**2,668**	**132**	**1,963**	**573**

Increases in future minimum operating lease payments relate to leases for community healthcare facilities.

There are no future sublease payments receivables by the Trust or the Group in either the current or previous accounting periods.

6.1 Finance Income (Group)

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

	Group	
	31 March 2020 £000	31 March 2019 £000
Interest on bank accounts	546	217
TOTAL	**546**	**217**

Interest on bank accounts has been earned from surplus funds held within the Government Banking Services (GBS) and National Loans Fund (NLF).

There is no interest on impaired financial assets included in finance income in either the current or previous accounting periods.

6.2 Finance Expenditure (Group)

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

	31 March 2020 £000	31 March 2019 £000
Interest expense:		
Loans from the Department of Health and Social Care	168	29
Main finance costs on PFI obligations	172	201
Contingent finance costs on PFI obligations	482	474
Total interest expense	**822**	**704**
Total finance costs	**822**	**704**

6.3 The Late Payment of Commercial Debts (Interest) Act 1998

There are no amounts included within 'other interest payable' arising from claims made under this legislation in either the current or previous accounting periods.

Negligible compensation (less than £1k) has been paid to cover debt recovery costs under this legislation in the current accounting period (2018/19: less than £1k).

7 Other gains and losses (Group)

	31 March 2020 £000	31 March 2019 £000
Losses on disposal of assets	-	(135)
Total losses on disposal of assets	**-**	**(135)**
Total other losses	**-**	**(135)**

8 Trust income statement and statement of comprehensive income

As permitted by the DHSC GAM, the Trust has taken the exemption afforded by Section 408 of the Companies Act 2006 not to present its own income statement and statement of comprehensive income. The Trust's surplus for the period was £6,365k (2018/19: £13,297k). The Trust's total comprehensive income for the period was £6,275k (2018/19: £13,445k).

9 Discontinued Operations

There have been no discontinued operations in either the current or previous accounting periods.

10 Impairment of assets (PPE)

	31 March 2020 £000	31 March 2019 £000
Impairments charged to operating surplus		
Changes in market price	1,685	8,113
Total Impairments charged to operating surplus	**1,685**	**8,113**
Impairments charged to the revaluation reserve	458	-
Total Impairments	**2,143**	**8,113**

Impairments in the period relate to an expansion of the service supplied to the Trust by its wholly-owned subsidiary BWC Management Services Ltd (BWCMS). Medical equipment previously owned by the Trust has been sold, or is scheduled for sale, to BWCMS, at its carrying value. In accordance with note 1.7, equipment is carried at cost less accumulated depreciation, updated according to changes in indexation in order to better reflect current replacement cost and fair value. The expected replacement cost of the equipment covered by the contract between the Trust and BWCMS has been re-assessed as excluding VAT, and so an impairment equivalent to the composite VAT included within the Net Book Value (NBV) of the affected equipment has been recognised.

Impairments in the prior period relate to the valuation of a new clinical building as at 1 August 2018, being the date it was brought into use. This valuation was undertaken by professional valuers Cushman & Wakefield, holding appropriate Royal Institute of Chartered Surveyors qualifications.

11.1 Intangible assets 2019/20 (Group and Trust)

	Software licences (purchased)
	£000
Gross Cost at 1 April 2019	**3,445**
Additions	66
Gross cost at 31 March 2020	**3,511**
Amortisation at 1 April 2019	**2,348**
Provided during the year	566
Amortisation at 31 March 2020	**2,914**
Net book value at 31 March 2020	**597**
Net book value at 1 April 2019	**1,097**

11.2 Intangible assets 2018/19 (Group and Trust)

	Software licences (purchased)
	£000
Gross cost at 1 April 2018	**3,287**
Additions	212
Disposals / de-recognition	(54)
Gross cost at 31 March 2019	**3,445**
Amortisation at 1 April 2018	**1,799**
Provided during the year	603
Disposals / de-recognition	(54)
Amortisation at 31 March 2019	**2,348**
Net book value at 31 March 2019	**1,097**
Net book value at 1 April 2018	**1,488**

12.1 Property, plant and equipment 2019/20 (Group)

	Total	Land	Buildings excluding dwellings	Assets under Construction & POA	Plant & Machinery	Information Technology	Furniture & Fittings
	£000	£000	£000	£000	£000	£000	£000
Valuation/Gross cost at 1 April 2019	**223,063**	**14,189**	**120,801**	**15,143**	**50,591**	**19,445**	**2,894**
Additions	18,112	-	1,606	11,376	3,243	1,861	26
Impairments	(2,143)	-	-	-	(2,143)	-	-
Revaluations	866	-	-	-	656	213	(3)
Reclassifications	-	-	7,447	(8,130)	227	456	-
Disposals / de-recognition	(728)	-	-	-	(728)	-	-
Valuation/Gross cost at 31 March 2020	**239,170**	**14,189**	**129,854**	**18,389**	**51,846**	**21,975**	**2,917**
Accumulated depreciation at 1 April 2019	**51,034**	**-**	**2,008**	**-**	**34,408**	**12,657**	**1,961**
Provided during the year	7,967	-	2,318	-	3,348	2,132	169
Revaluations	529	-	-	-	414	118	(3)
Disposals / de-recognition	(728)	-	-	-	(728)	-	-
Accumulated depreciation at 31 March 2020	**58,802**	**-**	**4,326**	**-**	**37,442**	**14,907**	**2,127**
Net book value at 31 March 2020	**180,368**	**14,189**	**125,528**	**18,389**	**14,404**	**7,068**	**790**
Net book value at 1 April 2019	**172,029**	**14,189**	**118,793**	**15,143**	**16,183**	**6,788**	**933**
Net book value at 31 March 2020							
Owned	163,686	7,679	117,282	18,238	12,748	6,988	751
Finance Leased	6,911	6,510	401	-	-	-	-
On-SoFP PFI contracts	3,926	-	3,926	-	-	-	-
Donated	5,845	-	3,919	151	1,656	80	39
NBV total at 31 March 2020	**180,368**	**14,189**	**125,528**	**18,389**	**14,404**	**7,068**	**790**

12.1 Property, plant and equipment 2019/20 (Trust)

	Total	Land	Buildings excluding dwellings	Assets under Construction & POA	Plant & Machinery	Information Technology	Furniture & Fittings
	£000	£000	£000	£000	£000	£000	£000
Valuation/Gross cost at 1 April 2019	**223,063**	**14,189**	**120,801**	**15,143**	**50,591**	**19,445**	**2,894**
Additions	13,865	-	1,606	8,558	1,814	1,861	26
Impairments	(2,143)	-	-	-	(2,143)	-	-
Revaluations	866	-	-	-	656	213	(3)
Reclassifications	-	-	7,447	(8,130)	227	456	-
Disposals / de-recognition	(5,766)	-	-	-	(5,766)	-	-
Valuation/Gross cost at 31 March 2020	**229,885**	**14,189**	**129,854**	**15,571**	**45,379**	**21,975**	**2,917**
Accumulated depreciation at 1 April 2019	**51,034**	**-**	**2,008**	**-**	**34,408**	**12,657**	**1,961**
Provided during the year	7,622	-	2,318	-	3,003	2,132	169
Revaluations	529	-	-	-	414	118	(3)
Disposals / de-recognition	(728)	-	-	-	(728)	-	-
Accumulated depreciation at 31 March 2020	**58,457**	**-**	**4,326**	**-**	**37,097**	**14,907**	**2,127**
Net book value at 31 March 2020	**171,428**	**14,189**	**125,528**	**15,571**	**8,282**	**7,068**	**790**
Net book value at 1 April 2019	**172,029**	**14,189**	**118,793**	**15,143**	**16,183**	**6,788**	**933**
Net book value at 31 March 2020							
Owned	154,746	7,679	117,282	15,420	6,626	6,988	751
Finance Leased	6,911	6,510	401	-	-	-	-
On-SoFP PFI contracts	3,926	-	3,926	-	-	-	-
Donated	5,845	-	3,919	151	1,656	80	39
NBV total at 31 March 2020	**171,428**	**14,189**	**125,528**	**15,571**	**8,282**	**7,068**	**790**

12.3 Property, plant and equipment 2018/19 (Group and Trust)

	Total	Land	Buildings excluding dwellings	Assets under Construction & POA	Plant & Machinery	Information Technology	Furniture & Fittings
	£000	£000	£000	£000	£000	£000	£000
Valuation/Gross cost at 1 April 2018	**215,379**	**14,189**	**93,816**	**40,409**	**47,990**	**16,595**	**2,380**
Additions	17,215	-	2,790	10,165	1,731	2,092	437
Impairments	(8,113)	-	(8,113)	-	-	-	-
Revaluations	162	-	-	-	86	26	50
Reclassifications	-	-	32,308	(35,431)	2,320	775	28
Disposals / de-recognition	(1,580)	-	-	-	(1,536)	(43)	(1)
Valuation/Gross cost at 31 March 2019	**223,063**	**14,189**	**120,801**	**15,143**	**50,591**	**19,445**	**2,894**
Accumulated depreciation at 1 April 2018	**44,864**	**-**	**-**	**-**	**32,403**	**10,697**	**1,764**
Provided during the year	7,512	-	2,008	-	3,359	1,980	165
Revaluations	103	-	-	-	56	14	33
Disposals / de-recognition	(1,445)	-	-	-	(1,410)	(34)	(1)
Accumulated depreciation at 31 March 2019	**51,034**	**-**	**2,008**	**-**	**34,408**	**12,657**	**1,961**
Net book value at 31 March 2019	**172,029**	**14,189**	**118,793**	**15,143**	**16,183**	**6,788**	**933**
Net book value at 1 April 2018	**170,515**	**14,189**	**93,816**	**40,409**	**15,587**	**5,898**	**616**
Net book value at 31 March 2019							
Owned	155,197	7,679	110,418	15,124	14,403	6,691	882
Finance Leased	6,917	6,510	407	-	-	-	-
On-SoFP PFI contracts	4,017	-	4,017	-	-	-	-
Donated	5,898	-	3,951	19	1,780	97	51
NBV total at 31 March 2019	**172,029**	**14,189**	**118,793**	**15,143**	**16,183**	**6,788**	**933**

All property, plant and equipment held by the Group during the prior period belonged to the Trust.

13 Economic life of intangible assets

	Min Life Years	Max Life Years
Software	1	5

14 Economic life of property, plant and equipment

	Min Life Years	Max Life Years
Land	Infinite	Infinite
Buildings excluding dwellings	1	89
Plant & machinery	1	22
Information technology	1	9
Furniture & fittings	1	10

15 Investments

The Trust holds 100% of the share capital of BWC Management Services Limited, with share value of £8,000k. This company is incorporated in the UK under company number 10841099. This initial investment of £5,000k was acquired during 2017/18 and this was increased to £8,000k during 2019/20. The principle activity of BWC Management Services Limited is to provide fully managed healthcare facilities.

The Trust holds 100% of the share capital of Birmingham Children's Hospital Health Services Ltd, a holding company for further trading subsidiaries, with share value of £1k. This investment was also held during 2018/19. This company is incorporated in the UK under company number 08103783.

Birmingham Children's Hospital Health Services Ltd holds 100% of the share capital of Birmingham Children's Hospital Pharmacy Ltd, also with share value of £1k. This company is incorporated in the UK under company number 08104635. The principal activity of Birmingham Children's Hospital Pharmacy Ltd is to provide an outpatient pharmacy service.

The balances of the wholly-owned subsidiaries are consolidated into the accounts of the Trust where appropriate and presented under the 'Group' heading.

16 Other Financial Assets

The working capital for BWC Management Services Limited (BWCMS) has been provided by way of share capital as disclosed in note 15 and a cash loan from the Trust which is subject to interest at a commercial rate.

During the period, BWCMS negotiated a new cash loan from the Trust and utilised this to repay the previous cash loan as well as to expand its operations. The new cash loan has a phased drawdown period until November 2020 during which interest is payable on the outstanding balance, and a principal repayment schedule from the final drawdown date. Interest is fixed at 2.77%. At 31 March 2020 the value of this loan was £32,877k. The final payment is due in March 2033. This loan is a financial asset to the Trust that is eliminated on consolidation.

The working capital for Birmingham Children's Hospital Pharmacy Ltd has been provided by way of a cash loan from the Trust which is subject to interest at a commercial rate (7%) plus a principal repayment schedule. At 31 March 2020 the remaining value of this loan was £25k. The final payment is due in April 2020. This loan is a financial asset to the Trust that is eliminated on consolidation.

	31 March 2020 £000	31 March 2019 £000
Current loans to subsidiaries		
Birmingham Children's Hospital Pharmacy Ltd	25	100
BWC Management Services Limited	751	1,571
Total current loans to subsidiaries	**776**	**1,671**
Non-current loans to subsidiaries		
Birmingham Children's Hospital Pharmacy Ltd	-	25
BWC Management Services Limited	32,136	26,391
Total non-current loans to subsidiaries	**32,136**	**26,416**
Total loans to subsidiaries		
Birmingham Children's Hospital Pharmacy Ltd	25	125
BWC Management Services Limited	32,887	27,962
Total loans to subsidiaries	**32,912**	**28,087**

17 Inventories

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Drugs	981	1,193	586	973
Consumables	6,085	6,207	6,070	5,927
Total inventories	**7,066**	**7,400**	**6,656**	**6,900**

Inventories recognised in expenses for the Group for the year were £334k (2018/19: £437k). There was no write-down of inventories recognised as expenses for the year (2018/19: £nil).

18 Trade and other receivables

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Current				
Contract receivables	27,132	46,902	27,590	44,539
Allowance for impaired contract receivables	(3,563)	(2,252)	(3,563)	(2,252)
Prepayments (non-PFI)	2,735	5,090	2,735	5,090
PDC dividend receivable	234	215	234	215
VAT receivable	1,636	692	1,636	692
Other receivables	221	191	221	191
Total current trade and other receivables	**28,395**	**50,838**	**28,853**	**48,475**
Non-Current				
Clinician pension tax provision funding	1,047	-	1,047	-
Other receivables	2,322	2,008	2,322	2,008
Total non-current trade and other receivables	**3,369**	**2,008**	**3,369**	**2,008**
Total receivables	**31,764**	**52,846**	**32,222**	**50,483**
Of which receivables from DHSC group bodies:				
Current	19,226	43,802	19,226	43,802

The Trust has considered the NHS Improvement requirements under IFRS 7 relating to credit risk. The majority of the Trust's financial assets relate to money due from other NHS organisations. Other NHS organisations are extremely unlikely to default on payments, and the Trust would only invest its cash deposits within a strict investment policy. There are no transactions involving hedging, foreign currency or other investments prone to market fluctuations. There is therefore no material exposure to credit, market or liquidity risks.

19.1 Allowances for credit losses – 2019/20 (Group and Trust)

	Total £000	Contract receivables £000	All other receivables £000
Allowance for credit losses at 1 April 2019	**2,252**	**2,252**	**-**
New allowances arising	**1,432**	1,432	-
Utilisation of allowances	**(121)**	(121)	-
Allowance for credit losses at 31 March 2020	**3,563**	**3,563**	**-**
Loss recognised in expenditure	**1,432**	**1,432**	**-**

19.2 Allowances for credit losses – 2018/19 (Group and Trust)

	Total	Contract receivables	All other receivables
	£000	£000	£000
Allowance for credit losses at 1 April 2018	**2,283**	**-**	**2,283**
Impact of IFRS 9 implementation on 1 April 2018	**(194)**	2,089	(2,283)
New allowances arising	**217**	217	-
Utilisation of allowances	**(54)**	(54)	-
Allowance for credit losses at 31 March 2019	**2,252**	**2,252**	**-**
Loss recognised in expenditure	**217**	**217**	**-**

20.1 Cash and cash equivalents

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
At 1 April	**48,976**	**29,140**	**46,143**	**29,140**
Net change in year	45,195	19,836	43,835	17,003
At 31 March	**94,171**	**48,976**	**89,978**	**46,143**
Broken down into:				
Cash at commercial banks and in hand	4,708	3,276	515	443
Cash with the Government Banking Service	49,463	45,700	49,463	45,700
Deposits with the National Loan Fund	40,000	-	40,000	-
Cash and cash equivalents as in SoFP	**94,171**	**48,976**	**89,978**	**46,143**
Cash and cash equivalents as in SoCF	**94,171**	**48,976**	**89,978**	**46,143**

As detailed in note 1.16, cash balances held within GBS and NLF are excluded from the total assets used to calculate the Trust's PDC dividend.

20.2 Third Party Assets

Neither the Trust nor the Group held any third party assets at either the current or previous year-end.

21.1 Trade and other payables

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Current				
Trade payables	24,705	28,579	18,795	25,188
Capital payables	2,713	4,528	488	4,528
Accruals	24,396	18,102	24,396	14,120
Social Security costs	3,253	2,872	3,253	2,872
Other taxes payable	5,845	5,187	5,845	5,187
Other payables	729	291	729	291
Total current trade and other payables	**61,641**	**59,559**	**53,506**	**52,186**
Of which payables from DHSC group bodies:				
Current	15,700	9,309	15,700	9,309

Neither the Trust nor the Group had any non-current liabilities in respect of trade and other payables in either the current or previous accounting period.

21.2 Early retirements included in NHS payables above

Neither the Trust nor the Group incurred any expenditure in respect of early retirement in either the current or previous accounting period.

22 Borrowings

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Current				
Loans from DHSC	1,366	11	1,366	11
Obligations under service concessions	-	-	2,397	1,923
Obligations under PFI	219	219	219	219
Total current borrowings	**1,585**	**230**	**3,982**	**2,153**
Non-current				
Loans from DHSC	14,812	3,300	14,812	3,300
Obligations under service concessions	-	-	33,918	32,581
Obligations under PFI	662	881	662	881
Total non-current borrowings	**15,474**	**4,181**	**49,392**	**36,762**

The loan from the Department of Health and Social Care is a £16,100k loan for integration support following the acquisition of Birmingham Women's NHS Foundation Trust on 1 February 2017. The loan is scheduled for repayment between May 2020 and May 2032 and attracts simple interest at a rate of 1.33% per annum.

The obligation under service concessions in the Trust arises from the arrangements between the Trust and its subsidiary undertaking BWC Management Services Limited for the supply of operated healthcare facilities. This liability has been recognised on the SoFP of the Trust following a detailed consideration of the contract between the two entities and the risks and rewards of the arrangement.

The Trust's PFI borrowings relate to a PFI scheme for the refurbishment and management of previously dilapidated buildings at sites on Whittall Street and Steelhouse Lane, entered into during 1998.

23.1 Other liabilities

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Current				
Deferred income: contract liability	18,352	11,645	18,352	11,645
Total other current liabilities	**18,352**	**11,645**	**18,352**	**11,645**

Revenue recognised in the reporting period that was previously included in the contract liability balance was £8,164k (2018/19: £8,069k).

23.2 Reconciliation of liabilities arising from financing activities

Group

	Total	DHSC Loans	Other Loans	PFI and other service concessions
	£000	£000	£000	£000
Value at 1 April 2019 - brought forward	**4,411**	**3,311**	**-**	**1,100**
Cash movements:				
Financing cash flows - principal	**12,581**	12,800	-	(219)
Financing cash flows - interest	**(273)**	(101)	-	(172)
Non-cash movements:				
Interest charge arising in year	**340**	168	-	172
Value at 31 March 2020	**17,059**	**16,178**	**-**	**881**

Trust

	Total	DHSC Loans	Other Loans	PFI and other service concessions
	£000	£000	£000	£000
Value at 1 April 2019 - brought forward	**38,915**	**3,311**	**34,504**	**1,100**
Cash movements:				
Financing cash flows - principal	**16,315**	12,800	3,734	(219)
Financing cash flows - interest	**(273)**	(101)	-	(172)
Non-cash movements:				
Interest charge arising in year	**340**	168	-	172
Other changes	**(1,923)**	-	(1,923)	-
Value at 31 March 2020	**53,374**	**16,178**	**36,315**	**881**

24.1 Provisions for liabilities and charges (Group and Trust)

	Current		Non-current	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Legal claims	167	625	-	-
Clinician pension tax reimbursement	-	-	1,047	-
Other	290	290	632	-
Total	**457**	**915**	**1,679**	**-**

Legal claims provisions relate to on-going litigation cases. Clinician pension tax provision relates to agreements to reimburse clinicians who are members of the NHS Pension Scheme and who, as a result of work undertaken in the financial year, face a tax charge in respect of the growth of their NHS pension benefits above their

pension savings annual allowance, with such charges being payable upon retirement. Other provisions relate to costs and settlements under patent disputes, settlements related to the supply cost of pharmaceutical supplies, and claims in relation to holiday pay and overtime. Provision values are made according to the most up-to-date information available at the reporting date, although these figures are subject to estimation uncertainty.

24.2 Provisions for liabilities and charges analysis (Group and Trust)

	Total	Legal claims	Clinician pension tax	Other
	£000	£000	£000	£000
At 1 April 2019	**915**	**625**	**-**	290
Arising during the year	1,816	137	1,047	632
Utilised during the year	(40)	(40)	-	-
Reversed unused	(555)	(555)	-	-
At 31 March 2020	**2,136**	**167**	**1,047**	**922**
Expected timing of cash flows:				
not later than one year	457	167	-	290
later than one year and not later than five	21	-	21	-
later than five years	1,658	-	1,026	632
Total	**2,136**	**167**	**1,047**	**922**

The reversal of unused provisions relates to a provision included in the previous financial year that has been reassessed on current information and is no longer required. This release relates to a legal claim where the actual cost and settlement was lower than expected.

24.3 Clinical Negligence liabilities

	31 March 2020	31 March 2019
	£000	£000
Amount included in provisions of NHS Resolution in respect of clinical negligence liabilities	340,655	337,968

The Trust is a member of the NHS Resolution Clinical Negligence Scheme, therefore all clinical negligence claims are recognised in the accounts of NHS Resolution. Consequently, the Trust has no provision for clinical negligence claims. NHS Resolution will provide a schedule showing the claims recognised in the books of NHS Resolution on behalf of the Trust.

25 Contingent (Liabilities) / Assets

	31 March 2020 £000	31 March 2019 £000
Value of contingent liabilities		
NHS Resolution legal claims	-	(14)
Employee related litigation	-	(20)
Gross value of contingent liabilities	**-**	**(34)**
Net value of contingent liabilities	**-**	**(34)**

Contingent liabilities are recognised by the Trust in relation to on-going legal cases where there remains uncertainty that a loss of economic benefit will arise. Cases where a loss of economic benefit is probable have been provided for within the Statement of Financial Position.

The net value of contingent assets is £nil (2019: £nil).

26 Revaluation Reserve Movements – Group and Trust

	2019/20 £000	2018/19 £000
Revaluation reserve at 1 April	22,830	22,771
Impairments	(458)	-
Revaluations	337	59
Transfer to I&E reserve upon asset disposal	(12)	-
Revaluation reserve at 31 March	**22,697**	**22,830**

Impairments in the current year are the result of amendments to the contract between the Trust and its wholly-owned subsidiary company BWC Management Services Ltd. Further information is available in note 10. Revaluations in both the current year and the prior year are the result of indexation of Trust equipment.

27 Related Party Transactions

Birmingham Women's and Children's NHS Foundation Trust is a corporate body authorised by the Independent Regulator of NHS Foundation Trusts in exercise of the powers conferred by Schedule 7 of the National Health Service Act 2006.

The Department of Health and Social Care (DHSC) is the Trust's parent Department and ultimate controlling party, and is regarded as a related party. During the period the Trust has had a significant number of material transactions with other entities for which the DHSC is regarded as the parent Department. These entities are listed below:

NHS England
NHS Birmingham and Solihull CCG
NHS Sandwell and West Birmingham CCG
NHS Coventry and Rugby CCG
NHS Dudley CCG
NHS Redditch and Bromsgrove CCG
NHS Walsall CCG
Health Education England
NHS Resolution
Birmingham and Solihull Mental Health NHS Foundation Trust
University Hospitals Birmingham NHS Foundation Trust
Sandwell and West Birmingham Hospitals NHS Trust
The Royal Wolverhampton NHS Trust

The Trust also had material dealing with other public bodies, as follows:

HM Revenue and Customs
NHS Business Services Authority (in relation to the NHS Pension Scheme)
National Loans Fund

During the year none of the Board members or members of the key management staff or parties related to them has undertaken any material transactions with Birmingham Women's and Children's NHS Foundation Trust.

During the year, transactions took place between the Trust and its trading subsidiaries BWC Management Services Limited and Birmingham Children's Hospital Pharmacy Ltd. These transactions have been eliminated on consolidation.

In relation to BWC Management Services Limited, the Trust purchased services for the running of a managed healthcare facility from the subsidiary to a value of £24,834k during the financial year (2018/19: £22,779k), and the subsidiary purchased management and other services from the Trust to a value of £1,280k during the same period (2018/19: £1,686k).

In relation to Birmingham Children's Hospital Pharmacy Ltd, the Trust purchased outpatient drugs from the subsidiary to a value of £4,360k during the financial year (2018/19: £3,485k), and the subsidiary purchased management and other services from the Trust to a value of £647k during the same period (2018/19: £671k).

28 Contractual Capital Commitments (Group)

Commitments under contract at the date of the Statement of Financial Position are:

	31 March 2020 £000	31 March 2019 £000
Property, plant and equipment	5,158	5,434
Total	**5,158**	**5,434**

Contractual commitments at 31 March 2020 comprise development schemes for clinical buildings (£3,356k), security upgrades (£439k), schemes for renewal of the Trust's electrical infrastructure (£411k), medical equipment purchases (£284k) and Estates maintenance / refurbishment commitments (£636k).

All contractual capital commitments at 31 March 2020 relate to BWC Management Services Limited.

29 Finance lease obligations

Neither the Trust nor the Group has any finance lease obligations arising in either the current or previous accounting period other than those relating to an on-SoFP PFI scheme.

The on-SoFP PFI scheme is for the refurbishment and management of previously dilapidated buildings at sites on Whittall Street and Steelhouse Lane, Birmingham, to bring them into use as offices, on-call accommodation and general staff accommodation. The Scheme is with Riverside Housing Group (previously with English Churches Housing Group (ECHG) who, in October 2006, merged with Riverside Housing Group).

The main agreements made between the Trust and ECHG (dated 22 August 1997 and 11 May 1998) outline the arrangements for land and premises on 3 related sites of the former Birmingham General Hospital to be transferred to ECHG under 3 separate Headleases for a term of 99 years at a peppercorn rent.

ECHG were to undertake development / refurbishment works in respect of the premises under a separate Development Agreement. On practical completion of those works ECHG granted secondary Underleases of the newly refurbished premises to the Trust. These three Underleases are for a period of 25 years. The Trust has an option to extend the Underleases in 5 yearly increments up to a maximum of 50 years.

30.1 Imputed finance lease obligations

The following are obligations in respect of the finance lease element of on-Statement of Financial Position PFI schemes:

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Gross PFI liabilities	**1,173**	**1,564**	**1,173**	**1,564**
of which liabilities are due				
not later than one year	391	391	391	391
later than one and not later than five years	782	1,173	782	1,173
Finance charges allocated to future periods	(292)	(464)	(292)	(464)
Net PFI obligation	**881**	**1,100**	**881**	**1,100**
of which liabilities are due				
not later than one year	219	219	219	219
later than one and not later than five years	662	881	662	881

30.2 Total On-SoFP PFI commitments

Total future obligations under on-SoFP schemes are as follows:

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Total future payments committed	**2,646**	**3,528**	**2,646**	**3,528**
of which due				
not later than one year	882	882	882	882
later than one and not later than five years	1,764	2,646	1,764	2,646

The current on-SoFP PFI obligations are due to expire on 31 March 2023.

30.3 Analysis of amounts payable to service concession operator

This note provides an analysis of the unitary payments made to the service concession operator:

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Unitary payment payable to service concession operator	**976**	**964**	**976**	**964**
Consisting of:				
Interest charge	172	201	172	201
Repayment of finance lease liability	218	189	218	189
Service element	104	100	104	100
Contingent rent	482	474	482	474
Total amount paid to service concession operator	**976**	**964**	**976**	**964**

31.1 Carrying values of financial assets

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Receivables	27,159	46,849	27,617	44,486
Loans to subsidiaries	-	-	32,912	28,087
Cash and cash equivalents	94,171	48,976	89,978	46,143
Total	**121,330**	**95,825**	**150,507**	**118,716**

The financial assets as recorded above are denominated entirely in £ Sterling.

Cash and cash equivalents held within the Government Banking Service, and loans to subsidiaries, are considered to be lower risk financial assets because the likelihood of default is considered to be minimal. Credit risks associated with receivables are described in note 35.

31.2 Carrying values of financial liabilities

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Loans from DHSC	16,178	3,311	16,178	3,311
Obligations under PFI	881	1,100	881	1,100
Borrowings from subsidiaries	-	-	36,315	34,504
Trade and other payables	52,543	51,500	44,408	44,127
Total	**69,602**	**55,911**	**97,782**	**83,042**

The financial liabilities as recorded above are denominated entirely in £ Sterling.

31.3 Fair values of current and non-current financial assets and financial liabilities at 31 March 2020

The Trust has considered the values of current and non-current financial assets and current and non-current financial liabilities and has concluded that there is no significant difference between book values and fair values that requires further disclosure in either the current or previous accounting period.

31.4 Maturity of financial liabilities

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
In one year or less	52,621	51,500	45,237	44,127
In more than one year but not more than two	2,626	477	2,626	477
In more than two years but not more than five	4,526	1,277	4,526	1,277
In more than five years	9,829	2,657	45,393	37,161
Total	**69,602**	**55,911**	**97,782**	**83,042**

32 Losses and Special Payments

The Trust incurred losses or made special payments as follows:

	31 March 2020		31 March 2019	
	Number of cases	Total value of cases £000	Number of cases	Total value of cases £000
Losses				
Cash losses	6	2	4	1
Total losses	**6**	**2**	**4**	**1**
Special payments				
Ex-gratia payments	2	8	2	10
Total special payments	**2**	**8**	**2**	**10**
Total losses and special payments	**8**	**10**	**6**	**11**
Compensation payments received		-		-

The Trust did not incur any clinical negligence, fraud, personal injury, compensation under legal obligation of fruitless payment cases where the net payment for the individual case exceeds £300k in either the current or previous accounting period.

33 Public Dividend Capital

	2019/20	2018/19
	£000	£000
Public Dividend Capital at 1 April	**133,550**	**133,469**
Public Dividend Capital received	2,072	81
Public Dividend Capital at 31 March	**135,622**	**133,550**

The Trust received funding from the Department of Health and Social Care during the year in the form of Public Dividend Capital (PDC). This receipt was specifically related to three NHS projects: *Additional mental health capacity for winter pressures* (£1,390k), *Genomics Laboratory Hubs* (£660k) and *Pharmacy Systems* (£22k).

Receipts of PDC in the previous year were specifically related to two NHS projects: *Cancer Transformation Programme* (£69k) and *Pharmacy Infrastructure* (£12k).

34 Corporation Tax

Corporation tax expense recorded in the Group Statement of Comprehensive Income is in respect of the taxable profit of the Trust's subsidiary companies Birmingham Children's Hospital Pharmacy Ltd and BWC Management Services Ltd.

35 Risk Management Policies

The Trust's activities expose it to a variety of financial risks, though due to their nature the degree of the exposure to financial risk is substantially reduced in comparison with that faced by business entities. The financial risks are mainly credit risk and inflation risk, with limited exposure to market risks (currency and interest rates) and to liquidity risk.

Financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards may apply. The Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's standing financial instructions and policies agreed by the board of directors. Trust treasury activity is subject to review by the Finance and Resource Committee.

Credit risk

As a consequence of the continuing service provider relationship that the Trust has with NHS commissioning organisations and the way those organisations are financed, the Trust is exposed to a degree of customer credit risk, but substantially less than faced by business entities. In the current financial environment where NHS commissioning organisations must manage increasing healthcare demand and affordability within fixed budgets, the Trust regularly reviews the level of actual and contracted activity with commissioning organisations to ensure that any income at risk is discussed and resolved at a high level at the earliest opportunity available.

Interim payment regimes implemented by HM Treasury and DHSC during the pandemic have been designed to minimise credit risk for NHS organisations. Payments from NHS commissioning organisations are now made in advance and are aligned to the on-going running costs of NHS provider organisations.

As the majority of the Trust's income comes from contracts with other public bodies, there is limited exposure to credit risk from individuals and commercial entities. The Trust mitigates its exposure to credit risk through regular review of receivables due and by calculating allowances for credit losses. An analysis of the allowances for credit losses can be found in notes 19.1 and 19.2.

The Trust's cash is held in current accounts at UK banks only, the majority within the Government Banking Service, the result being to minimise the counter party credit risk associated with holding cash at financial institutions.

Inflation risk

The Trust has exposure to annual price increases of medical supplies and services (pharmaceuticals, medical equipment and agency staff) arising from its core healthcare activities. The Trust mitigates this risk through, for example, transferring the risk to suppliers by contract tendering and negotiating fixed purchase costs (including prices set by nationally agreed frameworks across the NHS) or reducing external agency costs via operation of the Trust's own employee 'staff bank'.

Market risk

The Trust has limited exposure to market risk for both interest rate and currency risk.

Currency risk - the Trust is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The Trust has no overseas operations nor investments and all Trust cash is held in Sterling at UK banks: Royal Bank of Scotland and the Government Banking Service (GBS). The Trust therefore has minimal exposure to currency rate fluctuations.

Interest rate risk - other than cash balances, the Trust's financial assets and all of its financial liabilities carry nil or fixed rates of interest. Cash balances at UK banks earn interest linked to the Bank of England base rate. The Trust therefore has minimal exposure to interest rate fluctuations.

Liquidity risk

The Trust's net operating costs are incurred under annual service level agreements with NHS commissioning organisations, which are financed from resources voted annually by Parliament. The Trust ensures that it has sufficient cash to meet all its commitments when they fall due and retains sufficient cash balances to facilitate this. The Trust is not, therefore, exposed to significant liquidity risks.

Further mitigations to liquidity risks have resulted from the interim payment regimes implemented by HM Treasury and DHSC. These have been designed to ensure cash receipts from NHS commissioning organisations are sufficient to meet the needs of NHS provider organisations.

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS AND BOARD OF DIRECTORS OF BIRMINGHAM WOMEN'S AND CHILDREN'S NHS FOUNDATION TRUST

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Birmingham Women's and Children's NHS Foundation Trust (the 'foundation trust') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and foundation trust's affairs as at 31 March 2020 and of the group's and foundation trust's income and expenditure for the year then ended;
- have been properly prepared in accordance with the accounting policies directed by NHS Improvement – Independent Regulator of NHS Foundation Trusts; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

We have audited the financial statements which comprise:

- the group statement of comprehensive income;
- the group and foundation trust statement of financial position;
- the group and foundation trust statements of changes in equity;
- the group and foundation trust statements of cash flows; and
- the related notes 1 to 35.

The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by NHS Improvement – Independent Regulator of NHS Foundation Trusts.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the foundation 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 (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Recognition of NHS Clinical Income • Management Override of Controls

	Within this report, key audit matters are identified as follows:  Newly identified  Increased level of risk  Similar level of risk  Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £9.2m (2018/19 £8.9m) which was determined on the basis of 2% of total income (2018/19 2%)
Scoping	The focus of our audit work was on the trust. Our audit therefore covered all the entities within the Group, which account for 100% of the Group's net assets, total incoming resources and deficit.
Significant changes in our approach	In prior year we included a key audit matter for property valuation. The Trust has not had a valuation in the year and therefore this is no longer considered to be a key audit matter as no longer a focus of our most significant audit effort. We have included a key audit matter for management override of controls in the current year due to the uncertainty surrounding covid-19.

4. Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where: • the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or • the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the foundation trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	We have nothing to report in respect of these matters.

5. Key audit matters

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

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Recognition of NHS Clinical Income

Key audit matter description	As described in note 1.4.1, Accounting Policies and note 1.23, Critical judgements in applying accounting policies, there are significant judgements in recognition of clinical income from care of NHS patients and in provisioning for disputes with commissioners due to: • the risk of income not being recognised at fair value due to adjustments agreed in settling current year disputes and agreement of future period contracts; and • the judgemental nature of accounting for accrued income, over-performance and any other unconfirmed income or open areas of dispute/challenge at year end. This risk also includes the Q4 outturn, which is a key factor on the Trust meeting certain financial performance requirements. These elements of unsettled income can involve management judgement and estimation, including management consideration of unresolved commissioner challenges. Details of the Group's income, including £413.0m (2018/19 £383.1m) of Commissioner Requested Services, are shown in notes 2.3 and 2.5 to the financial statements. The Group earns income from a wide range of commissioners, increasing the complexity of agreeing a final year-end position. We have therefore concluded that there is a risk of fraud in recognition of NHS income as a result of the management judgement and estimation involved.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls around clinical revenue recognition. We tested the recognition of clinical income through the period, including year-end cut-off and income accruals, as well as evaluating the results of the agreement of balances exercise. We have reconciled income recorded to signed contracts and year end settlements for material counterparties and reviewed any significant variations. We obtained an understanding of the nature of each provision in respect of clinical income, the basis for the position adopted, and evidence of the historical accuracy of provisions made for disputes with commissioners. We considered this track record in evaluating period-end provisions. We assessed the appropriateness of the judgements made in recognising revenue and providing for disputes on the basis of discussion with staff involved, review of correspondence with commissioners and other relevant documentation, and consideration of benchmark information from our knowledge of the local health economy.
Key observations	Based on the audit evidence obtained, we conclude that NHS clinical income is appropriately recognised.

5.2. Management override of controls

Key audit matter description	We consider that in the current year there is a risk across the NHS that management may override controls to manipulate fraudulently the financial

statements or accounting judgements or estimates. This is due to the increasingly tight financial circumstances of the NHS and close scrutiny of the reported financial performance of individual organisations. The foundation trust have included details of critical judgements in note 1.23 and sources of estimation uncertainty in note 1.24.

The Group has been allocated £5.5m of the Provider Sustainability Fund, contingent on achieving financial and operational targets each year in addition to £0.5m for the 2018/19 post accounts reallocation. This is equivalent to a "control total" for the year of a surplus (adjusted for certain items) of £7.8m. This creates an incentive for reporting financial results that exceed the control total of £7.8m. The Group's reported results show a surplus of £6.9m, equivalent to meeting the control total.

NHS Trusts and Foundation Trusts have previously been requested by NHS Improvement to consider a series of "technical" accounting areas and assess both whether their current accounting approach meets the requirements of International Financial Reporting Standards, and to remove "excess prudence" to support the overall NHS reported financial position. The areas of accounting estimate highlighted included accruals, deferred income, injury cost recovery debtors, partially completed patient spells, bad debt provisions, property valuations, and useful economic lives of assets.

As part of the overall changes to NHS funding arrangements to respond to the Covid-19 pandemic, NHS England announced in March 2020 that it would reimburse NHS providers for the costs of responding to Covid-19.

As detailed in note 1.24, the foundation trust has reassessed whether there is evidence of a material change in value in the year, and following consultation with their independent valuer has concluded that no revaluation is required. Following the outbreak of the novel coronavirus (COVID-19) and in response to this unprecedented set of circumstances, RICS regulated members are able to attach less weight to previous market evidence for comparison purposes to inform opinions of value, and are including 'material valuation uncertainty' declarations in their reporting and advice.

How the scope of our audit responded to the key audit matter

Manipulation of accounting estimates

Our work on accounting estimates included reviewing the paper submitted to the Audit and Finance and Resources Committee on the accounting rationale for any changes in treatment of the items discussed in notes 1.23 and 1.24, and have considered both the impact of judgements individually and in aggregate upon the financial statements.

The income received in relation to Covid-19 has been considered within our testing of income which is set out above in section 5.1 recognition of NHS clinical income.

In testing each of the relevant accounting estimates, we considered findings in the context of the identified fraud risk. Where relevant, the recognition and valuation criteria used were compared to the specific requirements of IFRS.

We have reviewed and challenged the foundation trust's assessment that there have not been material valuation movements in the year. We considered the impact of uncertainties relating to the COVID-19 pandemic upon property valuations in evaluating the property valuations and related disclosures.

Manipulation of journal entries

We used data analytic techniques to select journals for testing with

	characteristics indicative of potential manipulation of reporting focusing in particular upon manual journals. We traced the journals to supporting documentation, considered whether they had been appropriately approved, and evaluated the accounting rationale for the posting. We evaluated individually and in aggregate whether the journals tested were indicative of fraud or bias. We tested the year-end adjustments made outside of the accounting system between the general ledger and the financial statements and consolidation adjustments and journals.
Key observations	While we note the increased estimation uncertainty in relation to the property valuation as a result of Covid-19, as disclosed in note 1.24, based on the audit evidence obtained, we found no other matters that were reportable to those charged with governance.

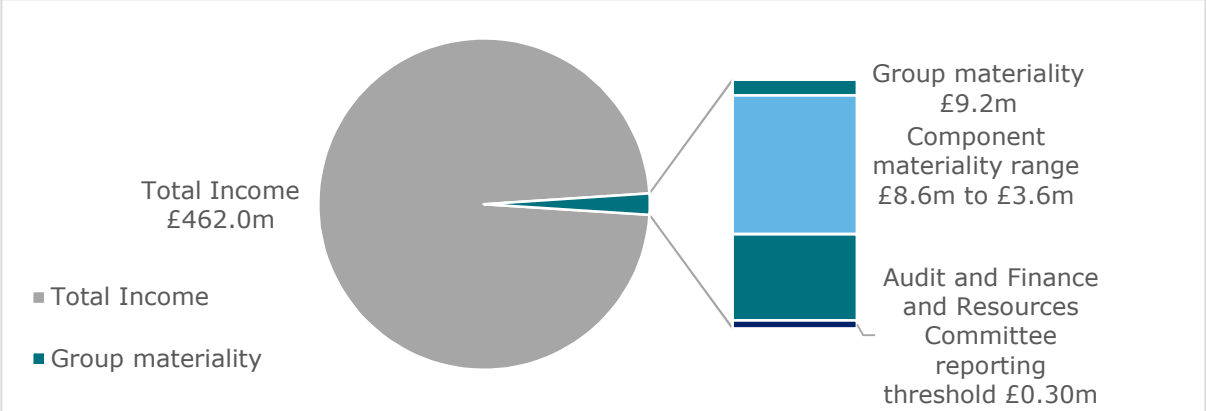
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Foundation Trust financial statements
Materiality	£9.2m (2018/19: £8.9m)	£8.6m (2018/19: £8.3m)
Basis for determining materiality	2% of total income (2018/19: 2% of total income)	2% of total income (2018/19: 2% of total income)
Rationale for the benchmark applied	Total income was chosen as a benchmark as the Group is a non-profit organisation, and income is a key measure of financial performance for users of the financial statements.	Total income was chosen as a benchmark as the Group is a non-profit organisation, and income is a key measure of financial performance for users of the financial statements.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 75% of group materiality for the 2019/20 audit (2018/19: 75%). In determining performance materiality, we considered the following factors:

a) Our risk assessment, including our assessment of the foundation trust's overall control environment
b) Our past experience of the audit, which has indicated a low number of correct and uncorrected misstatements identified in the prior period.
c) Stable finance team in the current and prior periods

6.3. Error reporting threshold

We agreed with the Audit and Finance and Resources Committee that we would report to the Committee all audit differences in excess of £300,000 (2018/19: £300,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Finance and Resources Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level.

The focus of our audit work was on the Trust, with work performed directly by the audit engagement team, led by the engagement partner.

We performed specified audit procedures in relation to the Trust's subsidiaries, BWC Management Services Limited, Birmingham Children's Hospital Pharmacy Limited and Birmingham Children's Hospital Health Services Limited, where the extent of our testing was based on our assessment of the risks of material misstatement and the component materiality specific for the subsidiary. Our audit work was executed at levels of materiality applicable to each individual entity which were lower than group materiality. The range of component materiality used was £3.6m to £8.6m (2018/19 £3.6m to £8.6m).

Our audit covered all of the entities within the Group, which account for 100% of the Group's net assets, total incoming resources and surplus with no component auditors involved in the audit.

At the Group level we also tested the consolidation process.

8. 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 respect of these matters.

9. Responsibilities of accounting officer

As explained more fully in the accounting officer's responsibilities statement, 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 group's and the foundation 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 accounting officer either intends to liquidate the group or the foundation trust or to cease operations, or has no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

11. Opinion on other matters prescribed by the National Health Service Act 2006

In our opinion:

- the parts of the Directors' Remuneration Report and Staff Report to be audited have been properly prepared in accordance with the National Health Service Act 2006; and
- the information given in the Performance Report and the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

12. Matters on which we are required to report by exception

12.1. Annual Governance Statement, use of resources, and compilation of financial statements

Under the Code of Audit Practice, we are required to report to you if, in our opinion:

- the Annual Governance Statement does not meet the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual, is misleading, or is inconsistent with information of which we are aware from our audit;
- the foundation trust has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; or
- proper practices have not been observed in the compilation of the financial statements.

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

We have nothing to report in respect of these matters.

12.2. Reports in the public interest or to the regulator

Under the Code of Audit Practice, we are also required to report to you if:

- any matters have been reported in the public interest under Schedule 10(3) of the National Health Service Act 2006 in the course of, or at the end of the audit; or
- any reports to the regulator have been made under Schedule 10(6) of the National Health Service Act 2006 because we have reason to believe that the foundation trust, or a director or officer of the foundation trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency.

We have nothing to report in respect of these matters.

13. Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Code of Audit Practice.

14. Use of our report

This report is made solely to the Board of Governors and Board of Directors ("the Boards") of Birmingham Women's & Children's NHS Foundation Trust, as a body, in accordance with paragraph 4 of

Schedule 10 of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Boards those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the foundation trust and the Boards as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Howse, CPFA, CFA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Cardiff, United Kingdom

25 June 2020