East and North Hertfordshire
NHS Trust

Annual Report and Accounts
2019/20

Proud to deliver high-quality, compassionate care to our community

Contents

Performance Report

Introduction

Welcome to the Trust's annual report and accounts for 2019/20. This report comprises three sections:

- Performance Report, which provides information on the Trust in relation to its main objectives, strategies and the principal risks it faces.

- Accountability Report, which looks at our corporate governance arrangements, as well as remuneration and staff related data.

- The Financial Statements, and related notes for the financial year.

This report covers the period of April 2019 to March 2020, and this of course includes the first few months of the COVID-19 pandemic – from when we first began to hear of reports of a new virus in January, through a period of intense preparation, to caring for our first patients with COVID-19.

The way in which our staff have worked tirelessly, compassionately, and as one united team to care for our patients has been beyond impressive. In uncertain circumstances and dealing with a potentially fatal disease, every member of our staff has demonstrated incredible resilience, flexibility, and innovation – rising to meet this challenge in a way which really demonstrates our Trust values. Thank you.

Our community has been overwhelmingly supportive of the Trust. From the regular "clap for carers", and notes of appreciation, to countless donations of food, goods, and funding to support our people to provide the best care for our patients – thank you to all those who have contributed. And indeed thank you to all those who have volunteered their time to work with us and the wider NHS.

The Hospitals' Charity has raised over £300,000 in donations and a further £200,000 in donations in kind (as at 15 May 2020) in donations, and our primary focus will be using these funds to ensure that our staff have access to the best health and wellbeing resources, guidance and intensive support as we continue to treat patients with COVID-19 now and into the future.

We have seen a remarkable step-change in how we work across the Trust, including developments in how we use technology, and how we work with our system partners. We are determined that we will build on these developments to ensure that our services remain easy to access for our communities – from virtual appointments and interviews conducted over video, to working ever more closely with colleagues in the local authority and care homes to ensure continuity of care for our patients.

This step-change, whilst taking place in the last quarter of the year, was possible due to a solid trajectory of improvement, and increased partnership working over the last year, allowing us to respond to the pandemic in an agile way:

- We have continued to play an active part in the Herts and West Essex Sustainability and Transformation Partnership (STP) and the developing East & North Hertfordshire Integrated Care Partnership (ICP) – working closely with partners in neighbouring NHS trusts, local authorities, and with our commissioners. The STP has recently been granted status as an Integrated Care System (ICS) and we look forward to ensuring that our population gets the most from the area's £3.2bn combined health and care budget and that the skills of the 56,000 health and social care workforce are used most effectively.

- Our most recent CQC inspection report published in December 2019 showed improvement in most areas. The Trust retained its Good rating for caring, and improved its rating for effectiveness from Requires Improvement to Good. Examples of outstanding practice were found in children and young people's services at Lister Hospital and in radiotherapy services at Mount Vernon Cancer Centre. The New QEII and Lister Hospitals both showed improvements, with surgery at the Lister moving from an Inadequate to Requires Improvement rating.

- Over the past year, we have seen marked improvement in our operational performance, including meeting the cancer diagnostic target in November and December, and reducing length of stay.

- And finally – I am very pleased that we have achieved our control total (an annual financial target that must be achieved to unlock access to national funding and other financial benefits) for the year 2019/20, whilst also improving quality and performance. This fantastic achievement follows several years of hard work from every team across the Trust as we worked to reduce our deficit, and sets us in good stead for the coming years.

All of these improvements provide a solid base for us to further develop our services and ensure that we continue to deliver on our vision:
Proud to deliver high-quality, compassionate care to our communities.

Ellen Schroder
Chair

Performance overview

The purpose of this section of the performance report is to set out key information on the Trust in relation to its main objectives, strategies and the principal risks it faces. This section includes:

- Chief Executive's statement
- An overview of the Trust, its strategic objectives, organisational structure, services provided and population served
- An update regarding the Hertfordshire and West Essex Sustainability and Transformation Partnership (STP)
- Strategy overview
- Statement on adopting Going Concern basis
- A summary of the Trust's performance (covering clinical, operational, financial and workforce)

Chief Executive's Statement

I would like to start by thanking all of our staff for their hard work, commitment and professionalism as we have worked through the COVID-19 pandemic. Their dedication to continued high-quality, compassionate care has been outstanding.

The way in which our people have worked together across the Trust as one team has been inspiring. I know that this adaptability and professionalism has always been evident in the NHS and indeed here in the Trust. It is rewarding that our staff have received such public recognition for the care they deliver each and every day.

In the year ahead we will reflect upon the Trust that we have become during this pandemic, and seek to capitalise on a strong sense of shared mission, enhanced team working, and ability to change rapidly.

The pandemic is clearly the biggest challenge we have faced in the last year, and will continue to have an effect on our community for years to come. We stand ready to meet the needs to the people we are here to serve.

However I would like also to report on a number of areas where the Trust has made significant progress during 2019/20 – and to recognise that the commitment and hard work of all of our staff did not start with the pandemic.

Achieving financial balance

Firstly, I am very pleased to confirm that we have successfully achieved financial balance - eliminating our deficit and meeting our financial control total. This has been the result of hard work and commitment across the Trust, and a continued focus on cost improvement programmes delivering savings of over £15.2m – while also seeking to improve quality and access.

We know that it is crucial to maintain this financial balance, and we will continue to seek out opportunities to improve our financial performance while also improving quality.

High-quality, compassionate care

We continue to provide high-quality care to our patients, with our mortality rates continuing to show a sustained trend of improvement over the last few years when looking at both of the major national measures: the Summary Hospital Level Mortality Index and Hospital Standardised Mortality Ratio.

We have worked with our system partners to ensure that patients who do not need to be in hospital, have faster, safer discharges – reducing deconditioning and reducing risk of acquiring infection.

Our system working has also led to a harm-free care average for the year of 96.6%, above the target of 93.7%.

Investing in our people

We realise the importance of investing in our staff to ensure high-quality care and better outcomes for our patients. In October 2019, the Trust was nominated as one of 14 trusts to take part in the national Pathways to Excellence Programme. The programme is focussed on local accreditation, nursing and midwifery excellence and shared decision making. It encourages personal and professional development whilst focussing on improving patient safety, patient experience and staff experience.

In June 2019, I was pleased to welcome Duncan Forbes who joined the Board, as Chief People Officer. Our new People Strategy launched in January will continue to guide the way for our staff as we “work, grow, thrive and care together”. Supporting our people as we care for people during this pandemic will continue to be a priority, providing mental health and wellbeing support and development – now and into the future.

Better access for our patients

Our responsiveness to diagnose and treat cancer patients has improved – including meeting 7 out of 8 targets for patients with cancer, before the pandemic began to affect our services. This means fewer patients waiting for their treatment – when we know that every day counts.

Good progress has been made on the future change of ownership of Mount Vernon Cancer Centre, as recommended in a national review of services delivered there. University College London Hospitals (UCLH) has been selected by NHS England as the preferred provider to run the services from 2021, and a complex programme of ‘due diligence’ has begun with a transition team established.

We know that our performance needs to improve in treating patients in a timely way following a referral – while we remain in line with the national average, we must do more to meet the national performance target.

System working

In May 2019, we appointed Sarah Brierley to the role of Director of Strategy, following a number of months in the interim role. Sarah will continue to lead as we move to become part

of an integrated care partnership (which will take the lead in planning and commissioning care for the local population and providing system leadership) within our newly formed integrated care system (an alliance of NHS providers that work together to deliver care through collaboration).

Our close system-working has been vital in delivering services to our communities as we work through the pandemic – including respiratory nurses being active in the community, patient testing, and deploying a number of nurses to work in care homes. This is an example of the innovation, collaboration and commitment that our staff demonstrate every day.

I look forward to building on this solid base of improvement to achieve even more in 2020/21, as one team – proud to deliver high-quality, compassionate care to our community.

Nick Carver
Chief Executive
24 June 2020

About the Trust

East and North Hertfordshire NHS Trust was created in April 2000, following the merger of two former NHS trusts serving the east and north Hertfordshire areas. Today, the Trust provides a wide range of acute and tertiary care services from four hospitals, namely: the Lister in Stevenage; New QEII in Welwyn Garden City; Hertford County in Hertford; and the Mount Vernon Cancer Centre in Northwood, within the London Borough of Hillingdon.

Since October 2014, the Lister has been the Trust's main hospital for specialist inpatient and emergency care. The New QEII hospital, which was commissioned by the East and North Hertfordshire Clinical Commissioning Group, opened fully from June 2015 and provides outpatient, diagnostic and antenatal services, along with a 24/7 urgent care centre. Hertford County also provides outpatient and diagnostic services. The Mount Vernon Cancer Centre provides tertiary cancer services including radiotherapy, chemotherapy and immunology services.

The Trust owns the freehold for each of the Lister and Hertford County; the New QEII is operated on behalf of the NHS by Community Health Partnerships and the Mount Vernon Cancer centre operates out of facilities owned by the Hillingdon Hospitals NHS Foundation Trust.

The area served by the Trust for acute hospital care covers a population of around 600,000 people and includes south, east and north Hertfordshire, as well as parts of Bedfordshire. The Mount Vernon Cancer Centre provides specialist cancer services to some three million people from across Hertfordshire, Bedfordshire, Luton, north-west London and parts of the Thames Valley. The Trust's main catchment is a mixture of urban and rural areas that are in close proximity to London. The population is generally healthy and affluent compared to England averages, although there are some pockets of deprivation – most notably in parts of Cheshunt, Hatfield, Letchworth, Stevenage and Welwyn Garden City. Over the past decade, rates of death from all causes, early deaths from cancer and early deaths from heart disease have all improved and are generally similar to, or better than, the England average.

The birth rate is slightly above the England average, with the Trust's core catchment population forecast to rise by just under 10% over the 10 years to 2026; the most significant growth is expected in people aged 45 to 74 years (although rates of increase in those aged 75 and over are likely to have the greatest impact in terms of health needs). Black and minority ethnic groups (i.e. non-white British) make up approximately 10% of the population in east and north Hertfordshire.

Through the Lister, QEII and Hertford County, the Trust provides a wide range of acute inpatient, outpatient, diagnostic, ambulatory and urgent care services – including an emergency department and maternity care – as well as regional and sub-regional services in renal medicine, urology and plastic surgery. Some 5,400 (FTE) staff are employed by the Trust, including 62 Occupational Therapy and Physiotherapy staff who transferred from Hertfordshire Community Trust on 1st April 2019. The Trust's annual income is approximately £490 million.

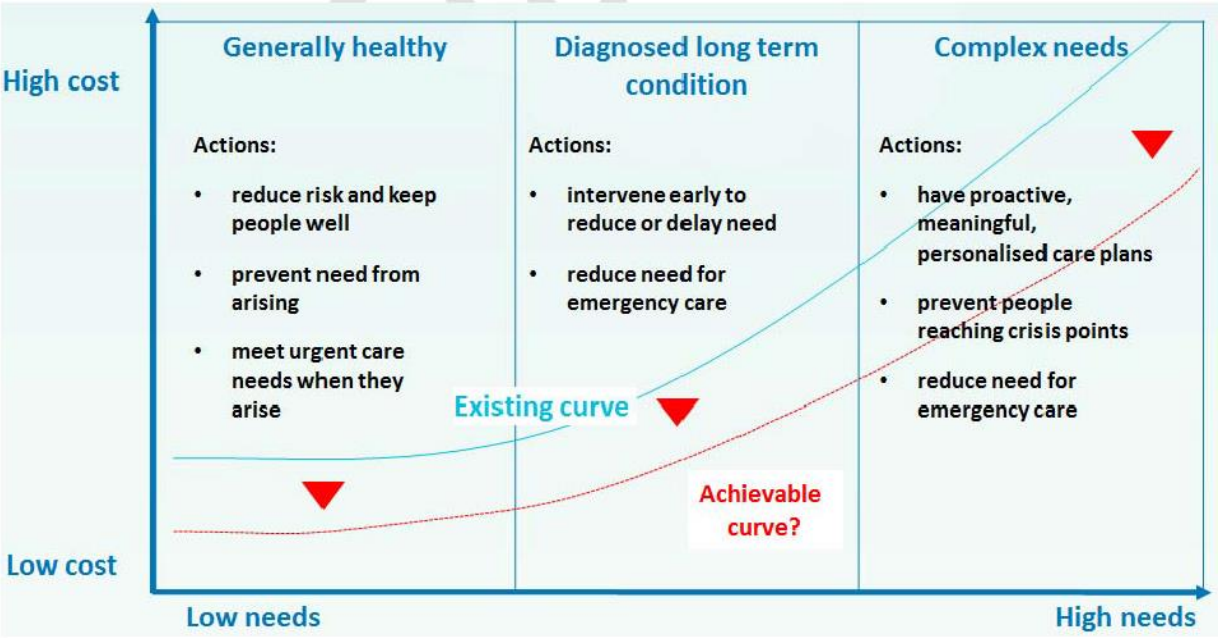
Organisational structure

Currently the Trust has four clinical divisions for medicine, planned care (incorporating surgery and women and children's services), cancer and clinical support services. Each clinical division has a chair, who is a senior clinician, director who is an operational manager and a head of nursing (or midwifery in case of women's services).

Supporting the four clinical divisions are corporate teams covering areas including: finance and IT; medical practice, education and research; nursing practice; operations; strategy; estates and facilities; improvement and people & organisation development.

Hertfordshire and West Essex STP

The Trust is actively involved in the Hertfordshire and West Essex STP at Chair, Chief Executive, director and work stream levels. The STP's vision is to support its residents to live as healthily and independently as possible, supported by caring, effective and affordable health and care services. The STP has a Health & Care Strategy, which has, at its heart, the principles of population health management. This means that collective resources will be delivered where they will have the greatest impact, improving the quality of care through improved, affordable services. The diagram below demonstrates how helping to keep people healthier for longer will, not only help tailor healthcare to best meet their needs, but also reduce system costs in the long term.



We have been working on a number of projects to support STP-wide improvements including:

- Improving cancer treatment pathways – especially how we streamline pathways of care to support faster diagnosis
- Leading work to deliver an STP-wide vascular surgery network, with a vascular hub and hybrid theatre at the Lister hospital
- Improving patient flow and the sustainability of urgent and emergency care through initiatives such as Same Day Emergency Care

- Working collaboratively with STP providers to develop an STP pathology network and procuring a joint pathology solution to support the diagnostic needs of our patients into the future

Further information can be found on the STP's website: https://www.healthierfuture.org.uk/.

Strategy overview and objectives

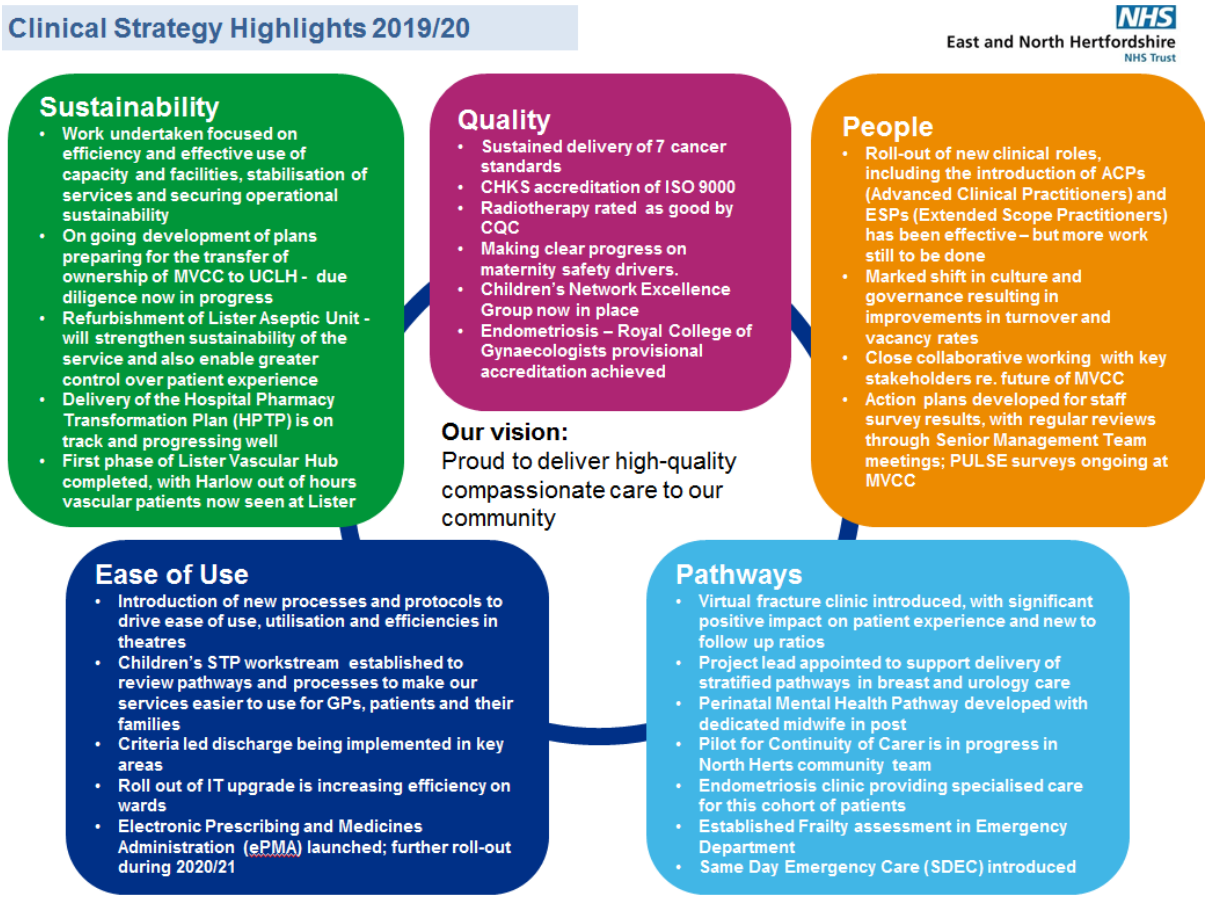
2019/20 was the first year of the Trust's new 5 year strategy to 2024. This was developed with input from our staff, patients, their families and carers, members and key stakeholders, including the Hertfordshire and West Essex STP. The Trust's vision is to be "Proud to deliver high-quality, compassionate care to our community".

The Trust has identified five Strategic Priorities:

- Quality – We deliver high-quality, compassionate services consistently across all our sites.
- People – We create an environment which retains staff, recruits the best and develops an engaged, flexible and skilled workforce.
- Pathways – We develop pathways across care boundaries, where this is in the best interests of patients.
- Ease of Use – We redesign and invest in our systems and processes to provide a simple and reliable experience for our patients, their referrers, and our staff.
- Sustainability – We provide a portfolio of services that is financially and clinically sustainable in the long term.

These are underpinned by our Trust's values: Putting **patients** first; striving for excellence and continuous **improvement**; **valuing** everybody; being **open** and honest; and working as a **team**.

The figure below summarises key progress and achievements made by the Trust during the first year of clinical strategy delivery.



2019/20 has been a year which has seen the Trust develop its services to provide rapid access to specialist expertise including Same Day Emergency Care (SDEC) to reduce the need for patients to be admitted to hospital unless this is clinically required, the launch of a specialised Endometriosis service to improve access to this specialist service for women in Hertfordshire and Bedfordshire and the embedding of the frailty assessment in the Emergency Department.

Of specific note is the commencement of the Mount Vernon Cancer Centre Strategic Review, led by NHS England, which responded to the Trust's strategic decision that the future of the MVCC was best served by becoming part of a tertiary cancer centre. University College Hospitals London (UCLH) was subsequently selected as the preferred provider by a panel of stakeholders following expressions of interest. UCLH will now work with the Trust, NHSE and key stakeholders, including HealthWatch, to develop a recommended future clinical model for MVCC, which best meets future patient and service needs, including accessibility and undertake due diligence ahead of a planned transfer to UCLH in 2021. It is also of note that the Strategic Review has supported the need for the development of satellite radiotherapy services in the north of the MVCC catchment – improving access to radiotherapy for patients in the north of the MVCC catchment areas has been a long term strategic objective of the Trust.

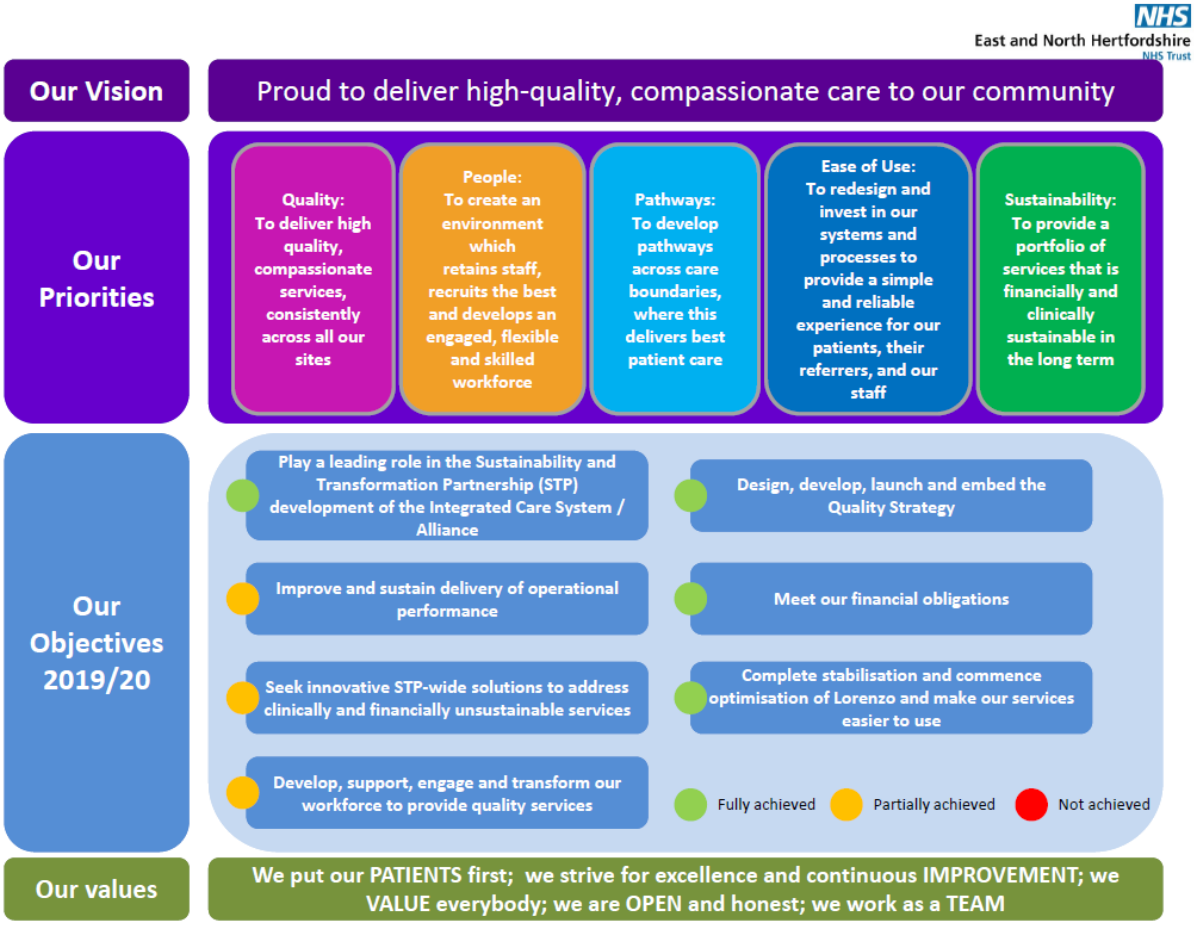
Other key strategic developments last year included the early development of the East & North Hertfordshire ICP and the confirmation of Nick Carver, chief executive, as co-lead for the ICP with the chief executive of Hertfordshire Community Trust. This reinforces the

Trust's commitment to playing a leading role in working with our partners to develop integrated pathways of care for our local community and collaborate to find ways to enhance corporate efficiency and reduce back office costs. An ICP Partnership Board is to start working from early 20/21 which will include representation from our county council, primary care and mental health colleagues who will, together, oversee the strategic development of the ICP, informed by input from our people, patients and community. This will be a key focus of our work over the coming years building on the excellent system-wide response to the Coronavirus pandemic that began in late 2019/20.

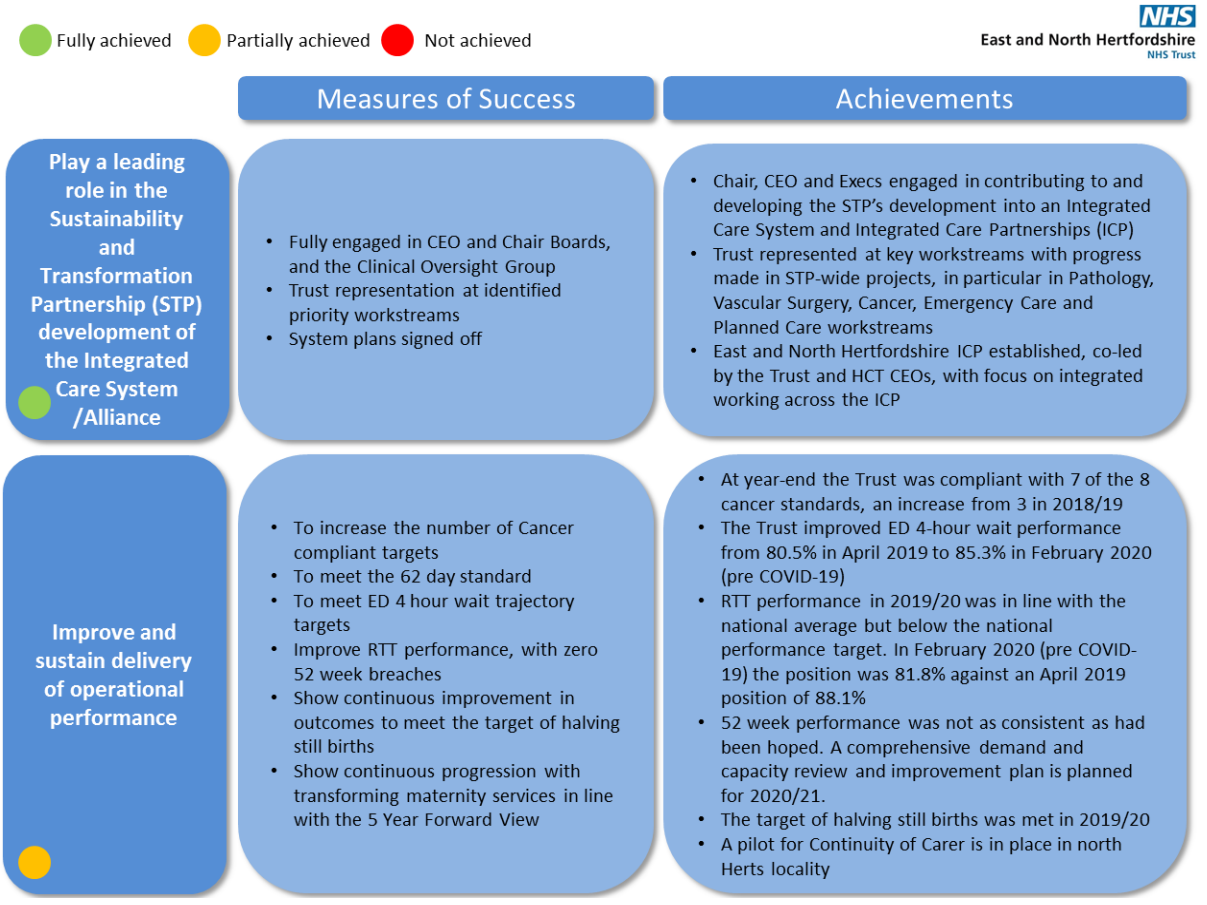
2019/20 has also seen significant steps forward in our strategic priorities to deliver high quality compassionate services. Further detail is provided in the clinical / quality performance summary section in this report. The Trust has also made good progress towards achieving its priority of being easy to use, through for example the development of the Trust's Improvement and Digital Programmes, the launch of the Electronic Prescribing and Medicines Management (ePMA) pilot to improve the efficiency and safety of prescribing and build patient electronic records and the introduction of virtual fracture clinics to reduce the need for patients to repeatedly travel to hospital to for clinical review.

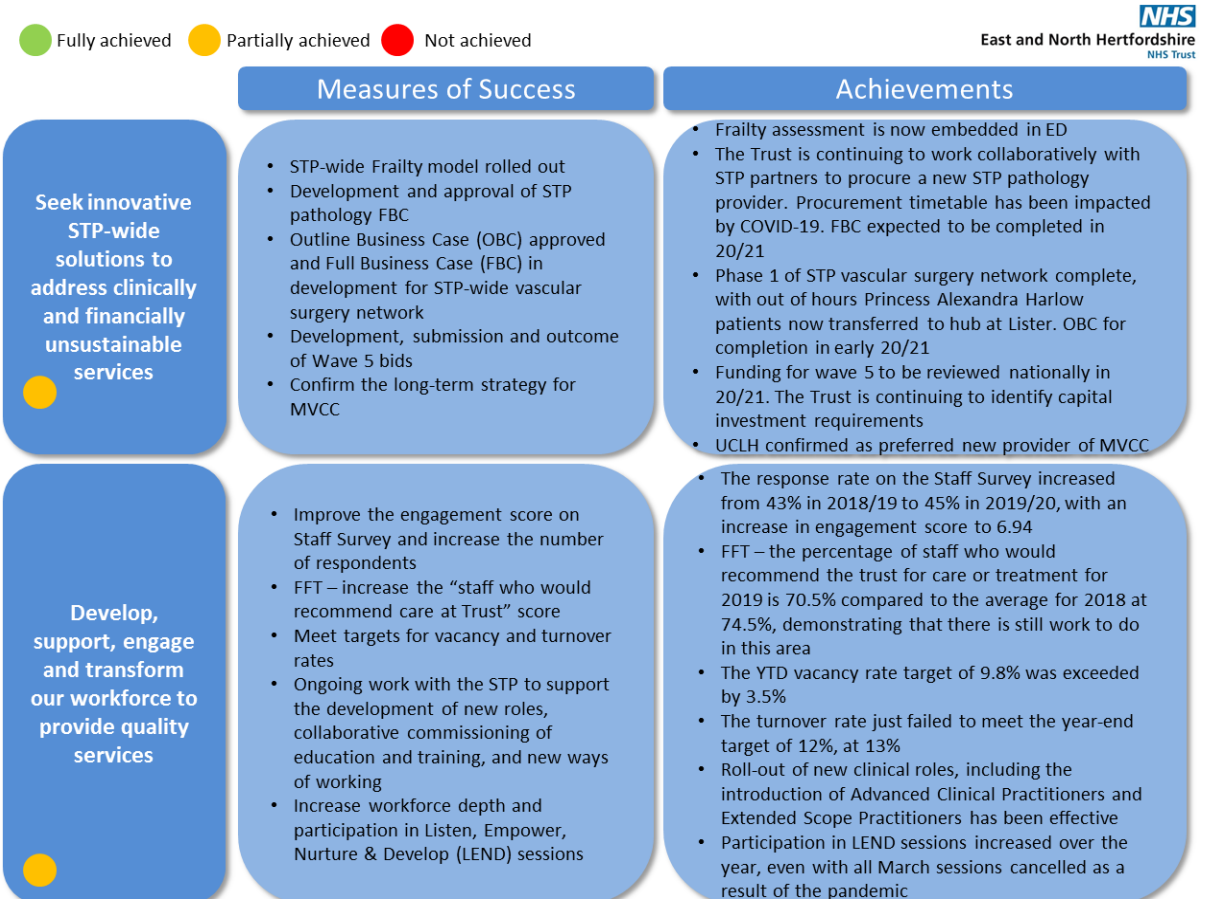
Our 2019/20 objectives

The Trust identified seven key objectives for 2019/20 designed to support delivery of our strategic priorities. Four of these were fully achieved and three partially achieved; work on these is in progress and will continue into 2020/21. These are summarised in the figures below.



The figure below provides further detail on the measures of success for each of our 2019/20 objectives and our assessment of delivery against these.





Fully achieved Partially achieved Not achieved

East and North Hertfordshire NHS Trust

	Measures of Success	Achievements
Design, develop, launch and embed the Quality Strategy	• SHMI to remain in the "as expected" range; HSMR to remain in the "better than expected" range • Increase the number of patients who receive harm-free care • Improve the way the Trust learns from patient feedback, such as Friends & Family and complaints • Publication and adoption of Quality dashboard • Number of and stratified variety of staff trained and contributing to continuous quality improvement efforts has increased	• Trust placed 17th nationally out of all acute non-specialist trusts and remains as one of the best placed in the 'as expected' band for SHMI • HSMR has remained in the "better than expected" range • The harm-free care average for the year was at 96.6%, above the target of 93.7% • A quality improvement plan to support a review of the complaint processes has commenced, with a weekly complaints report shared with the Executive Team. Themes are identified and learning is shared across the Trust in training sessions, staff meetings. Examples of good practice are shared in the Daily News • Quality Improvement team created and is supporting teams across the Trust to implement continuous improvement
Meet our financial obligations	• Deliver the financial plan for 2019/20 • Achieve the agency cap • Deliver the CIP improvement target • Development of the 5 year long term financial model	• The Trust delivered the financial plan, with year end position of a surplus of £2.3m • The Trust has met the agency ceiling set by NHSI • The Trust has delivered total CIP's of £15.2m against a full year target of £15.0m • The 5 year long term financial model was developed across the ICP. However, this is likely to change as a result of the pandemic

Fully achieved Partially achieved Not achieved

East and North Hertfordshire NHS Trust

	Measures of Success	Achievements
Complete stabilisation and commence optimisation of Lorenzo and make our services easier to use	• Lorenzo system is functioning well with minimal errors as measured through the Cymbio performance tool • ICE upgrade delivered • Upgrades to trust hardware for ease and speed of use rolled out • Full service offering on Advice & Guidance • Virtual clinics are part of the ENHT offering to patients	• Lorenzo system functionality improved with roll-out of Trust hardware • Electronic Prescribing and Medicines Administration (ePMA) launched in February 2020 • ICE upgrade completed • Advice & Guidance fully rolled out • Virtual fracture clinic launched with positive impact on patients and follow up rates, with more virtual clinics now being planned.

Our 2020/21 Objectives

The Trust's 2020/21 priorities for the coming year are very much focussed in playing a leading role in supporting our local pandemic response whilst providing the best possible support for our staff. Alongside this we will continue to work collaboratively with our partners to innovate, improve and integrate the way we care for our community in order to provide high quality, sustainable and compassionate services that we and our community can be proud of.

In terms of more specialised hospital services, we expect to further develop the new East & North Hertfordshire Vascular Surgery Network by investing in new vascular hub facilities at the Lister, working with our partner organisations in West Hertfordshire and Harlow to improve the resilience and quality of vascular care for our communities. We also expect to progress the relocation of the Luton renal dialysis unit.

Throughout 2020/21 ENHT will also be working with Specialised Commissioners, UCLH and stakeholders to develop potential future options to ensure the sustainability of cancer services provided by Mount Vernon. Work has begun with clinicians and patients on what the future services need to be in order to meet the needs of the Mount Vernon Cancer Centre population. Stakeholders, including local hospitals and Clinical Commissioning Groups, will be involved in developing a range of options. These options will include maintaining services at, or near, the current Mount Vernon site and a commitment has been given not to reduce access for patients.

For ENHT the future change of ownership of MVCC will prompt consideration of a new cancer strategy to continue to develop and provide innovative, high quality cancer services from the Lister and other sites, such as the New QEII including the development of a new expanded aseptic pharmacy suite to support chemotherapy services and a continued focus on working with partners to develop satellite radiotherapy services which will improve local access to this key service for people living in North Hertfordshire, Stevenage and Central Bedfordshire.

Statement on adopting Going Concern basis

The Trust has prepared its financial plans and cash flow forecasts on the assumption that support funding will continue to be received through the Department of Health and Social Care. These funds are expected to be sufficient to prevent the Trust from failing to meet its obligations as they fall due and to continue until adequate plans are in place to achieve financial sustainability for the Trust. The Trust achieved a surplus during the financial year and is forecast to breakeven in the forthcoming year.

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. The affected loans totalling £146m are classified as current liabilities within these financial statements. As the repayment of these loans will be funded through the issue of PDC, this does not present a going concern risk for the Trust.

The Directors have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. They have not identified any material uncertainties that may cast significant doubt on the Trust's ability to continue as a going concern. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Key performance summary

This section provides a summary of performance over 2019/20.

The impact of COVID-19

The COVID-19 pandemic had a significant impact on the Trust in the final months of 2019-20. This section provides an overview of the impact of COVID-19 and the actions taken by the Trust in response. Some of the performance summaries provided below also include reference to the impact of COVID-19, but aim to provide a more balanced perspective of the year as a whole.

The Trust began planning for COVID-19 at the end of January 2020 and activated a command and control structure from 2 March 2020, in line with business continuity arrangements.

Over the initial period of the pandemic to date, the Trust has experienced vastly different types of activity and levels of demand than would ordinarily have been the case.

Key steps the Trust has taken in response to the COVID-19 pandemic include:

- The Trust has reconfigured services and wards to provide COVID and Non COVID areas for patients. All minor injuries and illnesses were redirected to the Urgent Care Centre at the New QEII Hospital to support these reconfigurations,
- Critical Care Unit capacity increased from 18 to 43 beds,
- The Trust worked in partnership with the independent sector to treat urgent and cancer patients,
- The Trust's Health at Work service was expanded to respond to the increased requirement for support and advice and the Trust has been proactive in considering the potential long-term mental health needs of staff, assisting and equipping staff for redeployment and supporting staff who may belong to a 'high risk' group,
- The Trust has implemented a range of technological solutions to mitigate social distancing restrictions for patients and staff, including providing services for virtual contact between inpatients and their families as well as enabling greater numbers of staff to work from home.

The impact of COVID-19 will continue to be felt into 2020/21 and the Trust has begun the process of considering how to adapt and restart services for the transition to a 'new normal'.

Clinical / quality performance summary

We continue to strive to provide high-quality care to our patients. In 2019/20, the headline performance figures were:

- The quality improvement team has been active in providing quality improvement training and coaching staff through the different stages of improvement projects. 37 improvement projects have been initiated since September 2019.
- Continued progress was made in medicines management, where delays in administration of critical medicines reduced to less than 4% against an aim of under

5%. Antimicrobial stewardship compliance is greater than 90%. An electronic prescribing and administration system pilot commenced in February but unfortunately had to be placed on hold when the coronavirus preparations took priority.

- The Trust continues to be one of the highest performing trusts in England for delivering 'harm free care' as measured by the 'safety thermometer'.
- 2,970patients have been recruited to participate in research approved by the clinical ethics committee.
- Six MRSA bacteraemias (2 in 2018/19) were reported in the year. 58 clostridium difficile infections (27 in 2018/19) were reported, representing a rate per 100,000 bed days of 29.73 compared with the England average of 23.49.
- The Trust has reported two grade 4 pressure ulcers, out of 151 pressure ulcers reported in 2019/20. Pressure ulcers are this year reported differently to previous years so comparison of data is difficult.
- 53 (71 in 2018/19) serious incidents were reported including three (six in 2018/19) never events. The incidents were investigated by a dedicated team of patient safety managers working in collaboration with trust staff to identify causes. The findings have informed a range of quality improvement projects such as safer surgery, improving medication management and identifying earlier the deteriorating patient.
- The rate of patient safety incidents (number of reported incidents per 1000 bed days) for March-September 2019 is 40.7 compared with 38.1 in the previous reporting period.
- In terms of mortality metrics, the Trust's Summary Hospital-level Mortality Index (SHMI) for the twelve months to December 2019 is 0.89, slightly better than the national average and within the 'as expected' range. SHMI is generally available 6/12 in arrears. Regarding the Hospital Standardised Mortality Ratio (HSMR), the latest HSMR for the rolling 12 months to February 2020 is 84.9 and within the 'as expected' range.
- In 2019/20 across all services in the Trust 65,035 patients responded to our friends and family test survey telling us 'how likely they would be to recommend our services to their friends and family if they required similar care or treatment'. The Trust's FFT responses for inpatient and day cases are consistently higher than the national average for both the response rate and the proportion of patients who would recommend the Trust to their friends and family.
- Complaints and concerns also provide valuable information to enable the Trust to learn and make changes based on the experiences of patients, carers and relatives. In 2019/20 1058 formal complaints were received across all services within the Trust, and 3693 informal concerns were received. A wide range of learning outcomes were implemented following formal investigation of complaints and concerns.
- Clinical Excellence accreditation for wards commenced in July 2019. There have now been two separate cohorts achieving two bronze, four silver and one gold accreditations combined. There have been four shared decision making council meetings established, with further rollout planned. The Trust has also engaged with the RCN leadership programme, for which 20 ward leaders are involved.

Operational performance summary

A summary of performance against the key metrics is provided below:

- A&E (the target is for 95% of patients seen, treated and either admitted or discharged within four hours of arrival)

The Trust's year end performance was 80.2%. There was some variation in the Trust's performance during the year, with the best performance (86.1%) achieved in August and the worst (78.87%) in December. The Trust's performance was broadly similar to that of 2018/19 and it remains the case that relatively few NHS trusts achieve this target nationally.

- Cancer performance (eight national standards)

Cancer performance was an area where the Trust made some significant improvements over the course of 2019/20. The Trust achieved the 62 day cancer target for the first time since 2014 in November, December 2019, March and April 2020 and the Trust's performance against this standard remains above the national average at year end. Across all of the cancer standards, the year-end position was compliant with 7 of the 8 standards, an increase from 3 in 2018/19. Of the 8 standards, the Trust has achieved the two week wait and 31-day subsequent treatment (radiotherapy) standards in every month of 2019/20. The Trust already complies with the new standard for 2020/21 on confirming or ruling out diagnosis within 28 days.

- 18-weeks referral to treatment (RTT)

RTT performance in 2019/20 was roughly in line with the national average but consistently below the national performance target. The year-end position was 77.4% but performance in January was 83.3%. 52 week breach performance has not been as consistent as had been hoped. A comprehensive demand and capacity review and improvement plan is planned for 2020/21. Clearly the impact of COVID-19 has been felt in this performance standard with the instruction to cancel all routine appointments in diagnostics, O/P and surgery. The focus is now on restarting routine activity within the confines of patient testing, personal protective equipment and social distancing requirements.

- Diagnostics (DM01) –

The Trust consistently achieved the Diagnostics performance national standard for the majority of 2019/20, with the exception of April and May 2019 and March 2020. The deterioration in performance in March 2020 is directly as a result of the impact of COVID-19 incident management which saw all routine diagnostics cancelled.

- Stroke performance

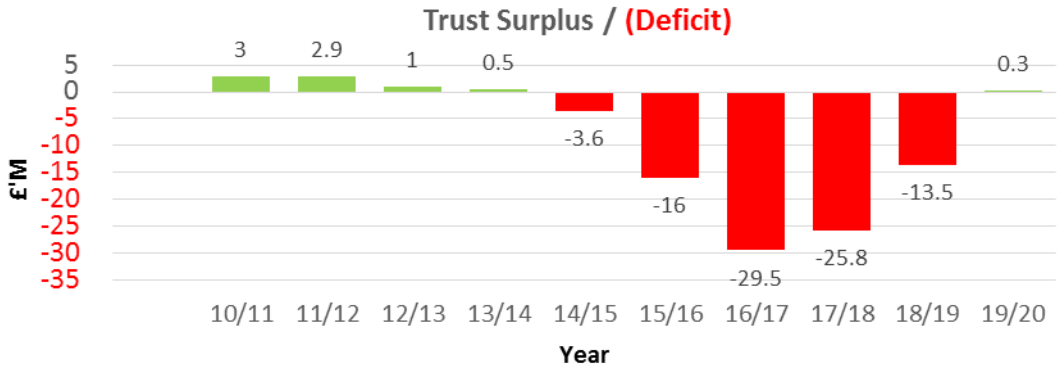
Stroke performance deteriorated over much of the winter period, though performance improved in March to finish the year with in a better position than was achieved in April 2019. Disappointingly, the Trust's SNSNAP grade reduced from A to B in July 2019. A recovery action plan was developed and steps such as the ring fencing of stroke beds supported the recovery in performance at year end. It is recognised that whilst there was an improvement in performance, the Trust remains some way short of the national target.

Financial Performance summary

The Trust agreed its financial plan for 2019/20 with NHS England/ Improvement based on a surplus of £1.2 million before technical adjustments. In order to deliver this control total, the Trust required support from the national Provider and Sustainability Fund and Financial Recovery Fund of £16.3 million. This support was conditional on achieving the core financial target.

The Trust reported a surplus before technical adjustments of £2.3 million. Including technical adjustments the Trust reported a surplus of £0.3 million against an agreed control total of breakeven.

The posting of a small surplus in 2019/20 represents the completion of a significant financial journey for the Trust which last posted a balanced financial position in 2013/14, before moving into 5 years of deficits, peaking in 2016/17 when a deficit of £29.5 million was posted. The chart below details the financial performance of the Trust over the last 10 years.



The significant improvement in the Trust's financial performance has been delivered through a combination of better recording and capture of activity, better cost control and financial governance and increased levels of efficiencies, all whilst delivering improved access target performance and ultimately delivering better outcomes for our patients.

The key features of financial performance during 2019/20 were:

- There was a financial impact for the Trust in 2019/20 in responding to the COVID-19 pandemic that totalled £2.0 million, relating to increased costs and lost income. The Trust included matching income in its accounts to offset this impact, in line with regulator guidance issued.
- The Trust earned significantly more income from patient activities than it had planned for the year. The over-performance was largely driven by high levels of emergency activity, prevalent throughout the year but particularly unexpected over the summer period.
- The impact of local health economy schemes to reduce and redirect demand for emergency services proved less significant than the Trust had envisaged and this resulted in higher levels of emergency activity than planned.
- The additional emergency activity outlined above contributed to a material over-spend on the Trusts Pay-bill, that mostly offset the additional income generated. All

staff groups involved in the direct delivery of patient care overspent against their budget in year.

- The Trust continued to identify and deliver significant cost efficiencies in 2019/20, £15.2 million across the year which was slightly ahead of the planned figure of £15 million.
- Despite the pressures involved in managing consistently high levels of emergency activity throughout the year, and the impact of COVID-19 the Trust was able to control its cost base to within a level that meant at an operational level it could breakeven, and therefore unlike in 2018/19 was eligible for all additional national support monies.

Workforce Performance summary

Key updates from the period included:

- 2019/20 saw the development and launch of the Trust's People Strategy. The People Strategy sets the organisation's ambitions and expectations for its people with a focus on the immediate actions that the organisation needs to take. The People Strategy is structured into key themes:
    - Work Together
        - Having enough people, with the right skills, in the right jobs
        - Flexibility to balance my life
    - Grow Together
        - There are opportunities for all to grow and develop
        - I can access the resources I need to build my capability
    - Thrive Together
        - Compassionate leadership helps me to get things done
        - I am respected, included and my voice matters
    - Care Together
        - I feel safe, healthy and cared for as a human being
        - I feel engaged and trusted to make changes to improve our care
- The Trust started the 19/20 year with an overall vacancy rate of 7.21%. This reduced to 6.33% at the end of the year. 1,256 WTE started with the Trust in 19/20 against 1,046 leavers, resulting in a positive variance overall of 210 more staff at year end.
- The vacancy rates for both qualified nursing and medical recruitment reduced by the end of the year, including some key consultant appointments in traditionally hard to recruit to area.
- By the end of the year, the Trust saw a positive variance of 2% against the agency ceiling target set by NHS Improvement.
- The Trust's overall statutory and mandatory training compliance at the end of March 2020 was 87%. Overall compliance relates to the compliance across all training requirements per role.
- Appraisal rates at the end of March 2020 are at 79%.
- The Trust has increased its investment in equality, diversity and inclusion through the establishment of a new team including a senior leadership role and support staff. The main focus has been on the development and influence of the staff networks. There

are now five staff networks in operation: BAME Network, Carers Network, Disabled members network, LGBTQ+ Network, and the Women's Network.

- A series of initiatives to optimise staff health and wellbeing have been developed over the year, these include:
    - Implementation of Schwartz rounds
    - Physical Health Support
    - A renewed focus on supporting improving safety at work with coordinated lessons learnt in the model of a 'Just and Learning' culture
    - Expanding our Occupational Health Services – The Trust has been working across the ICP to be the provider of Occupational Health services. The scale enables the Trust to create a wellbeing center of excellence for the region and to become a training environment for OH professionals

Further information

Further information regarding the Trust's performance in 2019/20 has been published on our website and can be accessed via the following link: https://www.enherts-tr.nhs.uk/gps-professionals/publications/.

Accountability Report

The accountability report is made up from three sections:

- Corporate Governance Report
- Remuneration and Staff Report
- Parliamentary Accountability and Audit Report

I can confirm that these have been prepared in adherence with the reporting framework.

Nick Carver, Chief Executive
24 June 2020

Corporate Governance Report

This part of the annual report looks at the composition and organisation of the Trust's governance structures and how they support the achievement of the Trust's objectives. The Corporate Governance Report includes:

- Directors' report
- Statement of accountable officer's responsibilities
- Governance statement
- Modern slavery act statement

Directors' report

The Trust Board

The Trust Board has a key role in shaping the strategy, vision and purpose of an organisation. Led by an independent chair and composed of a mixture of both executive and independent non-executive members, the Board has a collective responsibility for the performance of the organisation and providing value for stakeholders and wider society.

The purpose of NHS Boards is to govern effectively, and in so doing build patient, public and stakeholder confidence that their health and healthcare is in safe hands. The Board does this by:

- playing a central role in defining and then monitoring the implementation of the Trust's values and strategy,
- promoting the desired culture for the organisation (and ensuring this is aligned with the strategic direction and values of the Trust),
- monitoring resource requirements and performance,
- monitoring strategic risks and considers mitigations,
- ensuring effective engagement with stakeholders, and,
- ensuring that workforce policies and practices are consistent with the Trusts' values.

The Board has resolved that certain powers and decisions may only be exercised by the Board at its formal meetings. These powers and decisions are set out in the Trust's standing financial orders and instructions, which include a scheme of delegation on the decisions that can be undertaken by the Board committees and specific individuals. These are reviewed on an annual basis.

The Board met in formal session on eight occasions during 2019/20, six of which were held in public following a private session to consider matters of a confidential nature. The Board met on a further four occasions for a Board Development session.

The Board is of sufficient size and the balance of skills and experience is appropriate for the requirements of the business and the future direction of the Trust. Arrangements are in place to enable appropriate review of the Board's balance, completeness and appropriateness to the requirements of the Trust.

The Board consists of a non-executive chair, five non-executive directors and five executive directors – the Chief Executive and the Medical Director, Director of Nursing, Director of Finance and Chief Operating Officer. In addition, one associate non-executive director and

two further executive directors – the Director of Strategy and Chief People Officer – participate in board meetings, but do not have voting rights. The executive and non-executive members function as a team, working closely together, although with different responsibilities.

During 2019/20, there were no personnel changes in terms of the Trust's non-executive director Board members.

The Trust did however engage with NHS England / Improvement towards the end of 2019/20 to participate in its NExT Director Scheme which supports greater diversity on boards by facilitating placements for aspiring non-executive directors from currently under-represented areas of society. The Trust's NExT Director started his induction with the Trust in March 2020. Participating in this scheme will provide greater diversity at Board level and assist with succession planning for the Trust.

The Chair continues to review the skills and experience required from the non-executive directors for the challenges ahead.

During 2019/20 there have been two changes to the executive director team. The Interim Chief People Officer finished in the role at the end of May 2019 with Mr Duncan Forbes commencing in post as the permanent Chief People Officer from Monday 3 June 2019.

In addition, the acting Director of Strategy at the start of 2019/20, Mrs Sarah Brierley, was appointed to the role permanently in May 2019.

The Chair and non-executive directors are appointed by NHS Improvement, on behalf of the Secretary of State for Health and Social Care. The normal term of office served by the chair and non-executive directors is either two or four years, renewable for a further four-year period. The maximum term is 10 years. During 2019/20, the terms of the Trust chair and two other non-executive directors were extended (further detail is provided in the summary chart on page 35/36).

The Chair and non-executive directors appoint the Trust's Chief Executive. Together with the Chief Executive, the Chair and non-executive directors appoint all other executive directors and determine their remuneration.

The executive directors are appointed by the Board on permanent contracts. All executive and non-executive directors undergo an annual performance evaluation and appraisal. The Chair conducts the annual performance evaluation and appraisal of the Chief Executive and non-executive directors. The Chief Executive, in turn, conducts the annual performance evaluation and appraisal of the Trust's executive directors. The Chair is appraised by NHS Improvement (though a new appraisal framework for Trust chairs was launched in November 2019 which will be used to guide future Chair appraisals within the Trust). The outcomes of the appraisals of executive directors and the Chief Executive are discussed by the non-executive directors at the Board's Remuneration Committee. The Chief Executive is not present when his appraisal is being considered by the Remuneration Committee. Each Board member is required to meet the Fit and Proper Persons test. This is undertaken on appointment and reviewed annually through a self-declaration process. Board performance

is evaluated further through focussed discussions at Board development days, meetings, observation, annual evaluation of the Board committees and an ongoing in-year review of the board assurance framework and delivery of the Trust's strategic objectives.

The role of the NHS trust chair

The Chair's role is key in creating the conditions for overall board and individual director effectiveness, with her main responsibilities being:

- Providing leadership to the Board, ensuring its effectiveness in all aspects of its role, and taking responsibility for setting its agenda
- Helping to shape and set the culture of the Board, which should serve as an example for the rest of the organisation to follow
- Fostering effective relations with stakeholders, both internal and external to the Trust
- Arranging the regular evaluation of the performance of the Board, its committees and individual directors, including the Chief Executive
- Facilitating the effective contribution of non-executive directors and ensuring constructive relations between executive and non-executive directors

The role of non-executive directors

Non-executive directors work alongside other non-executives and executive directors as an equal member of the Board. They share responsibility with the other directors for the decisions made by the Board. Non-executive directors use their skills and personal experience, including as members of their communities, to:

- Contribute to the formulation plans and strategy – bringing independence, external perspectives, skills, and challenge to strategy development
- Ensure accountability – holding the executive to account for the delivery of strategy; providing purposeful, constructive scrutiny and challenge; chairing or participating as a member of key committees that support accountability; being accountable individually and collectively for the effectiveness of the Board
- Shape culture and capability – actively supporting and promoting a healthy culture for the organisation; providing visible leadership in developing a healthy culture so that staff recognise non-executive directors as a safe point of access to the Board for raising concerns; champion an open, honest and transparent culture within the organisation
- Review process, structures and intelligence – satisfying themselves of the integrity of reporting mechanisms, and financial and quality intelligence including getting out and about, observing and talking to patients and staff; providing analysis and constructive challenge to information on organisational and operational performance
- Support engagement – ensuring that the Board acts in best interests of patients, the public and other stakeholders; being available to staff if there are unresolved concerns; showing commitment to working with key partners

The time commitment required of the Chair is two to three days per week and of non-executive directors is two to three days per month. To add most value, non-executive duties

should not extend into operational matters – which are the responsibility of the Chief Executive and their executive director colleagues.

Through focusing on strategy, as well as scrutiny of performance, risk and financial management, the non-executive directors enrich the governance of the Trust. To support engagement with the wider organisation and the two-way flow of information, each non–executive director has been linked with a division or corporate area to work more closely with.

The Trust Board 2019/20

This section of the annual report provides details of Board members as well as of other non-voting directors, including their Board committee membership during 2019/20.

Key to principal committee membership:
AC – Audit Committee
EC – Executive Committee
FPPC – Finance, Performance and People Committee (formerly Finance and Performance Committee)
QSC – Quality and Safety Committee
RC – Remuneration Committee
CTC – Charity Trustee Committee

Notes regarding committee attendance:
1. The Executive Committee (EC) is a weekly meeting that is attended by all executive directors, unless absent from the Trust (though this meeting was suspended for a period in response to the COVID-19 pandemic, as alternative meeting structures were in place).
2. Any Board member is welcome to attend any Board committee, whether a designated member or not; and many do so on a regular basis. In particular, the Trust Chair attends both the FPPC and QSC meetings although she is not a designated member. The committee attendance figures listed below do not take into account these additional attendances; rather they reflect attendances that are expected.
3. The Board members have been deemed as having attended a meeting if they attended for a majority of the agenda items. Partial attendance at a meeting is also recorded but not reported here.

Meet the Board

Back row, from left: Julie Smith, Bob Niven, Sarah Brierley, Peter Carter, Rachael Corser, Duncan Forbes, Val Moore, Michael Chilvers, Jude Archer (Associate Director of Corporate Governance).

Front row, from left: Jonathan Silver, Ellen Schroder, Nick Carver, Karen McConnell, Martin Armstrong.

Board members:

Ellen Schroder, Trust Chair

Ellen became the Trust's chair on 1 April 2016, prior to which she was vice-chair and audit chair for the Camden Clinical Commissioning Group since its inception in 2012. From 2003 to 2012, Ellen was a non-executive director at Imperial College Healthcare NHS Trust and its predecessor St Mary's NHS Trust, where she chaired both the audit and finance committees. Ellen also chairs the PFI companies which built Amersham Hospital and part of High Wycombe Hospital and is a Trustee of the Radcliffe Trust charity. Between 1979 and 2003, Ellen pursued a career in corporate finance working for the investment banks, Dresdner Kleinwort Benson and Wood Gundy Inc. Ellen, who lives with her family in North London, was initially appointed the Trust's chair for four years until 31 March 2020. This has subsequently been extended by a further four years to 31 March 2024.

Committee membership: RC
Attendance: Trust Board: 8 of 8, FPPC 11 of 11, QSC 10 of 11, RC 3 of 3

Nick Carver, Chief Executive

After initially working as a hospital porter, Nick qualified as a Registered Nurse before developing his interest in health service management. In addition to his registered general nurse qualification, he holds a BA (Hons) in political theory and government, as well as an MSc in health care management. Nick was appointed as Chief Executive in November 2002, having previously been Chief Executive of the George Eliot Hospital NHS Trust in Warwickshire, prior to which he held senior roles in the West Country and South Wales. He has led the East and North Hertfordshire NHS Trust through major service change and

delivered public and political support for a major reconfiguration of hospital services that delivered substantial quality and financial benefit to the local health economy. In 2013, Nick was presented with the Inspirational Leader of the Year award by Health Education, East of England. Nick is passionately committed to leadership development and is the Chief Executive lead for the widely praised Bedfordshire and Hertfordshire Aspiring Directors Development Scheme and also chairs the Midlands and East Regional Talent Board.

Committee membership: EC, QSC (core attendee), FPPC (core attendee), AC (attendee), RC (attendee)
Attendance: Trust Board 8 of 8, FPPC 8 OF 11, QSC 4 of 11*, AC 1 of 5, RC 0 of 3
** Due to required attendance at system wide STP meetings*

Bob Niven, Non-Executive Director

Mr Niven, who lives in Hatfield, is a retired senior civil servant. Mr Niven became the chief executive of the Disability Rights Commission until September 2007. After a number of board appointments, including as chair of the Mental Health Helplines Partnership and at the Office of the Public Guardian, Mr Niven served as the resident independent adviser to the Israeli Equal Employment Opportunities Commission under a two-year, EU-supported capacity-building project until February 2012. Since then, he has been a non-executive Director on the boards of organisations concerned with equalities and disability rights; and is Chair of WFL, a community trust charitable company which supports fitness and wellbeing projects for disadvantaged groups and areas.

Committee Membership: FPPC, AC, CTC, RC
Attendance: Trust Board 7 out of 8, FPPC 11 out of 11, AC 5 out of 5, CTC 4 out of 4, RC 3 out of 3

Val Moore, Non-Executive Director

Val Moore, who lives near Cambridge, worked in several roles for the National Institute for Health and Care Excellence (NICE) between 2006 and 2015 – most recently as its implementation programme director. Originally trained in psychology and as a science and physical education teacher, Val moved into the NHS in 1990 working in health promotion prior to taking up roles including as executive director in the former Cambridgeshire Health Authority and then regional director for the Health Development Agency (1999 to 2006). Val, who is also the chair of HealthWatch Cambridgeshire, will initially serve on the Trust's Board for a four-year period from 1 September 2016 to 31 August 2020.

Committee membership: QSC, RC, CTC
Attendance: Trust Board 7 out of 8, QSC 8 out of 11, CTC 4 out of 4, RC 4 out of 4

Jonathan Silver, Non-Executive Director

Jonathan, who lives in Aldenham, studied operational research and accountancy at Strathclyde University, graduating in 1978. On qualifying as a chartered accountant with Grant Thornton in 1981, he moved to Fisons plc. After five years, Jonathan joined Laird plc – now a global technology company providing systems, components and solutions that protect electronics from electromagnetic interference and heat, and that enable connectivity in wireless applications and antennae systems. Following 29 years with Laird, the last 21 of which had been as its chief financial officer and main board director, Jonathan retired in

2015. He is a non-executive director and audit committee chairman of Invesco Income Growth Trust PLC, Henderson High Income PLC and of Spirent Communications PLC. Jonathan is also a Non-Executive Director of ENH Pharma Ltd, the Trust's wholly owned subsidiary company.

Committee membership: FPPC, AC, RC
Attendance: Trust Board 6 out of 8, FPPC 11 out of 11, AC 5 out of 5, RC 3 out of 3

Peter Carter OBE, Non-Executive Director
Peter was chief executive at the Royal College of Nursing from January 2007 to August 2015. Prior to his role at the RCN, he was chief executive of the Central and North West London NHS Foundation Trust for 12 years. Now an independent healthcare consultant, Peter was awarded an OBE for services to the NHS in 2006.

Committee membership: QSC, RC
Attendance: Trust Board 6 out of 8, QSC 7 out of 11, RC 2 out of 3

David Buckle, Non-Executive Director (Associate)
A GP in Woodley, Berkshire for over 30 years, David also has had a long career in clinical leadership and, subsequently, medical management. In 2015, he was appointed as the medical director for the Herts Valleys Clinical Commissioning Group before retiring in early 2018; he is also a non-executive director of the Berkshire Healthcare NHS Foundation Trust. David has been a member of the Society for the Assistance of Medical Families for over three decades, becoming a director of this charity in 2017 before being voted its President in May 2018. He is also a trustee for the Stroke Association, the country's largest stroke charity.

Committee membership: QSC, RC, CTC
Attendance: Trust Board 7 out of 8, QSC 9 out of 11, CTC 3 out of 4, RC 2 out of 3

Karen McConnell, Non-Executive
Karen studied Bacteriology at Newcastle University before joining the Northern Regional Health Authority as a finance trainee in 1983. In 1985 she joined the Audit Commission where she completed her accountancy training. Karen held a variety of senior positions at the Audit Commission, including as a district auditor and regional director, before leading the Audit Practice and its 900 staff through the transition of outsourcing the Commission's work to the private sector during 2011 and 2012. Karen was appointed as the Comptroller and Auditor General (C&AG) for Jersey in January 2013 and completed her 7 year term in December 2019. In her role as C&AG she provided the States of Jersey with independent assurance that the public finances of Jersey are regulated, controlled and accounted for in accordance with the law.

Committee membership: FPPC, AC, RC
Attendance: Trust Board 6 out of 8, FPPC 10 out of 11, AC 4 out of 5, RC 3 out of 3

Martin Armstrong, Director of Finance and Deputy Chief Executive
Martin started his NHS career as a national financial management trainee in 1994 at the South Tees Community and Mental Health NHS Trust. Since that time, he has worked in

several financial management roles in the North-east, London and the South-east – including at the Princess Alexandra Hospital as its deputy director of finance from 2003 to 2007, followed by becoming its director of performance from 2007 to 2009. Martin's most recent role before joining the Trust in October 2016 was director of finance, information and performance at the North Middlesex University Hospital Trust. Martin was appointed Deputy Chief Executive in April 2020.

Committee membership: EC, FPPC (core attendee), AC (attendee)
Attendance: Trust Board 8 out of 8, FPPC 11 out of 11, AC 5 out of 5

Michael Chilvers, Medical Director
Michael has been a consultant in the Trust since 1999, in the specialty of anaesthesia and critical care. He has trained in Nottingham, Brisbane and London – including The Royal Free, University College London Hospitals, Great Ormond Street and Harefield Hospital. Michael was appointed as medical director in December 2017 and prior to this was divisional chair of the Trust's surgery division for five years.

Committee membership: EC, FPPC (core attendee), QSC (core attendee)
Attendance: Trust Board 6 out of 8, FPPC 6 out of 6, QSC 8 out of 11

Rachael Corser, Director of Nursing and Patient Experience
Rachael joined the Trust in January 2018 from West Hertfordshire Hospitals NHS Trust, where she was the deputy director of nursing and governance for just over two years. She has had previous experience of working in acute, community, integrated care and independent sector healthcare settings, at board and sub-board level. With an extensive and varied clinical background, including working as an advanced clinical practitioner, Rachael has published her own research and evaluation of developing integrated healthcare services. Rachael has an MSc in nursing research and practice innovation and is a Florence Nightingale Scholar.

Committee membership: EC, FPPC (core attendee), QSC (core attendee), CTC (core attendee)
Attendance: Trust Board 8 out of 8, FPPC 6 out of 8, QSC 8 out of 8, CTC 1 out of 4

Julie Smith, Chief Operating Officer
Julie qualified as a diagnostic radiographer in 1989 and as an ultra-sonographer in 1993. She has worked in a number of NHS trusts, including North West Anglia NHS Foundation Trust and Princess Alexandra Hospital NHS Trust. Julie joined our Trust in 2018 from Cambridge University Hospitals NHS Foundation Trust, where she worked for 19 years and held a number of roles – including executive intern, associate director and operations director. She was also interim chief operating officer for a three month period.

Committee membership: EC, FPPC (Core attendee), QSC (Core attendee).
Attendance: Trust Board 7 out of 8, FPPC 6 out of 11, QSC 8 out of 11

Sarah Brierley, Director of Strategy (Acting Director of Strategy until 14 May 2019)
Sarah qualified as an occupational psychologist and has worked in a number of NHS trusts, including the Royal Free NHS Trust and the Royal London NHS Trust (St Bartholomew's

Hospital). Sarah joined East and North Hertfordshire NHS Trust in 2001 and has held a number of roles including divisional director and director of business development and partnerships within the Trust. Sarah was appointed Director of Strategy in May 2019.

Committee membership: EC, FPPC (core attendee), QSC (core attendee from November 2019), CTC (core attendee)
Attended: Trust Board 4 out of 8, FPPC 4 out of 8, QSC 4 out of 8, CTC 2 out of 4

Susan Young, Interim Chief People Officer (to end of May 2019)
Susan is an experienced HR professional who has worked in both central and local government and the NHS. She is a Chartered Fellow of the Chartered Institute of Personnel and Development with 17 years' experience in HR, organisational development and broader transformation in the public sector at Board level. Susan was Interim Chief People Officer (CPO) at the Trust, pending the appointment of a permanent CPO.

Committee membership: EC, FPC (core attendee), QSC (core attendee), RC (attendee)
Attendance: Trust Board 1 out of 1; FPC 2 out of 2; QSC 2 out of 2

Duncan Forbes, Chief People Officer
Duncan joined the Trust from Norfolk and Suffolk NHS Foundation Trust, where he was the executive director of human resources (HR) and organisational development (OD). Duncan came to the NHS from the civil service where he was HR Director: OD for the Ministry of Justice. Prior to this, Duncan had an extensive career in the private sector working across the world for Jaguar Land Rover, WorldPay and ASDA Walmart. He also spent four years running his own people consultancy business, which he sold in 2007. Duncan's work has mainly been in supporting organisations to shift their culture and improve performance and quality by realising the potential of their people. He is a passionate advocate of the modernisation of HR as a profession and has written articles, blogs and spoken at conferences around the world about the link between improving quality and improving the experience people have at work.

Committee membership: FPPC (core attendee), QSC (core attendee), RC (attendee)
Attendance: Trust Board 5 out of 6, FPPC 5 out of 9, QSC 5 out of 9, RC 3 out of 3

Name	Title	Appointment Date	Term(s) of Office	Term of Office ends
Ellen Schroder	Trust Chair	1 April 2016	Four Years + Four Years	31 March 2024
Nick Carver	Chief Executive	18 November 2002	N/A	N/A
Robert Niven	Non-Executive Director Designate*	1 September 2013	N/A	N/A
	Non-Executive Director	6 January 2014	Four Years + Two years +Two years	5 January 2022
Val Moore	Non-Executive Director	1 September 2016	Four Years	31 August 2020
Jonathan Silver	Non-Executive Director Designate*	16 October 2017	N/A	N/A
	Non-Executive Director	1 February 2018	Two Years + Four Year	31 January 2024
Peter Carter	Non-Executive Director	3 September 2018	Four Years	2 September 2022
David Buckle	Non-Executive Director Associate*	17 September 2018	N/A	N/A
Karen McConnell	Non-Executive Director	7 January 2019	Four Years	6 January 2023
Martin Armstrong	Finance Director	31 October 2016	N/A	N/A
Michael Chilvers	Medical Director	18 December 2018	N/A	N/A
Rachael Corser	Director of Nursing and Patient Experience	2 January 2018	N/A	N/A
Julie Smith	Chief Operating Officer	25 June 2018	N/A	N/A
Sarah Brierley	Acting Director of Strategy*	21 January 2019	N/A	N/A
	Director of Strategy*	14 May 2019		
Duncan Forbes	Chief People Officer*	3 June 2019	N/A	N/A

Susan Young	Interim Chief People Officer*	1 February 2019	N/A	Left the role on 31 May 2019 (though remained employed by the Trust for a planned handover period with the incoming Chief People Officer until 30 June 2019)

*****Attended and participated in Trust Board meetings, but without voting rights

Each director knows of no information which would be relevant to the auditors for the purposes of their audit report, and of which the auditors are not aware, and has taken "all the steps that he or she ought to have taken" to make himself/herself aware of any such information and to establish that the auditors are aware of it.

Declarations of Interests of the Board of Directors

The Board of Directors undertake a review of their conflicts of interest on at least an annual basis, as well as ensuring any interests that arise in year are declared as and when appropriate.

At each meeting of the Board and at the sub committees of the Board a standing item also requires all Executive and Non-Executive Directors to make known any interest in relation to the agenda items, including any changes to a previously declared interest that is relevant to an agenda item.

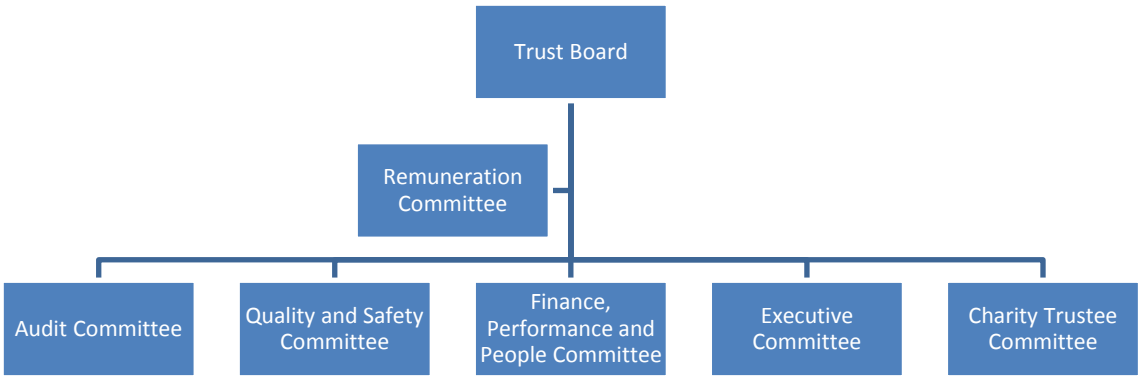
The Register of Interests is published on the Trust's website (here: https://www.enherts-tr.nhs.uk/about/board/introduction/).

Members of the public can also gain access by contacting the Trust Secretary:

Joseph Maggs, Trust Secretary
Trust Management Offices Corey Mill Lane
Stevenage SG1 4AB
Email: joseph.maggs@nhs.net

Governance structure

The Trust Board has a number of formal board assurance committees (see diagram below) that are supported by a system of line accountability through executive directors, often supported by further operational assurance groups. Each Board assurance committee provides a summary report to the next Trust Board meeting. An internal review of each committee is undertaken annually to ensure that it continues to meet its terms of reference and operate effectively.



Executive directors are accountable to the Board committees. Each director has governance and assurance structures in place to deliver the respective areas of their responsibility.

The *Audit Committee* holds the executive to account for the effectiveness of governance systems and the processes for managing risk. The Audit Committee membership consists of the following non-executive directors: Jonathan Silver (chair), Bob Niven and Karen McConnell.

The *Quality and Safety Committee* meets monthly (excluding August) and has a membership of three non-executive directors. The purpose of the Quality and Safety Committee is to ensure that appropriate arrangements are in place for measuring and monitoring quality and safety including clinical governance, clinical effectiveness and outcomes, research governance, information governance, health & safety, patient and public safety, compliance with CQC regulation and some workforce issues such as organisational culture and education and talent management. The Committee is responsible for assuring the Board that these arrangements are robust and effective and support the delivery of the Trust's Clinical Strategy 2019-2024 and Quality Strategy.

The *Finance, Performance and People Committee* also meets monthly (excluding August) and has a membership of three non-executive directors. The purpose of the Finance, Performance and People Committee is to provide assurance to the Board that appropriate arrangements are in place to support the delivery of the financial, operational and workforce objectives which contribute to the delivery of the Trust Strategy. Through this work, the Committee plays a key role in ensuring the sustainability of the Trust.

The *Charity Trustee Committee* provides stewardship of the Trust's charitable funds on behalf of the Board, which is the corporate trustee, and is responsible for the Charity's strategy.

The Trust's *Executive Committee* comprises all executive directors and is also attended by some senior managers. This committee meets weekly and covers all major service, performance and organisational issues. The Trust continues to consider the most effective means of engaging with the leaders of the clinical divisions following the pausing of the fortnightly meetings of the Divisional and Executive Committee meetings in 2019.

The management of the Trust's clinical services are currently devolved into four clinical divisions:

- Division of medicine (divisional chair, Dr Suresh Mathavakkannan and divisional director Bridget Sanders)
- Planned care (incorporating surgery and women and children's services) (divisional chair, Dr Mark Hearn and divisional director currently vacant but being covered by the Trust's Deputy Chief Operating Officer for Planned Care)
- Division of clinical support services (divisional chair, Dr Tim Walker and divisional director, Claire Moore)
- Division of cancer services (divisional chair, Jagdeep Kudhail and divisional director, Sarah James)

The divisional structure is being reviewed currently to ensure it continues to meet the needs of the organisation.

Information governance

The Trust's assurance framework and risk register include the risks associated with the management and control of information. In this respect, the trust has established a framework to support compliance with the ten data security and protection standards and GDPR.

In response to the COVID-19 pandemic, the Trust opted to extend the deadline for the submission of the Data Security and Protection Toolkit to September 2020.

Progress with completion of the DSPT is monitored at the Trust's Information Governance Steering Group meetings which are held quarterly.

During 2019/20 we have not declared any incidents classified as Level 2 or that meet the requirements to report to the Information Commissioner's Office (ICO). All information governance incidents are reviewed by the Information Governance team and potential and actual serious incidents are reviewed in line with the national guidance through the Trust's incident review process to support learning.

External auditor

In compliance with the requirements of the NHS Shared Business Services Framework, the Trust opted to reappoint BDO LLP as the Trust's external auditors from 2020/21 on the expiry of the initial contract (and subsequent extensions) at the end of March 2020.

With the exception of the Quality Account limited assurance review, BDO LLP does not provide non-audit services to the Trust.

Under the previous contract which commenced on 1 April 2017, BDO LLP acted as external auditor for the Trust for 2015/16, 2016/17, 2017/18 and 2018/19.

The external auditors attend the Trust's Audit Committee meetings and maintain regular dialogue with the Audit Committee Chair and Director of Finance to discuss audit and other issues promptly.

Internal auditor

The Trust's internal auditor (a function that is currently outsourced) is responsible for undertaking internal audit functions on behalf of the Trust. The head of internal audit reports to each meeting of the Trust's Audit Committee on the audit activity undertaken. 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; therefore, it can 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 the 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 summary of the internal audit work is included in the annual governance statement.

RSM were the Trust's internal auditors during 2019/20. Following a procurement process and recommendation by the Trust's Auditor Panel, TIAA have been appointed as the Trust's internal auditors for two years from 2020/21, with an option to extend until for a further two years.

Statement of the Accountable Officer's Responsibilities

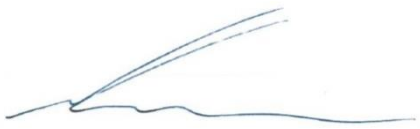
The Chief Executive of NHS Improvement, in exercise of powers conferred on the NHS Trust Development Authority, has designated that the Chief Executive should be the Accountable Officer of the Trust. The relevant responsibilities of Accountable Officers are set out in the *NHS Trust Accountable Officer Memorandum.* These include ensuring that:

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;
- value for money is achieved from the resources available to the Trust;
- the expenditure and income of the Trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;
- effective and sound financial management systems are in place; and
- annual statutory accounts are prepared in a format directed by the Secretary of State to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, other items of comprehensive income and cash flows for the year.

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

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an Accountable Officer.

I confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable.

Signed:  Nick Carver, Chief Executive

Date: 24 June 2020

East and North Hertfordshire NHS Trust Annual governance statement 2019/20

Scope of responsibility

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

The purpose of the system of internal control

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

Capacity to handle risk

The Board of Directors set the policy framework and strategy and provides leadership for the management of risk across the organisation. In 2019/20 the Director of Strategy was the Executive Lead for risk management supported by the Associate Director of Corporate Governance. The executive team lead on the areas of risk within their portfolios and are nominated as the lead for specific strategic risks on our Board Assurance Framework.

The Board Assurance Framework (BAF) identifies the principal risks to the achievement of the Trust's strategic objectives, together with the key controls and assurances and any gaps in those controls and assurances. Through this framework the Board gains assurance from the appropriate Executive Director that risks are being appropriately managed throughout the organisation. This is reviewed each month by the Executive Director Lead for each risk and jointly by Executive Committee. The BAF is considered by the Audit Committee, relevant Board Committee and at each public meeting of the Board. This is supported by the Directors detailed reports to the Board and its committees, which include workforce, finance, operational performance and quality and safety. The Board Committees have strengthened their scrutiny of the risks through the use of deep dives into specific areas.

The operational responsibility for risk management is managed by the relevant clinical division or corporate directorate. Each of the Trust's clinical divisions has a Divisional Chair (clinical), a Divisional Director and Head of Nursing who are accountable for risk and

governance. A process of review and challenge of divisional risks, as contained in the risk register, is conducted through the Divisional Accountability Review Meetings. Areas of high risk are escalated to the Audit Committee, Quality and Safety Committee (QSC), Finance Performance and People Committee (FPPC) and the Trust Board. Each of the Divisions attends QSC on an annual basis for further scrutiny of their quality governance and compliance processes.

During 2019/20 we have continued to make significant progress towards implementing our Risk Management Strategy, Board Assurance Framework and Accountability Framework structure to ensure these provide clear and comprehensive risk management and fully support the corporate governance systems. During 2019/20 the Board and Audit Committee have regularly reviewed progress. During quarter 4 2019/20 we have undertaken an annual review of progress and updated the Risk Management Strategy and supporting procedure. The final documents were approved by the Audit Committee and Board in March and April 2020. During 2019/20 the Audit Committee has undertaken a number of deep dive reviews of specific risks on the BAF including Estates, Performance and Capacity and Governance.

The Associate Director of Corporate Governance ensures the Board receive support and training on risk management and in February 2019 the Board had a risk management workshop, facilitated by the Risk Manager focusing the areas outlined above including risk appetite. The Risk Manager provides support and training to staff and leadership teams on risk management and the risk register. The Health, Safety and Security Team provide mandatory training on health, safety and security and fire to all staff across the organisation.

In addition to training, during 2019/20 the Board had a series of development sessions to consider key areas of strategic significance and risk, including our strategic plan, review of our strategic risks, CQC and the well led framework, staff survey outcomes, the impact of the new integrated care systems and integrated care partnerships, our organisational design and development regards working as a Board taking into account external Board observations by our regulators. The expectation is that these sessions provide strategic focus to the organisation, enabling it to proactively respond to and support the achievement of strategic priorities for the local health economy in ways which are commercially and clinically effective for the Trust.

During 2019/20, there were no personnel changes in terms of the Trust's non-executive director Board members. There have been two changes to the Executive Director team; the Chief People Officer in June 2019 and Director of Strategy in May 2019. Board members have also sought to increase the amount of time they spend with front line services in the Trust recognising this is currently challenging whilst we are responding to the COVID-29 pandemic.

We realise the importance of investing in our staff to ensure high-quality care and better outcomes for our patients. In October 2019, the Trust was nominated as one of 14 trusts to take part in the National Pathways to Excellence Programme. The programme is focussed on local accreditation, nursing and midwifery excellence and shared decision making. It encourages personal and professional development whilst focussing on improving patient safety, patient experience and staff experience. The Clinical Excellence accreditation

commenced in July 2019, and there have now been two separate cohorts achieving two bronze wards, four silver wards and one gold ward accreditations.

The Quality Improvement Team is now established and are active in providing quality improvement training and coaching staff through the different stages of improvement projects. 37 improvement projects have been initiated since September 2019.

We seek to learn from good practice in a number of ways including from internal and external reviews, clinical audit programme, incidents, feedback from complaints and patient and carer experiences. Good practice in risk management, sharing good practice and learning the lessons is shared with all staff though governance half days, monthly patient safety newsletter, trust daily bulletin, staff forums and the organisational development programme. Divisions use local methods including newsletters, posters, staff meetings, message of the week and safety huddles. In addition, to support identifying learning from serious incidents as soon as possible, bi weekly serious incident review panels and divisional risk clinics are held to support the management and scrutiny of organisational risk.

The risk and control framework

We recognise that the provision of healthcare and the activities associated with the treatment and care of patients, employment of staff, maintenance of Trust sites and managing finances incur risks and the need to ensure there are proactive systems in place to effectively identify and manage its risks with the aim of protecting patients, staff and members of the public as well as its assets.

Our risk management strategy aims to provide the framework and outline the processes needed to support the Trust in delivering its strategic and other objectives by identifying and managing risks. Our aim is to ensure that the effective management of risk is an integral part of everyday management by having comprehensive risk management systems in place with clear responsibility and accountability arrangements throughout the Trust.

The approach to risk management includes clinical and non-clinical risk and aims to ensure that risk management is clearly and consistently integrated and not managed in silos. By achieving this we can:

- Keep our patients, staff and visitors safe and ensure high standards of patient care.
- Protect the reputation, assets and finances of the Trust.
- Anticipate changing internal and external circumstances and respond by adapting and remaining resilient.
- Remain compliant (as a minimum) with health and safety regulations, insurance, accreditation and legal requirements.

We will do this by:

- Demonstrating the application of risk management principles in all activities of the Trust.
- Clearly defining the roles, responsibilities and reporting lines within the Trust for risk management.
- Making sure all staff understand the importance of effective risk management.
- Maintaining a comprehensive register of both clinical and non-clinical risks and reviewing the same on a periodical basis.

- Ensuring effective controls are in place to mitigate the risk and rectify gaps in control.
- Ensuring effective and documented procedures exist for the control of risk and provision of suitable information, training and supervision.
- Ensuring the Trust has appropriate Business Continuity arrangements in place.

The Risk Register is populated with risks arising from sources throughout the organisation, specifically:

- Business and Service Delivery Plans – i.e. principal risks to the Trust achieving key performance standards or safe service delivery.
- Adverse Incident Forms – if it is apparent from an adverse event form, or subsequent investigation into the adverse event, that there is a significant risk then it will be transferred to the risk register.
- Health & Safety Risk Assessments – Health and Safety risk assessments are a legal obligation for the Trust, and managers are responsible for ensuring these assessments are undertaken. Any risk identified from these assessments will be included on the Risk Register.
- Local Risk Assessments – where local assessments have identified risks.
- External Assessment/ Audit – significant risks identified by any internal / external audit e.g. Care Quality Commission, NHS Resolution, H&SE notices, will be placed on the Risk Register.
- External Guidance/ Alerts – NICE, Quality Strategies, etc. that are not yet implemented.
- Results of Feedback – Learning from our patients and the public, whether through analysis or learning resulting from complaints, claims, surveys, observation of practices etc.

Where appropriate, through consultation and direct involvement with the Trust, public stakeholders are involved in managing risks which impact on them. For example we have patient representation on our Patient and Carer Experience Committee and active patient forums in a number of our specialities.

We have in place established risk assessment tools for all identified risks. These enable staff to quantify risks in their respective areas and decide what action, if any, needs to be taken with a view to reducing or eliminating those risks. A common risk score matrix is used by the Trust with risks logged onto ‘local’ and ‘corporate’ risk registers and in 2020/21 we will enhance this to support consistency in scoring the likelihood of the risk occuring.

Taking into account the recommendations from internal auditors, external reviews including on corporate governance and the requirements of the Audit Committee a risk management improvement plan was developed and progress of implementation regular reviewed to support embedding proactive risk management across the organisation, provide greater scrutiny and level of oversight. Led by the Risk Manager a risk clinic for each division and a review of the corporate risks has continued through 2019/20. We will continue the implementation of our risk appetite statements included in our Risk Management Strategy during 2020/21.

Board Assurance and Reporting

Our Trust Board has three established committees to discharge its responsibilities on Board assurance. These are the Audit Committee, Quality and Safety Committee and the Finance Performance and People Committee. These are constituted as key assurance mechanisms and an annual review of each of the committees is undertaken to ensure they continue to meet their terms of reference and requirements of the code and requirements of the provider licence. They are each chaired by a Non-Executive Director. In addition, the Board has established the Charity Trustee Committee to provide assurance and support for its responsibility as a Corporate Trustee. Directors' attendance at the Board and its Committees is recorded and monitored. A review of attendance during 2019/20 has not highlighted any issues. These are reported in full in the Trust's Annual Report.

The assurance process as described below is reviewed by the Trust's Audit Committee which provides an independent and objective review of the Trust's systems of internal control to the Trust Board and in doing so holds the Executive to account for the effectiveness of governance systems and the processes for managing risk.

The Finance, Performance and People Committee (FPPC) Trust supports the governance structures and to provide assurance to the Board that appropriate arrangements are in place to support the delivery of the financial, operational and workforce objectives which contribute to the delivery of the Trust Strategy. Through this work, the Committee plays a key role in ensuring the sustainability of the Trust.

The Quality and Safety Committee (QSC), a formal committee of the Board, ensures that appropriate arrangements are in place for measuring and monitoring quality and safety including clinical governance, clinical effectiveness and outcomes, research governance, information governance, health & safety, patient and public safety, compliance with regulation (including CQC**)** and some workforce issues such as organisational culture and education and talent management. The Committee is responsible for assuring the Board that these arrangements are robust and effective and support the delivery of the Trust's Clinical Strategy 2019-2024 and Quality Strategy.

Each Executive Director is accountable to the Finance, Performance and People Committee and Quality and Safety Committee for their defined areas of responsibility and has clear assurance systems and structures in place; these are reviewed annually with each Director.

The Accountability Framework implemented at the end of 2017/18 has now been embedded into practice supported by an integrated performance report and enhance business intelligence. The Integrated Performance Report includes the key performance measures for the Trust. The report is reviewed at every QSC and FPPC and Trust Board meeting. This provides the lead director an opportunity to highlight any risk issues relating to the metrics. In addition the Committees receive detailed reports and deep dives into specific issues, and local and national data to support its scrutiny under strategy, culture and accountability. The framework and decision making is supported by business intelligence.

The quality and safety structures support the delivery of the Quality Transformation Programme (QTP) and Quality Strategy. The QTP has five key workstreams: valuing the

basics; quality governance and risk; keeping our patients safe; patient experience; quality strategy. Progress against the QTP will be monitored by the Quality and Safety Committee.

COVID-19 Pandemic

The COVID-19 pandemic had a significant impact on the Trust in the final months of 2019-20. The Trust began planning for COVID-19 at the end of January 2020 and activated a command and control structure from 2 March 2020, in line with business continuity arrangements.

Key steps we have taken in response to the COVID-19 pandemic include:

- In March we reviewed our Board and Board Committee governance structures to focus agendas, streamline reports and support virtual attendance. The Board approved holding a monthly Board, a combined QSC and FPPC monthly, supported by fortnightly informal NED update.
- Reconfigured services and wards to provide COVID and Non COVID areas for patients. All minor injuries and illnesses were redirected to the Urgent Care Centre at the New QEII Hospital to support these reconfigurations,
- Critical Care Unit capacity significantly increased,
- Worked in partnership with the independent sector to continue to treat urgent and cancer patients,
- Our Health at Work service was expanded utilising redeployed HR staff to respond to the increased requirement for support and advice and the Trust has been proactive in considering the potential long-term mental health needs of staff,
- Implemented a range of technological solutions to mitigate social distancing restrictions for patients and staff, including providing services for virtual contact between inpatients and their families as well as enabling greater numbers of staff to work from home,
- Use of technology to deliver care in different settings and ways, including virtual clinics and ward rounds,
- Provided training and resources to upskill staff and provide on the job support,
- Developed an ethical decision framework if circumstances required. We are pleased that this was not required,
- Continued to review and adjust our command and control structures and response to the pandemic to ensure they met the needs of the organisation
- Established a document management system for all the new COVID -19 guidance received and our response and evidence of compliance.
- A review of our financial governance framework was undertaken during COVID-19 to ensure our decisions to commit resources in response to COVID-19 are robust. This is monitored through our FPPC.

The impact of COVID-19 will continue to be felt into 2020/21 and the Trust has begun the process of considering how to adapt and restart services for the transition to a ‘new normal’. This work includes a review of our operational delivery framework.

Developing Workforce Safeguards

Ensuring effective workforce planning, deployment of staff and safe staffing levels remains a priority and we have continued to invest in recruiting permanent staff and have reduced the use of agency staff and locums. This supports our staff, patient safety and quality. The

Director of Nursing undertakes a formal review of the nursing establishment twice a year and reports the outcome and recommendations to QSC and Board. This is informed by evidence-based tools (for example, care hours per patient), skill mix, professional judgement, acuity and outcomes. Mechanisms are in place to forward plan and enable effective use of temporary staff and to review and deploy staff during each shift to support safety and the staff staffing levels in each area. In addition safer staffing is reported each month to QSC and Board. This information is triangulated with the Integrated Performance Report and Quality and Safety Dashboard.

Our Nursing and Midwifery strategy was reviewed in 2019 and approved by Board in May 2019. Our People Strategy was reviewed in 2019 and approved by the Board in January 2020 and is aligned to support delivery of the five year clinical strategy, operational plan and culture change. We will continue to use the model hospital bench mark data to inform this and progress our workforces programme on recruitment and retention, workforce planning and skill mix reviews. All proposed clinical workforce and skill mix changes are reviewed, risk assessed for any impact on quality and signed off by the Medical Director and Director of Nursing prior to implementation.

The Trust's workforce performance relates to standards set both nationally and locally, which are reviewed with due consideration to risk through a combination of:

- Regular performance management meetings between members of the executive team and each clinical division
- Exception reporting via the Trust's executive committee, which meets weekly
- Monthly via the Trust Board's FPPC, as well as through the committee's monthly report to the Trust Board

Principal Risks

The Trust currently has 13 principal risks defined on the Board Assurance Framework each with key controls, assurance levels, gaps in controls and assurance and mitigating action identified. Risk 010/19 relating to EU Exit was de-escalated from the BAF in March 2020 and the new risk of Covid-19 pandemic was added as Risk 013/20. As at the 31 March 2019, the Board sees its major risks as:

- 004/19: There is a risk that there is insufficient capital resources to address all high/medium estates backlog maintenance, investment medical equipment and service developments (rated 20)
- 011/19: There is a risk that the Trust's Estates and Facilities compliance arrangements including fire management are inadequate leading to harm or loss of life. (rated 20)
- 013/20 Risk of Covid-19 pandemic outbreak impacting on the operational capacity to deliver services. (added March 2020, rated 20)

The Board and its committees receive regular reports on the above to assure itself that the mitigations are operating where this is within the trusts ability to do so and that those mitigations are effective or further actions identified. During 2019/20 the Audit Committee commenced undertaking a deep dive review of specific risks on the BAF including estates, performance and capacity and governance. The BAF framework for 2019/20 has been reviewed and the strategic risks are under current review for 2020/21. The annual risk

management and assurance review by the Internal Auditors concluded 'reasonable assurance.'

Care Quality Commission

The ENHT is required to register with the Care Quality Commission (CQC) and its current registration status is '**requires improvement**'. The Trust is not fully compliant with the registration requirements of the Care Quality Commission. The ENHT has the following conditions on registration:

- Regulation 12 HSCA (RA) Regulations 2014 Safe care and treatment
- Regulation 15 HSCA (RA) Regulations 2014 Premises and equipment
- Regulation 17 HSCA (RA) Regulations 2014 Good governance
- Regulation 18 HSCA (RA) Regulations 2014 Staffing

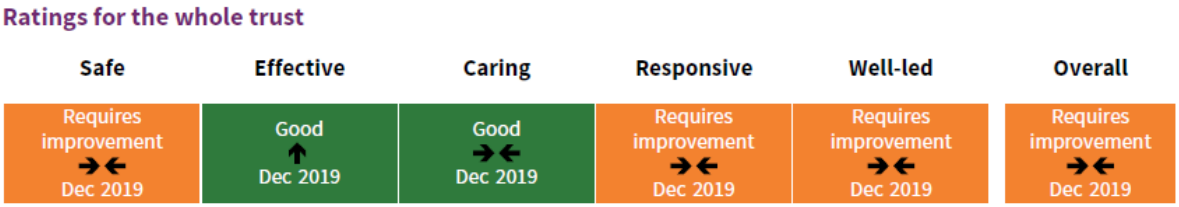
The ENHT has not participated in any special reviews or investigations by the CQC during 2019/20.

The Care Quality Commission inspected eight of the core services provided by the Trust across Lister Hospital, the New QEII Hospital and Mount Vernon Cancer Centre in July 2020. The Well Led Inspection took place in September 2019 and the Use of Resources inspection in August 2020.

Our Trust wide rating stayed the same -**requires improvement**.

We were rated as **good** for caring and effective and **requires improvement** for safe, responsive and well led.

We were rated as **requires improvement** for use of resources



	Safe	Effective	Caring	Responsive	Well-led	Overall
Lister Hospital	Requires improvement →← Dec 2019	Good ↑ Dec 2019	Good →← Dec 2019	Requires improvement →← Dec 2019	Requires improvement →← Dec 2019	Requires improvement →← Dec 2019
Queen Elizabeth II Hospital	Requires improvement ↑ Dec 2019	Good ↑ Dec 2019	Good →← Dec 2019	Requires improvement ↓ Dec 2019	Requires improvement ↑ Dec 2019	Requires improvement ↑ Dec 2019
Mount Vernon Cancer Centre	Requires improvement →← Dec 2019	Good →← Dec 2019	Good →← Dec 2019	Requires improvement →← Dec 2019	Requires improvement →← Dec 2019	Requires improvement →← Dec 2019
	Good Mar 2016	Good Mar 2016	Good Mar 2016	Good Mar 2016	Good Mar 2016	Good Mar 2016
Overall trust	Requires improvement →← Dec 2019	Good ↑ Dec 2019	Good →← Dec 2019	Requires improvement →← Dec 2019	Requires improvement →← Dec 2019	Requires improvement →← Dec 2019

Ratings for a combined trust

	Safe	Effective	Caring	Responsive	Well-led	Overall
Acute	Requires improvement →← Dec 2019	Good ↑ Dec 2019	Good →← Dec 2019	Requires improvement →← Dec 2019	Requires improvement →← Dec 2019	Requires improvement →← Dec 2019
Community	Good Mar 2016	Good Mar 2016	Outstanding Mar 2016	Good Mar 2016	Good Mar 2016	Good Mar 2016

Examples of outstanding practice were found in children and young people's services at Lister Hospital and in radiotherapy services at Mount Vernon Cancer Centre.
The New QEII and Lister Hospitals both showed improvements, with surgery at the Lister Hospital and Urgent Care Centre at the New QEII both moving from an inadequate to requires improvement rating.
The inspectors found that:

- Staff continued to deliver compassionate care and treated patients and their loved ones with respect and dignity.
- Leaders at all levels worked hard to be visible and approachable.
- At the Lister Hospital the children and young people's play team delivered an outstanding service to young patients and those whose parents were acutely unwell
- At the New QEII it was easy for people to give feedback about their care, and action was taken as a result.
- At Mount Vernon cancer Centre, the staff worked together as a team and were committed to continually learning and improving services – including pilot schemes to improve access and reducing referral time for head and neck cancer patients from 50 days to 17 days.

The report also highlighted areas for the Trust to improve, particularly around medicines management, maintaining equipment and premises, and ensuring that audits are conducted across the Trust. The CQC the four requirement notices (as above) and set out a number of areas for improvement - "Must Do's" and "Should Do's".

An action plan was been developed with the teams against all of these requirements and was submitted to the CQC in January 2020. Progress is reported to Board through the QSC and reported to CQC through regular engagement visits.

To support sustained delivery a new Compliance Framework has been developed and was approved by the QSC in February 2020. This includes a programme of internal and external inspections to test and evidence progress and that the actions are embedded across the organisation. We use the CQC Insight report and internal quality and safety information to enable a risk based approach to our inspections and have developed a quality assurance dashboard alongside the Integrated Performance Reports. The implementation of the new Compliance Framework is being rephrased and reviewed to take into account the challenges of COVID-19 pandemic.

We undertake an annual review to ensure the requirements of the fit and proper persons are met for all Directors and Non-Executive Directors.

We undertake an annual review against the requirements of the provider license.

Operational Performance

During 2019/20 we saw significant improvements in many of our operational performance standards. The FPPC has maintained oversight of performance and undertaken a number of deep dives including testing the plans and seeking the assurance on the emergency department, outpatients and theatres.

Cancer performance is an area where we made some significant improvements over the course of 2019/20. We achieved the 62 day cancer target for the first time since 2014 in November, December 2019, March and April 2020 and our performance against this standard remains above the national average at year end. Across all of the cancer standards, the year-end position was compliant with 7 of the 8 standards, an increase from 3 in 2018/19. Of the 8 standards, we achieved the two week wait and 31-day subsequent treatment (radiotherapy) standards in every month of 2019/20. The Trust already complies with the new standard for 2020/21 on confirming or ruling out diagnosis within 28 days.

RTT performance in 2019/20 was in line with the national average although we recognise this was below the national performance target. The year-end position was 77.4% but performance in January was 83.3%. The number of patients waiting over 52 weeks has reduced. A comprehensive demand and capacity review and improvement plan is planned for 2020/21. In quarter 4 the impact of COVID-19 has been felt in this performance standard with the instruction to cancel all routine appointments in diagnostics, outpatient appointments and surgery. The focus is now on restarting routine activity within the constraints of patient testing, personal protective equipment and social distancing requirements.

For the Emergency Department, the Trust's year end performance was 80.2% (the target is for 95% of patients seen, treated and either admitted or discharged within four hours of arrival). There was some variation in the Trust's performance during the year, with the best performance (86.1%) achieved in August and the worst (78.87%) in December. The Trust's performance was broadly similar to that of 2018/19 and it remains the case that relatively few NHS trusts achieve this target nationally.

The Trust consistently achieved the Diagnostics performance national standard for the majority of 2019/20, with the exception of April and May 2019 and March 2020. Again the deterioration in performance is directly as a result of the impact of COVID-19 incident management which saw all routine diagnostics cancelled.

Stroke performance deteriorated during the winter period, though performance improved in March to finish the year with in a better position than was achieved in April 2019. Disappointingly, the Trust's SNSNAP grade reduced from A to B in July 2019. A recovery action plan was developed and steps such as the ring fencing of stroke beds supported the recovery in performance at year end. It is recognised that whilst there was an improvement in performance, we remain some way short of the national target.

Digital programme

The Trust has made good progress towards achieving its priority of being easy to use, for example the development of the Trust's Improvement and Digital Programmes, the launch of the Electronic Prescribing and Medicines Management (ePMA) pilot to improve the efficiency and safety of prescribing and build patient electronic records and the introduction of virtual fracture clinics to reduce the need for patients to repeatedly travel to hospital to for clinical review. The COVID-19 pandemic has accelerated the adoption and implementation of digital technology to support staff working differently to support care to our patients through virtual clinics, staff working from home and family and patients maintaining contact.
The Digital Programme will remain a key area of focus for 2019/20.

Learning from deaths

We have an established mortality review process to enable learning and this is reported through the Mortality Surveillance Committee to the QSC and Board. We continue to perform well with our mortality rates continuing to improve on both national measures:

- Our Summary Hospital-level Mortality Index (SHMI) improved to 0.89 from 0.94
- Our Hospital Standardised Mortality Ration (HSMR) improved from 93.01 to 83.6

During 2019/20 we had one open CQC mortality outlier alert regarding sepsis. The higher than expected mortality rate for this group had already been identified through our governance structures and a coding and clinical audit undertaken. The Deteriorating Patient Group supports the early identification and treatment of Sepsis. The mortality rate improved and continues to do so. CQC have now closed this alert. We continue to seek ways to strengthen our governance and quality improvement initiatives to support our learning from deaths framework and to work with our system partners.

Never Events

Never Events are serious, largely preventable patient safety incidents that should not occur if existing national guidance or safety recommendations are in place. We have reported three never events in 2019/20:

- One related to wrong connection of 02 tubing
- One related to retained object
- One wrong site surgery

The incidents were investigated by a dedicated team of patient safety managers working in collaboration with trust staff to identify causes. The findings have informed a range of quality improvement projects such as safer surgery, improving medication management and identifying earlier the deteriorating patient.

Discharge Summaries

During 2018/19 it was identified that a significant number of discharge summaries had not been sent to the patient's GP within 24 hours of discharge. Any delay in sending the discharge summary poses a potential risk to a patient's future management if tests are not requested or medications not prescribed in a timely way. A project was established with the aim of creating a more sustainable approach to continuously improve the number of discharge summaries being sent to GPs within 24 hours of discharge. Interventions have included engagement with staff, training and education for the creation and distribution of the discharge summary, review of templates standardising format, daily monitoring through improved data and improvement to process, removing unnecessary steps in the discharge process.

The back log significantly reduced to 1224 by the end of the financial year and has continued to do so. In addition there has been an increase of reliably sending summaries within 24 hours and within 7 days. Delivery is monitored through the performance review framework.

Infection Control

Infection prevention and control has remained a priority for the trust this year. We have continued the programme commenced in 2018 to improve patient safety by raising standards of cleaning, decontamination and associated infection, prevention and control processes and practices. NHSI undertook an Infection Control assurance visit in June 2019 and confirmed our rating as 'green'.

Six MRSA bacteraemias (2 in 2018/19) were reported in the year. 58 clostridium difficile infections (27 in 2018/19) were reported representing a rate per 100,000 bed days of 29.73 compared with the England average of 23.49. The infection prevention and control programme is ongoing and provides education, training, audit etc. Joint working with the pharmacy, procurement and estates teams aims to optimise the use of antimicrobial medicines and equipment; and ensure that the infection prevention and control building requirements are met alongside compliance with the hygiene code. The IPC team have been integral to the trusts response to COVID-19 pandemic, supporting the interpretation and working collaboratively to implement the national guidance across the organisation. In May 2020 NHSI published an Infection Control Board Assurance Framework. A gap analysis and review of evidence to support compliance in underway.

Fire, Medical Equipment and Backlog Maintenance

We continued to prioritise investment in our fire safety during 2019/20. The priorities for investment takes into account the advice and recommendations of the Trust's Authorising Engineer for Fire. Fire safety will continue to be a priority for 2020/21. During 20219/20 the fire safety committee reported to the Health and Safety Committee and QSC.

Capital resources available to the Trust are extremely limited, and we are only able to fund replacement of the equipment/schemes with the highest risk register scores. We have a clear process in place to support the assessment of all requests for capital investment and decision making which is supported by the Capital Review Group (CRG). The CRG meets monthly and includes Executive Directors, Senior Operational Managers, a Clinical representative as well as Finance, IT and Estates specialists. The group reports its activities and recommendations to the Divisional and Executive Committee for ratification. The Medical Director and Nursing Director are core members of the Executive Committee. As the levels of risk may change during the year, or new risks may emerge, the CRG is tasked with reviewing the capital position on a monthly basis and with assessing any in year requests for use of the contingency funds.

Health and Safety Executive

Following inspection in September 2019, the HSE found the Trust in breach of the Health and Safety Regulations and issued three improvement notices regards to:

- Moving and Handling - equipment, training and assurance
- Violence and Aggression – do not have an effective system for monitoring and review of preventative and protective measures with regards to work related violence and aggression including recording and investigating incidents.
- Sharps - Investigation of underlying causes and clear actions to prevent reoccurrence and compliance with policy for PEP.

The Trust action plan and progress is been monitored through the Health & Safety Committee, Executive Committee and QSC. At the end of April we submitted to HSE the Trust's position and actions taken against the above contraventions and seeking closure of the Violence and Aggression and Sharps Improvement notices. No response has been received to date. The Moving and Handling Improvement Notice remains on track for compliance by the end of July 2020. Currently the Trust is overall 87.5% compliant against all actions, the 7 actions that remain in progress all have a plan in place to be delivered however have been delayed due to COVID-19.

The Board accountability structure for Health, Safety Security and Fire has been reviewed and revised to ensure accountability and oversight of Health, Safety, Security and Fire is not fragmented and strengthens the governance of this area. From 1 April 2020 the Director of Estates and Facilities became the accountable Director to Board for Health, Safety, Security and Fire.

Conflicts of Interest

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.

Pension

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

rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

Equality and Diversity

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

Sustainability

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.

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

The Trust agreed its financial plan for 2019/20 with NHS England/ Improvement based on a surplus of £1.2 million before technical adjustments. In order to deliver this control total, the Trust required support from the national Provider and Sustainability Fund and Financial Recovery Fund of £16.3 million. This support was conditional on achieving the core financial target outlined above.

The Trust reported a surplus before technical adjustments of £2.3 million. Including technical adjustments the Trust reported a surplus of £0.3 million against an agreed control total of breakeven. This represents a significant improvement in the Trust's reported financial performance in 2019/20 compared with 2018/19 when the Trust posted a deficit of £13.5 million.

The key features of financial performance during 2019/20 were:

- There was a financial impact for the Trust in 2019/20 in responding to the COVID-19 pandemic that totalled £2.0 million, relating to increased costs and lost income. The Trust included matching income in its accounts to offset this impact, in line with regulator guidance issued.
- The Trust earned significantly more income from patient activities than it had planned for the year. The over-performance was largely driven by high levels of emergency activity, prevalent throughout the year but particularly unexpected over the summer period.
- The impact of local health economy schemes to reduce and redirect demand for emergency services proved less significant than the Trust had envisaged and this resulted in higher levels of emergency activity than planned.
- The additional emergency activity outlined above contributed to a material over-spend on the Trusts Pay-bill, that mostly offset the additional income generated. All staff groups involved in the direct delivery of patient care overspent against their budget in year.
- The Trust continued to identify and deliver significant cost efficiencies in 2019/20, £15.2 million across the year which was slightly ahead of the planned figure of £15 million.
- Despite the pressures involved in managing consistently high levels of emergency activity throughout the year, and the impact of COVID-19 the Trust was able to control its cost base to within a level that meant at an operational level it could

breakeven, and therefore unlike in 2018/19 was eligible for all additional national support monies.

Progress against the delivery of the financial plan is monitored by the Finance, Performance and People Committee (FPPC) and reported to Board. In 2019/20 the FPPC undertook a number of deep dives in to specific areas of finance and performance to provide additional level of scrutiny and challenge; this will continue during 2020/21.

Our annual Internal Audit programme provides an independent review of our key financial controls and this year they have reviewed our systems and process for our cost improvement plan and performance framework. Please refer to the review of effectiveness section and the Head of Internal Audit Opinion for further details.

We recognise our duty to breakeven and we are working with NHS England and Improvement to develop a plan to achieve the cumulative breakeven duty in future years. As detailed in the Annual Accounts 2019-20 we reported a cumulative deficit in 2015-16 of £7,977k (-2.1% of operating income). This is the fifth year of consecutive break-even duty breach achieving a cumulative deficit of £74,025k (-14.8% of operating income) above the -0.5% permitted. We achieved surplus of £1,452k in 2019-20 and are forecast to break even in 2020/21.

NHS Improvement undertook a Use of Resources assessment in August 2019 and rated the Trust as 'requires improvement.' The Trust has used nationally available data from the NHSI model hospital and other benchmarking data which indicated poor levels of efficiency against key process measures for example, theatres, outpatients and length of stay and also a medical staffing cost model that was significantly more expensive than benchmark peers to inform delivery of the financial delivery plan. The Trust has also focused upon significantly improving the quality of business intelligence reporting available across the Trust as a means of improving the quality of business and financial decision making.

Information governance

The Trust's assurance framework and risk register include the risks associated with the management and control of information. In this respect, the trust has established a framework to support compliance with the ten data security and protection standards and GDPR.

In response to the COVID-19 pandemic, the Trust opted to extend the deadline for the submission of the Data Security and Protection Toolkit to September 2020.

Progress with completion of the DSPT is monitored at the Trust's Information Governance Steering Group meetings which are held quarterly.

During 2019/20 we have not declared any incidents classified as Level 2 or that meet the requirements to report to the Information Commissioner's Office (ICO). All information governance incidents are reviewed by the Information Governance team and potential and actual serious incidents are reviewed in line with the national guidance through the Trust's incident review process to support learning.

Compliance with data security and cyber essentials has been reviewed by Internal Audit and a comprehensive risk assessed action plan was agreed and has been monitored by the Audit Committee. Investment funds have been made available to support the improvement and mitigate the high risks.

Data quality and governance

Our data quality continues to improve and is supported by the Data Quality Strategy & Policy ratified at the Audit Committee, October 2018. The strategy sets out the 10 key principles to support the production and assurance of high quality data and its management across the organisation. The most important of these is that good data management and quality of data is everyone's responsibility. The strategy is built around the aspiration of 'get it right first time' when recording data. The strategy defines responsibilities for specific roles across the organisation for its delivery. The strategy is implemented through the Data Quality Steering Group which meets bi-monthly supported by a monthly audit programme.

The Data Quality Steering Group continues to meet regularly within new agreed governance structures and drives continuous improvement efforts to implement a data quality improvement plan by service/division. There are a number of on-going data quality improvement related programmes underway across ENHT to progress and improve patient experience, service delivery and patient flow which include accuracy of data recording.

The data quality and clinical coding audit confirmed meeting the requirements of the new Data Security and Protection Toolkit.

Emergency Planning and COVID-19 Pandemic

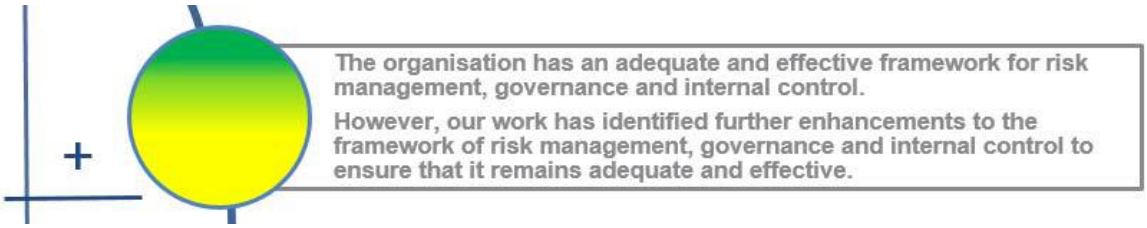
Over the last year, the readiness of the Trust for business continuity events and major incidents continued to develop, and the Trust achieved a compliance rating of Fully Compliant against NHS England's EPRR Core Standards. This has been achieved as a result of the continuing wholesale review of the Trust's EPRR structures, resourcing, work programme, and documentation, including the monthly EPRR Committee, which reports to the Quality and Safety Committee.

Review of effectiveness

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

The Head of Internal Audit (HoIA) provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of Internal Audit's work.

For the 12 months ended 31 March 2020, the head of internal audit opinion for East and North Hertfordshire NHS Trust is as follows:



No 'no assurance' opinions have been issued to the Trust during the year, although five internal audits resulted in a partial assurance opinion. These were: Consultant Job Planning, Clinical Capacity and Utilisation Governance, Theatre Productivity – Governance Arrangements, Deterioration of Patients and Emergency Department. For these areas, the Board can take partial assurance that the controls to manage these risks are suitably designed and consistently applied. However, action is needed to strengthen the control framework to manage the identified risks. Action plans are in place to address the areas of risk identified and these are monitored by the Executive Committee and Audit Committee.

Ten internal audit areas received a reasonable assurance opinion.

Our Trust's internal audit programme is directed to areas of perceived high risk and where individual weaknesses have been identified the Executive Director lead has ensured comprehensive action plans are in place to address these and evidence is collated to support implementation. Progress is monitored through the Audit Committee.

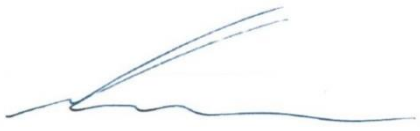
The processes adopted to maintain and review the effectiveness of the system of internal control include:

- The Board regularly reviews the Trust's objectives and receives reports on key matters of concern.
- The Audit Committee provides an independent and objective review of the Trust's system of internal control and on the progress of the implementation of the risk management strategy and procedure. In 2019/20 we continue to see significant improvement in the management of risk and positive engagement across the organisation. The Internal Audit concluded a 'Reasonable Assurance' opinion.
- The Quality and Safety Committee provides assurance on the progress of all areas of quality, safety and compliance and associated risks within its terms of reference.
- The Finance, Performance and People Committee highlights the major financial, performance and strategy risks to the Board and refers potential risks to quality to the Quality and Safety Committee for further scrutiny, while providing proactive risk management within the areas of activity covered by its own remit.
- Clinical Audit – the annual clinical audit programme is reviewed and approved through the Clinical Effectiveness Committee and progress is monitored through the Divisions and QSC. The Audit Committee receives the annual self-assessment against the assurance framework.

- Internal Audit, through its annual audit plan, provides assurance and comment on matters related to internal control.
- The Board has appointed a Senior Information Risk Owner, who is supported by the Data Protection Officer and an Information Governance Steering Group, to provide information governance assurance via the Data Security and Protection toolkit submission and IGSoC.
- The Board ensures that all senior staff, clinical and other, through various meetings and review processes, including attending the Board Committees as required are held to account in all areas for delivery against finance, performance, people, quality, governance and risk issues. The Accountability Framework Structure and Integrated Performance Report support this.
- We commission and support external reviews and expertise to review and strengthen our governance. Examples in 2019 include Mount Vernon Cancer Centre, cancer pathways and demand and capacity modelling. This has provided assurance and additional recommendations, which have been progressed.
- We have Authorised Engineers who provide an independent review of our compliance and effective management of safety against a number of statutory requirements including water, electrical, fire, decontamination and medical gas.
- I am confident that Executive Directors, Senior Managers of the Trust and identified risk leads are fully engaged in maintaining and reviewing the effectiveness of the system of internal control. This is supported by the positive CQC engagement, recent Internal Audit reports and sustained response to the current covid-19 pandemic; a level 4 major incident.

Conclusion

My review has established that East and North Hertfordshire NHS Trust has a sound system of internal control that supports the achievement of the Trust's policies, aims and objectives. No significant internal control issues have been identified. I am satisfied that all internal control issues raised have been, or are being addressed, action plans produced and that these will be monitored through the governance structures and are reflected in the statement above.

Signed: 

Nick Carver, Chief Executive Date: 24 June 2020

Modern Slavery Act 2015 statement

The Modern Slavery Act 2015 establishes a duty for commercial organisations with a turnover in excess of £36 million to prepare an annual slavery and human trafficking statement. This is a statement of steps taken to ensure that slavery or human trafficking is not taking place in its business or its supply claims.

The Trust's income from government sources, including CCGs and local authorities, is publicly funded and outside the scope of these requirements. The Trust does not receive income from non-governmental sources e.g. private patients, in excess of £36 million and hence does not qualify as a commercial organisation for the purpose of the requirements of making this statement under the Modern Slavery Act 2015. However, clearly the Trust is opposed to any actions that could be construed as slavery or human trafficking.

Remuneration and staff report

This part of the annual report looks at the following areas:

- Remuneration report
- Staff report

Remuneration report

This section covers:

- Remuneration policy (includes fair pay disclosure for 2019/20)
- Remuneration table
- Pensions entitlement table
- Pensions benefits table

Remuneration policy

The Trust's Remuneration Committee agrees the remuneration package and conditions of service for the Chief Executive and executive directors. In addition, when undertaking its nomination responsibilities, the Committee reviews the structure, size and composition (including skills, knowledge and experience) required of the Board of Directors compared to its current position and makes recommendations for change when appropriate. It also considers succession planning arrangements for directors and other senior executives.

The Remuneration Committee is a committee of the Trust Board, consisting of the Chair and all the non-executive directors. It is chaired by the Vice Chairman. The Committee is supported by the Chief Executive, Chief People Officer and the Trust Secretary. The Remuneration Committee aims to meet at least twice a year, but will schedule additional meetings if needed. It met three times during 2019/20. Details of directors' remuneration are given in the annual accounts.

Every year, the Board's Remuneration Committee considers the performance and contribution of each director against their portfolio and to the organisation. This is carried out in parallel with due consideration of remuneration for individual posts within regional and national markets. To support this work, the Remuneration Committee considers the latest benchmarking data produced by NHS Improvement regarding foundation and non-foundation trust executive salaries.

Executive Director pay is based on the following agreed principles;
• What they bring to the role – their experience, capability
• Their marketability and importance to the organisation – their previous salary history, how in demand they are by other organisations and how important they are to the Trust
• The 'going rate' for the job and what it means for the person you wish to appoint or retain
• Performance against objectives and delivery in year
• Fulfilling all requirements under the CQC 'fit and proper persons test'

This is also set against an outline pay framework which is as follows;
• Median pay for trusts – for those performing at 'meet expectation' or 'professional talent' or where pay is significantly below median and incremental movement needs to be made (i.e. not large increases based on one year's exceptional performance)

• Upper quartile pay – for those performing at 'exceeds expectation' or 'ready now' (for promotion)
• Maximum increase in pay – pay increases should be limited to a maximum of 10% in any financial year

The Committee also pays due consideration to what is happening in the financial environment and with its other employees when determining executive director's remuneration. Remuneration for executive directors does not include any performance-related bonuses and none of them receive personal pension contributions other than their entitlement under the NHS pension scheme.

Executive directors are appointed through open competition in accordance with the Trust's recruitment and selection policies and procedures and NHS guidance, including the requirement for external assessors as appropriate and involvement of a non-executive director. All the Trust's executive directors hold permanent contracts. The notice period for executive directors is six months. There are no arrangements for termination payments or compensation for early termination of contract. The Trust is also not liable for any compensation payments to former senior managers or amounts payable to third parties for the services of a senior manager.

The remuneration and terms of office of non-executive directors are those set out by NHS Improvement. In September 2019 NHS England & NHS Improvement published a structure to align remuneration for chairs and non-executive directors of NHS trusts and NHS foundation trusts. Implementation of the new arrangements has begun within the Trust, with the staged approach due to conclude in April 2022. The level of remuneration is paid for a minimum of two and a half days per month for non-executive directors and three and half days per week for the Trust's Chair. Pay awards agreed nationally for other staff groups working at the Trust and the wider NHS, including staff on Agenda for Change contracts, medical and dental staff and very senior managers are determined by the Senior Salaries Review Body, which looks at senior salaries and pay conditions across the public sector.

This information is not subject to audit by the Trust's auditors, BDO LLP.

Pay multiples (fair pay disclosure) for 2019/20

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 mid-point of the banded remuneration of the highest paid director in the Trust in 2019/20 was £197,500 (2018/19 – £187,500). This was 6.4 times (2018/19 – 6.3 times) the median remuneration of the workforce, which was £30,971 (2018/19 – £29,866).

In 2019/20, 13 employees (2018/19, 18 employees) received remuneration in excess of the highest paid director. Remuneration ranged from £17,652 to £284,460 per annum (for 2018/19, – the reported range was £17,460 to £294,440).

Regarding the ratio of highest paid director to median remuneration of the workforce, as both the pay of the highest paid director and the median salary have increased slightly but by relatively similar proportions, the ratio multiple has not changed significantly.

This information is subject to audit by the Trust's auditors, BDO LLP.

Remuneration tables

Name and title	2019/20						2018/19					
	Salary	Expense payments (taxable) total	Performance pay and bonuses	Long term performance pay and bonuses	All pension related benefits	TOTAL	Salary	Expense payments (taxable) total	Performance pay and bonuses	Long term performance pay and bonuses	All pension related benefits	TOTAL
	(bands of £5,000)	Rounded to nearest £100	(bands of £5,000)	(bands of £5,000)	(bands of £2,500)	(bands of £5,000)	(bands of £5,000)	Rounded to nearest £100	(bands of £5,000)	(bands of £5,000)	(bands of £2,500)	(bands of £5,000)
	£000	£00	£000	£000	£000	£000	£000	£00	£000	£000	£000	£000
Executive directors												
Nick Carver	195-200	22	0	0	0	200-205	185-190	19	0	0	0	190-195
Chief Executive												
Martin Armstrong	140-145	1	0	0	45-47.5	185-190	135-140	0	0	0	87.5-90	225-230
Director of Finance												
Rachael Corser	120-125	1	0	0	35-37.5	155-160	115-120	0	0	0	52.5-55	170-175
Director of Nursing												
Bernie Bluhm (02/08/16-08/01/17 and from11/09/17-29/06/18)	0	0	0	0	0	0	100-105	0	0	0	0	100-105
Chief Operating Officer												
Michael Chilvers	190-195	20	0	0	0	190-195	185-190	18	0	0	172.5-175	360-365
Medical director												
Sarah Brierley	120-125	15	0	0	122.5-125	245-250	20-25	14	0	0	15-17.5	35-40
Director of Strategy												
Kate Lancaster (01/02/17-20/01/19)	0	0	0	0	0	0	100-105	4	0	0	0	100-105
Director of Strategy												
Tom Simons (to 03/03/19)	0	0	0	0	0	0	105-110	69	0	0	0	110-115
Chief People Officer												
Julie Smith	140-145	11	0	0	80-82.5	220-225	100-105	6	0	0	685-687.5	785-790
Chief Operating Officer												

Susan Young (to 30.06.2019*)	30-35	3	0	0	0	30-35	20-25	2	0	0	0	20-25
Interim Chief People Officer												
Duncan Forbes (from 03.06.2019)	95-100	76	0	0	0	105-110	0	0	0	0	0	0
Chief People Officer												

**Note: This includes a planned handover period with Duncan Forbes as the incoming Chief People Officer who commenced in post on 3 June 2019.*

Name and title	2019/20						2018/19					
	Salary	Expense payments (taxable) total	Performance pay and bonuses	Long term performance pay and bonuses	All pension related benefits	TOTAL	Salary	Expense payments (taxable) total	Performance pay and bonuses	Long term performance pay and bonuses	All pension related benefits	TOTAL
	(bands of £5,000)	Rounded to the nearest £100	(bands of £5,000)	(bands of £5,000)	(bands of £2,500)	(bands of £5,000)	(bands of £5,000)	Rounded to the nearest £100	(bands of £5,000)	(bands of £5,000)	(bands of £2,500)	(bands of £5,000)
	£000	£00	£000	£000	£000	£000	£000	£00	£000	£000	£000	£000
Non-executive directors												
Ellen Schroder Chair	35-40	0	0	0	0	35-40	35-40	0	0	0	0	35-40
Bob Niven	5-10	0	0	0	0	5-10	5-10	0	0	0	0	5-10
John Gilham (to 31/07/18)	0	0	0	0	0	0	0-5	1	0	0	0	0-5
Val Moore	5-10	17	0	0	0	5-10	5-10	5	0	0	0	5-10
Jonathan Silver	5-10	0	0	0	0	5-10	5-10	0	0	0	0	5-10
Nick Swift (to 31/10/18)	0	0	0	0	0	0	0-5	0	0	0	0	0-5
Peter Carter	5-10	0	0	0	0	5-10	0-5	0	0	0	0	0-5
David Buckle	5-10	0	0	0	0	5-10	0-5	0	0	0	0	0-5
Karen McConnell	5-10	0	0	0	0	5-10	0-5	0	0	0	0	0-5

Notes to the remuneration table for executive and non-executive directors

- The table on the previous page includes an amount in respect of the increase in pension entitlements of each executive director. It compares the projected pension and lump sum at the end of the financial year with the equivalent figures at the start of the year, adjusted for inflation and deducting employees' pension contributions. The pension element of the calculation is based on the assumption that the individual will receive a pension for a twenty year period. The figures for all pension-related benefits do not constitute a charge to the Trust's Statement of Comprehensive Income or a taxable benefit for the directors. The Trust's contribution to directors' pensions was 14.3% of salary for 2019/20 (this was topped up to 20.6% by NHSE) (14.3% in 2018/19). In summary, the figures calculated in the *All pension related benefits* column take in to account several factors, the principal one being the total maximum income that the person would receive covering the following 20-year period if they retired at the end of the financial year in question.
- Benefits-in-kind relate to taxable benefit available to NHS staff for the reimbursement of regular car user allowance, lease cars and removal expenses for new starters. During 2010/11 the Trust introduced a HM Treasury-approved salary sacrifice scheme for vehicles. Available to all staff, the scheme has been utilised by some of the executive directors, which has the effect of reducing the salary paid during 2018/19 and 2019/20.
- The single total figure of remuneration for Directors is subject to audit by the Trust's auditors, BDO LLP.

Pension benefits

Name and title*	Real increase in pension at pension age	Real increase in pension lump sum at pension age	Total accrued pension at pension age at 31 March 2020	Lump sum at pension 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	Employer's contribution to stakeholder pension
	(bands of £2,500)	(bands of £2,500)	(bands of £5,000)	(bands of £5,000)	£000	£000	£000	£000
Nick Carver*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Chief Executive								
Martin Armstrong	2.5-5	0-2.5	40-45	90-95	663	35	734	0
Director of Finance								
Rachael Corser	2.5-5	0-2.5	30-35	55-60	408	22	458	0
Director of Nursing								
Michael Chilvers*	n/a	n/a	n/a	n/a	1,303	n/a	n/a	n/a
Medical Director								
Sarah Brierley	5-7.5	10-12.5	40-45	95-100	659	120	812	0
Director of Strategy								
Julie Smith	2.5-5	5-7.5	45-50	105-110	770	76	885	0
Chief Operating Officer								

- Nick Carver left the pension scheme with effect from 31st March 2016, so the full range of disclosures is not possible.
- Susan Young is not in the pension scheme.
- Michael Chilvers left the pension scheme with effect from 1st April 2019.
- Duncan Forbes is not in the pension scheme.

Notes to pensions table

As non-executive members of the Board do not receive pensionable remuneration, there are no entries in respect of pensions for these individuals. 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 disclosure applies. The CETV figures and the other pension details include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the *Institute and Faculty of Actuaries*

Real increase in CETV reflects the increase in CETV funded effectively 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 scheme or arrangement) and uses common market valuation factors for the start and end of the period.

NHS Pensions are still assessing the impact of the McCloud judgement in relation to changes to benefits in 2015. The benefits and related CETVs disclosed do not allow for any potential future adjustments that may arise from this judgement.

During the year, the Government announced that public sector pension schemes will be required to provide indexation on the Guaranteed Minimum Pension element of the pension. NHS Pensions has updated the methodology used to calculate CETV values as at 31 March 2020. The impact of the change in methodology is included within the reported real increase in CETV for the year.

This information is subject to audit by the Trust's auditors, BDO LLP.

Compensation for loss of office

There was nothing to disclose with regards to compensation for loss of office for Board directors in respect of 2019/20. This statement is subject to audit by the Trust's auditors, BDO LLP.

Staff report

This section covers:

- Staff numbers and costs
- Staff composition
- Workforce data
- Off-payroll engagements
- Exit packages

Staff numbers and costs

The table below summarises the Trust's workforce by category stated as full-time equivalents (FTEs), not headcount.

Average number of employees	2019/20			2018/19
	Permanent	Other	Total	Total
	Number	Number	Number	Number
Medical and dental	820	70	890	828
Administration and estates	1,572	143	1,715	1,647
Healthcare assistants and other support staff	812	145	957	894
Nursing, midwifery and health visiting staff	1,626	211	1,837	1,827
Scientific, therapeutic and technical staff	410	51	461	422
Healthcare science staff	176	-	176	182
Total average numbers	5,416	620	6,036	5,800
Of which:				
Number of employees (WTE) engaged on capital projects	12	-	8	0

Please note – the analysis of staff numbers in the table above has been audited by the Trust's auditors, BDO LLP.

The table below summarises the Trust's employee benefits costs.

Staff costs	**2019/20**			**2018/19**
	Permanent	**Other**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**
Salaries and wages	212,495	-	**212,495**	196,238
Social security costs	22,229	-	**22,229**	20,682
Apprenticeship levy	1,069	-	**1,069**	1,005
Employer's contributions to NHS pensions	35,937	-	**35,937**	23,442
Pension cost - other	79	-	**79**	49
Termination costs	153	0	**153**	80
Temporary staffing costs	-	40,230	**40,230**	38,288
Recoveries in respect of seconded staff	(2,227)	-	**(2,227)**	(2,607)
External financing				
Costs capitalised as part of assets	785	-	**785**	457

Please note – the analysis of staff numbers in the table above has been audited by the Trust's auditors, BDO LLP.

Staff composition

The table below summarises the composition of the Trust's senior managers by gender. It is based on headcount rather than use of full-time equivalents (FTE).

2019/20	Male	Female	Total
Executive Directors	4	3	7
All employees	1416	4730	6146

The Trust, where appropriate, should disclose the make-up of its senior managers by pay band. However, as the senior managers, in the context of the Remuneration and Staff report, are Executive Directors, who are not subject to pay bandings, this disclosure is not appropriate.

Staff sickness absence data

Staff sickness absence	2019	2018
Total days lost	n/a	51,137
Total staff years	n/a	5,106
Average working days lost (per WTE)	**n/a**	**10**

DHSC have not provided us with staff sickness absence figures in the cabinet office format this year. All providers are instead encouraged to disclose the link to the NHS digital site where information is available as permitted by the GAM / ARM. The link is below:
https://digital.nhs.uk/data-and-information/publications/statistical/nhs-sickness-absence-rates

This information is not subject to audit by the Trust's auditors, BDO LLP.

Equality Diversity and Inclusion

The Trust ensures that equality impact assessments (EIAs) are completed for all policies and changes to services. This helps to ensure that no groups are disadvantaged by changes we would like to make. As part of the wider assessment of our services, stakeholders also have an opportunity to review our delivery for all patients and staff against the Equality Delivery System which considers better health outcomes, access to service, a representative workforce and diverse leadership.

In line with the Trust's recruitment and selection policy, the Trust is a disability confident employer for recruits and those that acquire a disability during employment. The Trust's Health at Work Service supports managers by providing recommendations on reasonable adjustments and suitability of posts, based on the member of staff's condition. The Sickness

absence management policy includes a provision to consider temporary or permanent health-related redeployment where staff are no longer able to undertake their substantive role. The Trust-wide policy for annual performance appraisal also requires staff and managers to discuss the issue of disability and any adjustments that may be required. A question included in the appraisal form prompts this discussion, and also prompts discussion about any related support or training that may be required.

Recruitment practices include the application of the NHS National Terms and Conditions of service and the national pay scales for medical and non-medical staff. Talent conversations have started across the Trust to identify talent and improve succession planning for our hard to fill vacancies. Further information will be developed on this process over the coming 12 months.

Staff partnership

Our partnerships with unions and representative bodies are important to us. The Trust's management and staff representatives meet monthly to review policies and staff experience. The Trust Partnership (TP) is held monthly and is well attended by Trust management, Trade Unions and staff representatives. There is also the Local Negotiating Committee held quarterly for medical staff representatives which is chaired jointly by the Medical Director and staff side chair.

Trust policies are reviewed on a regular basis to ensure compliance with legislation, best practice and to ensure that our people are supported to provide the best patient care possible. Staff side are involved in all people policy reviews to ensure partnership and joint working to improve the working life of our staff. All policies are made available to staff through the trust intranet pages or in hard copy from their line manager.

Formal consultations are discussed via the TP prior to launch with affected staff and staff side provide invaluable feedback on how practical some of the proposals may be for the affected staff.

Trade Union Facility Time Reporting

The Trust is required to publish the following information relating to Trade Union Facility Time:

Table 1 - Relevant union officials

What was the total number of our employees who were relevant union officials during the period April 2019 to March 2020

Number of employees who were relevant union officials during the relevant period	*Full-time equivalent employee number*
21	5476.29

Table 2 - Percentage of time spent on facility time

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of employees
0%	0
1-50%	19
51%-99%	0
100%	2

Table 3 - Percentage of pay bill spent on facility time

First Column	*Figures*
Provide the total cost of facility time	£112,605*
Provide the total pay bill	£296,517,881
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.04%

**estimate*

Table 4 - Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	100%

Expenditure on consultancy

In 2019/20 £1,573,225 was spent on consultancy costs.

Off-payroll engagements

The Trust is required to report arrangements where individuals, earning over £245 per day, are paid through their own companies (and so are responsible for their own tax and NI arrangements).

Table 1: Off-payroll engagements longer than 6 months

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

	Number
Number of existing engagements as of 31 March 2020	1
Of which the number have existed:	
For less than one year at the time of reporting	0
For between one and two years at the time of reporting	0
For between two and three years at the time of reporting	0
For between three and four years at the time of reporting	0
For four or more years at the time of reporting	1

Table 2: New Off-payroll engagements

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

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

The Trust is also required to disclose the off-payroll engagements of any 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 officers with significant financial responsibility, during the financial year (1)	0
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure must include both on payroll and off-payroll engagements.	8

This information has not been subject to audit by the Trust's auditors, BDO LLP.

Reporting of compensation schemes – exit packages 2019/20

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
	Number	Number	Number
<£10,000	2	24	**26**
£10,001 to £25,000	0	5	**5**
£25,001 to 50,000	2	1	**3**
£50,001 to £100,000	1	0	**1**
Total number of exit packages by type	**5**	**30**	**35**
Total resource cost (£)	£153,000	£215,000	**£368,000**

Reporting of compensation schemes - exit packages 2018/19

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
	Number	Number	Number
<£10,000	0	12	**12**
£10,001 to £25,000	0	3	**3**
£25,001 to 50,000	1	0	**1**
£50,001 to £100,000	1	0	**1**
Total number of exit packages by type	**2**	**15**	**17**
Total resource cost (£)	£80,000	£64,000	**£144,000**

Exit packages: other (non-compulsory) departure payments	2019/20		2018/19	
	Payments agreed		Payments agreed	
	Number	£000	Number	£000
Voluntary redundancies including early retirement contractual costs	-	-	-	-
Mutually agreed resignations (MARS) contractual costs	-	-	-	-
Early retirements in the efficiency of the service contractual costs	-	-	-	-
Contractual payments in lieu of notice	31	213	15	64
Exit payments following Employment Tribunals or court orders	1	2	-	-
Non-contractual payments requiring HMT approval	-	-	-	-
Total	**32**	**215**	**15**	**64**
Of which:				
Non-contractual payments requiring HMT approval made to individuals where the payment value was more than 12 months of their annual salary	-	-	-	-

The tables containing information on exit packages has been subject to audit by the Trust's auditors, BDO LLP.

Parliamentary accountability and audit report

This part of the annual report looks at the following areas:

- Fees and charges
- Remote contingent liabilities
- Losses and special payments
- Gifts
- Statement of directors' responsibilities in respect of the accounts
- Independent auditor's report to the directors of East and North Hertfordshire NHS Trust

Fees and charges
As outlined in note 6 of the annual accounts, The Trust does not undertake any activities for the sole purpose of generating income of over £1 million.

Remote contingent liabilities
Details of the Trust's contingent liabilities are included within note 30 to the accounts.

Losses and special payments
The Trust is required to declare if it has had any loss, made any special payment or made a gift more than £300,000. The Trust has included information on losses and special payments in note 35 of the financial statements.

During 2019/20 the Trust has no case of Losses and Special Payments in year that exceeded £300,000.

Statement of directors' responsibilities in respect of the accounts

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

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

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

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

The directors confirm that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS Trust's performance, business model and strategy

By order of the Board

24 June 2020  Nick Carver, Chief Executive

24 June 2020 Martin Armstrong, Finance Director

Independent auditor's report to the directors of East and North Hertfordshire NHS Trust

Opinion on financial statements

We have audited the financial statements of East and North Hertfordshire NHS Trust ('the Trust') and its subsidiaries ('the Group') for the year ended 31 March 2020, which comprise the combined Group and single entity Statements of Comprehensive Income, Statements of Financial Position and Statements of Cash Flows and the Group and single entity Statements of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2019-20 Government Financial Reporting Manual as contained in the Department of Health and Social Care's Group Accounting Manual 2019-20.

In our opinion the financial statements:

- give a true and fair view of the financial position of East and North Hertfordshire NHS Trust as at 31 March 2020 and of its expenditure and income for the year then ended; and
- give a true and fair view of the financial position of the Group as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the Department of Health and Social Care's Group Accounting Manual 2019-20; and
- have been prepared in accordance with the Health and Social Care Act 2012.

Basis for opinion on financial statements

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Accountable Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Accountable Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

Emphasis of matter – valuation of land and buildings
We draw attention to Note 1.2.1 to the financial statements which discloses a material uncertainty in respect of the valuation of Trust property measured using the revaluation model. Our opinion is not modified in respect of this matter.

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

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

We have nothing to report in this regard.

Opinion on information in the Remuneration and Staff Report

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

In our opinion the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with the Department of Health and Social Care's Group Accounting Manual 2019-20.

Matters on which we are required to report by exception

Report to the Secretary of State

On 27 May 2020 we reported to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 that the Trust has planned a cumulative deficit position and that as a result the Trust has begun to take a course of action that would be unlawful.

Other matters

We have nothing to report in respect of the following other matters which the Local Audit and Accountability Act 2014 requires us to report to you if:

in our opinion the Annual Governance statement does not comply with the guidance issued by NHS Improvement; or

except as reported above we refer a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or

we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or

we make a written recommendation to the Trust under section 24 of the Local Audit and Accountability Act 2014; or

we are not satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Directors and the Accountable Officer

As explained more fully in the Statement of Directors' reponsibilities in respect of the accounts, the Directors are 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 they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

As explained in the Statement of the Chief Executive's responsibilities as the accountable officer of the Trust, the Chief Executive is responsible for ensuring that value for money is achieved from the resources available to the Trust.

Auditor's responsibilities for the audit of the financial statements

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

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

Auditor's other responsibilities

We are also required under section 21(3)(c), as amended by schedule 13 paragraph 10(a), of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Section 21(5)(b) of the Local Audit and Accountability Act 2014 requires that our report must not contain our opinion if we are satisfied that proper arrangements are in place.

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

As set out in the Matters on which we report by exception section of our report there are certain other matters which we are required to report by exception.

Certificate

We certify that we have completed the audit of the accounts of East and North Hertfordshire NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the Board of Directors of East and North Hertfordshire NHS Trust, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the Directors of the Trust those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Board of Directors of the Trust, as a body, for our audit work, this report, or for the opinions we have formed.

Rachel Brittain
For and on behalf of BDO LLP, Statutory Auditor
London, UK
25 June 2020

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

East and North Hertfordshire NHS Trust

Annual accounts for the period

1 April 2019 to 31 March 2020

Consolidated Statement of Comprehensive Income

		Group		Trust	
		2019/20	2018/19	2019/20	2018/19
	Note	£000	£000	£000	£000
Operating income from patient care activities	3	436,838	397,141	436,719	397,028
Other operating income	4	61,759	47,762	61,400	47,238
Operating expenses	7, 9	(491,133)	(453,445)	(491,661)	(453,652)
Operating surplus/(deficit) from continuing operations		**7,464**	**(8,542)**	**6,458**	**(9,386)**
Finance income	12	121	87	121	87
Finance expenses	13	(5,108)	(4,956)	(5,108)	(4,956)
PDC dividends payable		-	-	-	-
Net finance costs		**(4,987)**	**(4,869)**	**(4,987)**	**(4,869)**
Other gains / (losses)	14	54	-	54	-
Corporation tax expense		(209)	(161)	-	-
Surplus / (deficit) for the year		**2,322**	**(13,572)**	**1,525**	**(14,255)**
Other comprehensive income					
Will not be reclassified to income and expenditure:					
Impairments	8	(131)	(1,885)	(131)	(1,885)
Revaluations	20	3,055	306	3,055	306
Other reserve movements		-	(32)	500	551
Total comprehensive income / (expense) for the period		**5,246**	**(15,183)**	**4,949**	**(15,283)**

The Trust is allowed to adjust its retained earnings, above, to take into account the impact of certain technical accounting entries when reporting its financial performance against its control total. This adjusted figure is shown below:

Adjusted financial performance (control total basis):		
Surplus / (deficit) for the period	2,322	(13,572)
Remove net impairments not scoring to the Departmental expenditure limit	(970)	395
Remove I&E impact of capital grants and donations	100	(366)
Remove 2018/19 post audit PSF reallocation (2019/20 only)	(623)	-
Adjusted financial performance surplus / (deficit)	**829**	**(13,543)**

The Trust has a wholly-owned subsidiary, ENH Pharma, which dispenses Outpatient Pharmaceutical prescriptions, principally to the Trust's patients. The Trust is required to incorporate the financial results of its subsidiary with its own as a single entity in the assessment of financial performance for 2019/20. However, performance of the Trust has also been provided alongside. The corporate tax payable is due from the subsidiary.

The Notes to the Accounts support the consolidated results above.

Statements 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	15, 16	26,112	26,982	26,076	26,925
Property, plant and equipment	17, 18	177,611	175,416	177,500	175,278
Other investments / financial assets	21	-	-	1,000	1,000
Receivables	23	2,536	2,586	2,536	2,586
Total non-current assets		**206,259**	**204,984**	**207,112**	**205,789**
Current assets					
Inventories	22	6,984	6,465	5,576	5,295
Receivables	23	49,549	47,243	48,982	46,799
Non-current assets held for sale	24	-	354	-	354
Cash and cash equivalents	25	11,389	1,521	10,823	1,148
Total current assets		**67,922**	**55,583**	**65,381**	**53,596**
Current liabilities					
Trade and other payables	26	(54,178)	(46,746)	(53,574)	(46,351)
Borrowings	29	(150,144)	(33,771)	(150,144)	(33,771)
Other financial liabilities	27	(177)	(170)	(177)	(170)
Provisions	30	(111)	(284)	(111)	(284)
Other liabilities	28	(1,949)	(1,697)	(1,949)	(1,697)
Total current liabilities		**(206,559)**	**(82,668)**	**(205,955)**	**(82,273)**
Total assets less current liabilities		**67,622**	**177,899**	**66,538**	**177,112**
Non-current liabilities					
Trade and other payables	26	(4,206)	(4,404)	(4,206)	(4,404)
Borrowings	29	(46,696)	(162,119)	(46,696)	(162,119)
Other financial liabilities	27	(1,927)	(2,104)	(1,927)	(2,104)
Provisions	30	(586)	(543)	(586)	(543)
Total non-current liabilities		**(53,415)**	**(169,170)**	**(53,415)**	**(169,170)**
Total assets employed		**14,207**	**8,729**	**13,123**	**7,942**
Financed by					
Public dividend capital		175,608	175,376	175,608	175,376
Revaluation reserve		41,354	38,430	41,353	38,429
Income and expenditure reserve		(202,755)	(205,077)	(203,838)	(205,863)
Total taxpayers' equity		**14,207**	**8,729**	**13,123**	**7,942**

The notes on pages 88 to 142 form part of these accounts.

Name Mr Nick Carver
Position Chief Executive
Date 24 June 2020

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

Group	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2019 - brought forward	**175,376**	**38,430**	**(205,077)**	**8,729**
Surplus/(deficit) for the year	-	-	2,322	**2,322**
Impairments	-	(131)	-	**(131)**
Revaluations	-	3,055	-	**3,055**
Public dividend capital received	232	-	-	**232**
Taxpayers' and others' equity at 31 March 2020	**175,608**	**41,354**	**(202,755)**	**14,207**

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

Group	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2018 - brought forward	**174,998**	**40,009**	**(191,220)**	**23,787**
Impact of implementing IFRS 9 on 1 April 2018	**-**	**-**	**(253)**	**(253)**
Surplus/(deficit) for the year	**-**	**-**	**(13,572)**	**(13,572)**
Impairments	-	(1,885)	-	**(1,885)**
Revaluations	-	306	-	**306**
Public dividend capital received	378	-	-	**378**
Other reserve movements	-	-	(32)	**(32)**
Taxpayers' and others' equity at 31 March 2019	**175,376**	**38,430**	**(205,077)**	**8,729**

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

Trust	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2019 - brought forward	**175,376**	**38,429**	**(205,863)**	**7,942**
Surplus/(deficit) for the year	-	-	1,525	**1,525**
Impairments	-	(131)	-	**(131)**
Revaluations	-	3,055	-	**3,055**
Public dividend capital received	232	-	-	**232**
Other reserve movements	-	-	500	**500**
Taxpayers' and others' equity at 31 March 2020	**175,608**	**41,353**	**(203,838)**	**13,123**

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

Trust	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2018 - brought forward	**174,998**	**40,008**	**(191,906)**	**23,100**
Impact of implementing IFRS 9 on 1 April 2018	-	-	(253)	**(253)**
Surplus/(deficit) for the year	-	-	(14,255)	**(14,255)**
Downward revaluation	-	(1,885)	-	**(1,885)**
Revaluations	-	306	-	**306**
Public dividend capital received	378	-	-	**378**
Other reserve movements	-	-	551	**551**
Taxpayers' and others' equity at 31 March 2019	**175,376**	**38,429**	**(205,863)**	**7,942**

Information on reserves

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

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

Other reserves
The Trust has a wholly-owned subsidiary, ENH Pharma. Other Reserves relate to the reserves, net of the investment in it by the Trust, of this subsidiary.

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

Statements of Cash Flows

	Note	Group 2019/20 £000	Group 2018/19 £000	Trust 2019/20 £000	Trust 2018/19 £000
Cash flows from operating activities					
Operating surplus / (deficit)		7,464	(8,542)	6,458	(9,386)
Non-cash income and expense:					
Depreciation and amortisation	7	12,331	8,939	12,282	8,895
Net impairments	8	(970)	395	(970)	395
Income recognised in respect of capital donations	4	(280)	(664)	(280)	(664)
(Increase) / decrease in receivables and other assets		(2,442)	(5,003)	(2,319)	(6,505)
(Increase) / decrease in inventories		(519)	(64)	(281)	26
Increase / (decrease) in payables and other liabilities		6,159	(3,960)	5,997	(2,109)
Increase / (decrease) in provisions		(127)	(147)	(127)	(147)
Tax (paid) / received		(161)	(123)	-	-
Other movements in operating cash flows		-	(32)	500	551
Net cash flows from / (used in) operating activities		**21,455**	**(9,201)**	**21,260**	**(8,944)**
Cash flows from investing activities					
Interest received		121	87	121	87
Purchase of intangible assets		(2,559)	(11,009)	(2,559)	(11,011)
Purchase of PPE and investment property		(6,546)	(11,542)	(6,544)	(11,542)
Sales of PPE and investment property		860	-	860	
Receipt of cash donations to purchase assets		280	664	280	664
Net cash flows from / (used in) investing activities		**(7,844)**	**(21,800)**	**(7,842)**	**(21,802)**
Cash flows from financing activities					
Public dividend capital received		232	378	232	378
Movement on loans from DHSC		1,189	34,333	1,189	34,333
Movement on other loans		(63)	(63)	(63)	(63)
Capital element of PFI, LIFT and other service concession payments		(225)	(307)	(225)	(307)
Interest on loans		(4,090)	(3,813)	(4,090)	(3,813)
Other interest		(87)	(90)	(87)	(90)
Interest paid on PFI, LIFT and other service concession obligations		(885)	(920)	(885)	(920)
PDC dividend (paid) / refunded		186	877	186	877
Net cash flows from / (used in) financing activities		**(3,743)**	**30,395**	**(3,743)**	**30,395**
Increase / (decrease) in cash and cash equivalents		**9,868**	**(606)**	**9,675**	**(351)**
Cash and cash equivalents at 1 April - brought forward		**1,521**	**2,127**	**1,148**	**1,499**
Cash and cash equivalents at 31 March	25	**11,389**	**1,521**	**10,823**	**1,148**

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

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

Note 1.1.1 Accounting convention

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

Note 1.1.2 Going concern

The Trust has prepared its financial plans and cash flow forecasts on the assumption that support funding will continue to be received through the Department of Health and Social Care. These funds are expected to be sufficient to prevent the Trust from failing to meet its obligations as they fall due and to continue until adequate plans are in place to achieve financial sustainability for the Trust. The Trust achieved a surplus during the financial year and is forecast to breakeven in the forthcoming year.

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. The affected loans totalling £146m are classified as current liabilities within these financial statements. As the repayment of these loans will be funded through the issue of PDC, this does not present a going concern risk for the Trust.

The Directors have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. They have not identified any material uncertainties that may cast significant doubt on the Trust's ability to continue as a going concern. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Note 1.1.3 Consolidation

Subsidiary entities are those over which the trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The income, expenses, assets, liabilities, equity and reserves of subsidiaries are consolidated in full into the appropriate financial statement lines. The capital and reserves attributable to minority interests are included as a separate item in the Statement of Financial Position. The amounts consolidated are drawn from the published financial statements of the subsidiaries for the year.

Where subsidiaries' accounting policies are not aligned with those of the Trust (including where they report under UK FRS 102) then amounts are adjusted during consolidation where the differences are material. Inter-entity balances, transactions and gains/losses are eliminated in full on consolidation.

The Trust has a wholly owned subsidiary company, ENH Pharma Ltd. The accounts for this company have been consolidated into the Trust's annual accounts. The primary statements and notes to the accounts have been presented with separate 'Group' and 'Trust' columns. Where the difference between the 'Group' and 'Trust' figures is considered immaterial, the 'Trust' version of the note has been omitted.

Note 1.2 Critical judgements in applying accounting policies

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

The Trust has consolidated the performance of its wholly-owned subsidiary into its financial results, as being under common control as defined by IAS 27. The results of the Trust as a single entity are provided for information purposes only.

The Trust has judged that the financial performance and position of its Charity is not material to the results of the Trust and, as a result, the decision has been made not to consolidate for 2019/20."

Note 1.2.1 Sources of estimation uncertainty

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

- Valuation of Intangible and Tangible Assets - Notes 15 to 20

The reported amounts for depreciation of property, plant and equipment and amortisation of non-current intangible assets can be materially affected by the judgements exercised in determining their estimated economic lives. Economic lives are determined in a number of different ways such as valuations (external professional opinion) and management estimation for equipment and intangible assets.

The valuation exercise was carried out in March 2020 with a valuation date of 31 March 2020. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2017 ('Red Book'), the valuer has declared a 'material valuation uncertainty' in the valuation report. This is on the basis of uncertainties in markets caused by the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, which has impacted global financial markets. The values in the report have been used to inform the measurement of property assets at valuation in these financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust.

- Allowances for credit losses on Receivables - Note 23.2

Allowance for credit losses are based on average percentage recovery rate for receivables outstanding, according to each category of receivable. The Trust follows the guidance issued in the DH Group Accounting Manual in relation to the recommended rate for Injury Cost Recovery receivables.

-Expenditure accruals - Note 7.1

At the end of each accounting period management review expenditure items that are outstanding and estimate the amount to be accrued in financial statements. Accruals are generally based on estimates and judgements of historical trends and outcomes. Any variation in prior periods has not been material to the Accounts.

- The likelihood, amount and timing of provisions and contingent liabilities (Note 30 to 31).

Provisions have been made for legal and constructive obligations of uncertain timing or amount as at the reporting date where the liability meets the recognition criteria of IAS37. These are based on judgements and estimates of future cash flows and are dependent on future events. Any differences between expectations and the actual future liability will be accounted for in the period when such determination is made. Public liability claims are based on information received from the NHS Resolution (NHSR, previously NHS Litigation Authority) which handles claims on behalf of the Trust. For cases not yet concluded, a provision, or contingent liability is made according to NHSR assessment of expected outcomes. Pensions provisions are based on information received from NHS Pension Agency (previously NHS Business Service Authority).

- Liabilities under the Private Finance Inititative - Note 33

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 treated similar to a finance lease liability in accordance with IAS 17. The implicit rate of interest is derived from the PFI provider's financial model and adjusted annually by retail price index (RPI). Future RPI can not be determined in advance.

Note 1.3 Revenue from contracts with customers

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

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

A receivable is recognised when goods are delivered as this is the point in time that the consideration is unconditional and because only the passage of time is required before the payment is due.

Revenue from NHS contracts

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

For example: Revenue is recognised to the extent that collection of consideration 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.

Where the Trust is aware of a penalty based on contractual performance, the Trust reflects this in the transaction price for its recognition of revenue. Revenue is reduced by the value of the penalty.

The Trust does not receive income where a patient is readmitted within 30 days of discharge from a previous planned stay. This is considered an additional performance obligation to be satisfied under the original transaction price. An estimate of readmissions is made at the year end and this portion of revenue is deferred as a contract liability.

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.

The Trust does not disclose information regarding performance obligations as part of a contract that has an original expected duration of one year or less. The Trust recognises revenue in line with the right to consideration where this corresponds directly with value of the performance completed to date.

Revenue from research contracts

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

NHS injury cost recovery scheme

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

Provider sustainability fund (PSF) and Financial recovery fund (FRF)

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

Note 1.3.1 Other forms of income

Grants and donations

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

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

Apprenticeship service income

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

Sales of non-current assets

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

Note 1.4 Expenditure on employee benefits

Short-term employee benefits

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

Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of Secretary of State for Health and Social Care in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as though it is a defined contribution scheme: the cost to the trust is taken as equal to the employer's pension contributions payable to the scheme for the accounting period.

The contributions are charged to operating expenses as and when they become due.

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

Note 1.5 Expenditure on other goods and services

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

Note 1.6 Property, plant and equipment

Note 1.6.1 Recognition

Property, plant and equipment is capitalised where:

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

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

Note 1.6.1 Measurement

Valuation

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

For specialised assets, current value in existing use is interpreted as the present value of the asset's remaining service potential, which is assumed to be at least equal to the cost of replacing that service potential. Specialised assets are therefore valued at their depreciated replacement cost (DRC) on a modern equivalent asset (MEA) basis. An MEA basis assumes that the asset will be replaced with a modern asset of equivalent capacity and meeting the location requirements of the services being provided. Assets held at depreciated replacement cost have been valued on an alternative site basis where this would meet the location requirements.

Valuation guidance issued by the Royal Institute of Chartered Surveyors states that valuations are performed net of VAT where the VAT is recoverable by the entity. This basis has been applied to the trust's Private Finance Initiative (PFI) scheme where the construction is completed by a special purpose vehicle and the costs have recoverable VAT for the Trust.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees and, where capitalised in accordance with IAS 23, borrowings costs. Assets are revalued and depreciation commences when the assets are brought into use.

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

Subsequent expenditure

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

Depreciation

Items of property, plant and equipment are depreciated over their remaining useful lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated.

Property, plant and equipment which has been reclassified as 'held for sale' cease to be depreciated upon the reclassification. Assets in the course of construction and residual interests in off-Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

Revaluation gains and losses

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

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

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

Impairments

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

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

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

Note 1.6.3 De-recognition

Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met. The sale must be highly probable and the asset available for immediate sale in its present condition.

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

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

Note 1.6.4 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.

Note 1.6.5 Private Finance Initiative (PFI) transactions

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 IAS 17, the underlying assets are recognised as property, plant and equipment, together with an equivalent finance lease liability. Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

The annual contract payments are apportioned between the repayment of the liability, a finance cost, the charges for services and lifecycle replacement of components of the asset. The element of the annual unitary payment increase due to cumulative indexation is treated as contingent rent and is expensed as incurred.

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

Note 1.6.6 Useful lives of property, plant and equipment

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

	Min life Years	Max life Years
Land	-	-
Buildings, excluding dwellings	10	83
Plant & machinery	5	15
Information technology	5	10
Furniture & fittings	5	20

Finance-leased assets (including land) are depreciated over the shorter of the useful life or the lease term, unless the Trust expects to acquire the asset at the end of the lease term in which case the assets are depreciated in the same manner as owned assets above.

Note 1.7 Intangible assets

Note 1.7.1 Recognition

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

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, eg, 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, eg 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, eg application software, is capitalised as an intangible asset.

Note 1.7.2 Measurement

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

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of amortised replacement cost and the value in use where the asset is income generating. Revaluation gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

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

Amortisation

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

Note 1.7.3 Useful lives of intangible assets

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

	Min life Years	Max life Years
Development expenditure	5	10
Software licences	5	15
Licences & trademarks	5	10

Note 1.8 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the first in, first out (FIFO) method.

Note 1.9 Cash and cash equivalents

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

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

Note 1.10 Financial assets and financial liabilities

Note 1.10.1 Recognition

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

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

Note 1.10.2 Classification and measurement

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

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

Financial assets are classified as subsequently measured at amortised cost.

Financial liabilities classified as subsequently measured at amortised cost.

Financial assets and financial liabilities at amortised cost

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

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

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

Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets or assets measured at fair value through other comprehensive income, the Trust recognises an allowance for expected credit losses.

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

The Trust determines expected credit losses using a matrix of percentage based on the class of financial asset and prior recoverability. The Trust does not normally recognise expected credit losses in relation to other NHS bodies.

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

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

Note 1.10.3 Derecognition

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

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

Note 1.11 Leases

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

Note 1.11.1 The Trust as a lessee

Finance leases

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

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

The annual rental charge is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to finance costs in the Statement of Comprehensive Income. 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 lease term. Lease incentives are recognised initially in other liabilities on the statement of financial position and subsequently as a reduction of rentals on a straight-line basis over the lease term.

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

Leases of land and buildings

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

Note 1.11.2 The Trust as a lessor

Finance leases

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

Operating leases

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

Note 1.12 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rates effective for 31 March 2020:

Provisions (cont'd)

		Nominal rate
Short-term	Up to 5 years	0.51%
Medium-term	After 5 years up to 10 years	0.55%
Long-term	Exceeding 10 years	1.99%

HM Treasury provides discount rates for general provisions on a nominal rate basis. Expected future cash flows are therefore adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates are set by HM Treasury, effective 31 March 2020:

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

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 0.5% in real terms.

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the Trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Trust is disclosed at note 30 but is not recognised in the Trust's accounts.

Non-clinical risk pooling

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

Note 1.13 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Trust's control) are not recognised as assets, but are disclosed in note 31 where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in note 31, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

• possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or

• present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

Note 1.14 Public dividend capital

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

The Secretary of State can issue new PDC to, and require repayments of PDC from, the Trust. PDC is recorded at the value received.

A charge, reflecting the cost of capital utilised by the Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for
(i) donated and grant funded assets,
(ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and
(iii) any PDC dividend balance receivable or payable.

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

Note 1.15 Value added tax

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

Note 1.16 Corporation tax

The Trust's wholly-owned subsidiary is liable for Corporation Tax on its profits. An estimate for the taxation payable on each year's profits is included within these financial statements. However, given that this tax will be payable within the next financial year, no allowance is made for discounting in assessing the liability.

Note 1.17 Third party assets

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

Note 1.18 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis.

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

Note 1.19 Gifts

Gifts are items that are voluntarily donated, with no preconditions and without the expectation of any return. Gifts include all transactions economically equivalent to free and unremunerated transfers, such as the loan of an asset for its expected useful life, and the sale or lease of assets at below market value.

Note 1.20 Early adoption of standards, amendments and interpretations

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

Note 1.21 Standards, amendments and interpretations in issue but not yet effective or adopted

IFRS 16 Leases

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

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

On transition to IFRS 16 on 1 April 2021, the Trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the Trust's incremental borrowing rate. The Trust's incremental borrowing rate will be a rate defined by HM Treasury. Currently this rate is 1.27% but this may change between now and adoption of the standard. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. For existing peppercorn leases not classified as finance leases, a right of use asset will be measured at current value in existing use or fair value. The difference between the asset value and the calculated lease liability will be recognised in the income and expenditure reserve on transition. No adjustments will be made on 1 April 2021 for existing finance leases.

IFRS 16 Leases (cont'd)

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.

The Trust has estimated the impact of applying IFRS 16 in 2021/22 on the opening statement of financial position and the in-year impact on the statement of comprehensive income and capital additions as follows:

	£000
Estimated impact on 1 April 2021 statement of financial position	
Additional right of use assets recognised for existing operating leases	106,600
Additional lease obligations recognised for existing operating leases	(106,600)
Changes to other statement of financial position line items	-
Net impact on net assets on 1 April 2021	**-**
Estimated in-year impact in 2021/22	
Additional depreciation on right of use assets	(7,633)
Additional finance costs on lease liabilities	(1,312)
Lease rentals no longer charged to operating expenditure	8,354
Other impact on income / expenditure	-
Estimated impact on surplus / deficit in 2021/22	**(591)**
Estimated increase in capital additions for new leases commencing in 2021/22	**-**

Other standards, amendments and interpretations

IFRS 14 - Regulatory Deferral Accounts - Applies to first adopters of IFRS after 1 January 2016. Therefore not applicable to the Trust.

IFRS 17 - Insurance Contracts - Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted. It is estimated that there will be no impact on the Trust accounts if adopted.

IFRIC 23 - Uncertainty over Income Tax Treatments - Application required for accounting periods beginning on or after 1 January 2019. There will be no impact on the Trust if adopted.

Note 2 Operating Segments

The Trust has assessed that services provided by each of its Divisions or geographical locations all fall within the description of 'provision of healthcare'. Therefore there is no one unit with income of over 10% of total income that the chief operating decision maker, the Trust Board, would make operating decisions based on segmented reporting.

Note 3 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.3

	Group		Trust	
Note 3.1 Income from patient care activities (by nature)	**2019/20**	**2018/19**	**2019/20**	**2018/19**
	£000	**£000**	**£000**	**£000**
Elective income	56,266	54,939	56,266	54,939
Non elective income	108,725	102,404	108,725	102,404
First outpatient income	29,308	24,173	29,308	24,173
Follow up outpatient income	36,664	27,541	36,664	27,541
A & E income	28,359	24,141	28,359	24,141
High cost drugs income from commissioners (excluding pass-through costs)	44,331	39,146	44,331	39,146
Other NHS clinical income	114,925	116,200	114,925	116,200
Private patient income	3,353	3,229	3,353	3,229
Agenda for Change pay award central funding*	-	3,632	-	3,632
Additional pension contribution central funding**	10,937	-	10,937	-
Other clinical income	3,970	1,736	3,851	1,623
Total income from activities	**436,838**	**397,141**	**436,719**	**397,028**

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

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

Note 3.2 Income from patient care activities (by source)

	Group		Trust	
	2019/20	**2018/19**	**2019/20**	**2018/19**
Income from patient care activities received from:	**£000**	**£000**	**£000**	**£000**
NHS England	119,610	99,328	119,610	99,328
Clinical commissioning groups	311,189	288,602	311,189	288,602
Department of Health and Social Care	-	3,632	-	3,632
Other NHS providers	623	485	623	485
NHS other	87	129	87	129
Non-NHS: private patients	3,353	3,229	3,353	3,229
Non-NHS: overseas patients (chargeable to patient)	692	505	692	505
Injury cost recovery scheme	976	937	976	937
Non NHS: other	308	294	189	181
Total income from activities	**436,838**	**397,141**	**436,719**	**397,028**
Of which:				
Related to continuing operations	436,838	397,141	436,719	397,028

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

	Group and Trust	
	2019/20	2018/19
	£000	£000
Income recognised this year	692	505
Cash payments received in-year	187	208
Amounts added to provision for impairment of receivables	163	199
Amounts written off in-year	343	-

Note 4 Other operating income

	Group					
	2019/20			2018/19		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	5,554	-	**5,554**	5,513	-	**5,513**
Education and training	16,480	124	**16,604**	15,571	95	**15,666**
Non-patient care services to other bodies	13,796	-	**13,796**	12,414	-	**12,414**
Provider sustainability fund (PSF)	7,747	-	**7,747**	9,455	-	**9,455**
Financial recovery fund (FRF)	9,183	-	**9,183**	-	-	**-**
Marginal rate emergency tariff funding (MRET)	4,751	-	**4,751**	-	-	**-**
Receipt of capital grants and donations	-	280	**280**	-	664	**664**
Rental revenue from operating leases	-	245	**245**	-	296	**296**
Other income	3,599	-	**3,599**	3,754	-	**3,754**
Total other operating income	**61,110**	**649**	61,759	**46,707**	**1,055**	47,762
Of which:						
Related to continuing operations			**61,759**			**47,762**

	Trust					
	2019/20			2018/19		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	5,554	-	**5,554**	5,513	-	**5,513**
Education and training	16,480	124	**16,604**	15,571	95	**15,666**
Non-patient care services to other bodies	13,334	-	**13,334**	11,787	-	**11,787**
Provider sustainability fund (PSF)	7,747	-	**7,747**	9,455	-	**9,455**
Financial recovery fund (FRF)	9,183	-	**9,183**	-	-	**-**
Marginal rate emergency tariff funding (MRET)	4,751	-	**4,751**	-	-	**-**
Receipt of capital grants and donations	-	280	**280**	-	664	**664**
Rental revenue from operating leases	-	348	**348**	-	399	**399**
Other income	3,599	-	**3,599**	3,754	-	**3,754**
Total other operating income	**60,648**	**752**	61,400	**46,080**	**1,158**	47,238
Of which:						
Related to continuing operations			**61,400**			**47,238**

Other contract income includes:
Car parking Income of £1,818k (2018/19 £1,830k)
Catering (non-patient) of £1,483k (2018/19 £1,287k)

Note 5.1 Additional information on contract revenue (IFRS 15) recognised in the period

	2019/20	2018/19
	£000	£000
Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end	1,697	727

Note 5.2 Transaction price allocated to remaining performance obligations

	31 March 2020	31 March 2019
Revenue from existing contracts allocated to remaining performance obligations is expected to be recognised:	£000	£000
within one year	1,949	1,697
after one year, not later than five years	-	-
after five years	-	-
Total revenue allocated to remaining performance obligations	**1,949**	**1,697**

The Trust has exercised the practical expedients permitted by IFRS 15 paragraph 121 in preparing this disclosure. Revenue from (i) contracts with an expected duration of one year or less and (ii) contracts where the Trust recognises revenue directly corresponding to work done to date is not disclosed.

Note 6.1 Fees and charges

The Trust does not undertake any income generation activities with an aim of achieving profit in excess of £1m, or is otherwise material.

Note 7.1 Operating expenses

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Purchase of healthcare from NHS and DHSC bodies	7,378	12,492	7,378	12,492
Purchase of healthcare from non-NHS and non-DHSC bodies	12,759	8,780	12,759	8,780
Staff and executive directors costs	305,445	273,541	304,081	272,526
Remuneration of non-executive directors	94	78	94	78
Supplies and services - clinical (excluding drugs costs)	35,706	35,383	35,859	35,603
Supplies and services - general	12,080	12,318	12,080	12,318
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	52,524	48,714	53,065	48,111
Inventories written down	312	146	312	146
Consultancy costs	1,572	1,807	1,570	1,807
Establishment	4,434	4,959	4,404	4,842
Premises	14,335	13,453	14,274	13,395
Transport (including patient travel)	1,065	699	1,065	699
Depreciation on property, plant and equipment	9,243	6,345	9,215	6,317
Amortisation on intangible assets	3,088	2,594	3,067	2,578
Net impairments	(970)	395	(970)	395
Movement in credit loss allowance: contract receivables / contract assets	317	250	317	250
Increase/(decrease) in other provisions	52	159	52	159
Audit fees payable to the external auditor				
audit services- statutory audit	62	59	56	52
other auditor remuneration	5	5	5	5
Internal audit costs	152	151	152	151
Clinical negligence	13,760	14,457	13,760	14,457
Legal fees	102	179	102	179
Insurance	230	29	223	22
Research and development	4,319	3,833	4,319	3,833
Education and training	1,248	960	1,248	960
Rentals under operating leases	8,486	9,419	8,486	9,419
Redundancy	153	80	153	80
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e	121	115	121	115
Car parking & security	445	620	445	620
Hospitality	60	34	60	34
Losses, ex gratia & special payments	9	18	9	18
Other services, eg external payroll	1,791	1,327	1,791	1,327
Other	756	46	2,109	1,884
Total	**491,133**	**453,445**	**491,661**	**453,652**
Of which:				
Related to continuing operations	491,133	453,445	491,661	453,652

Note 7.2 Other auditor remuneration

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Other auditor remuneration paid to the external auditor:				
Audit-related assurance services	5	5	5	5
Total	**5**	**5**	**5**	**5**

Note 7.3 Limitation on auditor's liability

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

Note 8 Impairment of assets

	Group and Trust	
	2019/20	2018/19
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Changes in market price	(970)	395
Total net impairments charged to operating surplus / deficit	**(970)**	**395**
Impairments charged to the revaluation reserve	131	1,885
Total net impairments	**(839)**	**2,280**

Impairments relating to Changes in Market Price and those Charged to the Revaluation Reserve relate to the Trust's Property, Plant and Equipment. This reflects the movements in the 'Fair Value' due to changes in property prices.

Note 9 Employee benefits

	Group		Trust	
	2019/20 Total £000	2018/19 Total £000	2019/20 Total £000	2018/19 Total £000
Salaries and wages	212,495	196,238	211,262	195,223
Social security costs	22,229	20,682	22,229	20,682
Apprenticeship levy	1,069	1,005	1,069	1,005
Employer's contributions to NHS pensions	35,937	23,442	35,937	23,442
Pension cost - other	79	49	79	49
Termination benefits	153	80	153	80
Temporary staff (including agency)	40,230	38,288	40,099	38,288
Total gross staff costs	**312,192**	**279,784**	**310,828**	**278,769**
Recoveries in respect of seconded staff	(2,227)	(2,607)	(2,227)	(2,607)
Total staff costs	**309,965**	**277,177**	**308,601**	**276,162**
Of which				
Costs capitalised as part of assets	785	457	785	457
Included in Research & development	3,582	3,099	3,582	3,099
Included in Redundancy	153	80	153	80

Note 9.1 Retirements due to ill-health

During 2019/20 there were 4 early retirements from the Trust agreed on the grounds of ill-health (3 in the year ended 31 March 2019). The estimated additional pension liabilities of these ill-health retirements is £357k (£113k in 2018/19).

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

Note 10 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State 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.

Note 11 Operating leases

Note 11.1 The Trust as a lessor

This note discloses income generated in operating lease agreements where the Trust is the lessor.

The Trust leases space for retail units, telephone masts and staff accommodation.

	Group and Trust	
	2019/20	2018/19
	£000	£000
Operating lease revenue		
Minimum lease receipts	245	296
Total	**245**	**296**

	31 March 2020	31 March 2019
	£000	£000
Future minimum lease receipts due:		
- not later than one year;	245	296
- later than one year and not later than five years;	-	-
- later than five years.	-	-
Total	**245**	**296**

Note 11.2 The Trust as a lessee

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

The Trust's operating leases relate to medical equipment and lease cars.
Medical equipment is leased over a period of 5-10 years, and carries the potential option to extend at the end of this period. Ownership does not transfer to the Trust at the end of the agreement and any purchase would be carried out on an 'arm's-length' basis.

	Group and Trust	
	2019/20	2018/19
	£000	£000
Operating lease expense		
Minimum lease payments	8,486	9,419
Total	**8,486**	**9,419**

	31 March 2020	31 March 2019
	£000	£000
Future minimum lease payments due:		
- not later than one year;	8,206	8,597
- later than one year and not later than five years;	7,713	4,848
- later than five years.	19,641	19,005
Total	**35,560**	**32,450**

Note 12 Finance income

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

	Group and Trust	
	2019/20	2018/19
	£000	£000
Interest on bank accounts	121	87
Total finance income	**121**	**87**

Note 13.1 Finance expenditure

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

	2019/20	2018/19
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	4,139	3,944
Interest on late payment of commercial debt	18	15
Main finance costs on PFI scheme obligations	466	498
Contingent finance costs on PFI scheme obligations	419	422
Total interest expense	**5,042**	**4,879**
Unwinding of discount on provisions	(3)	2
Other finance costs	69	75
Total finance costs	**5,108**	**4,956**

Note 13.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015

	2019/20	2018/19
	£000	£000
Amounts included within interest payable arising from claims made under this legislation	18	15

Note 14 Other gains / (losses) (Group)

	2019/20	2018/19
	£000	£000
Gains on disposal of assets	54	-
Total gains / (losses) on disposal of assets	**54**	**-**

Note 15.1 Intangible assets - 2019/20

Group	Software licences £000	Licences & trademarks £000	Development expenditure £000	Total £000
Valuation / gross cost at 1 April 2019 - brought forward	**26,322**	**1,020**	**8,736**	**36,078**
Additions	2,559	-	-	**2,559**
Reclassifications	(9)	-	-	**(9)**
Disposals / derecognition	(68)	-	(2,724)	**(2,792)**
Valuation / gross cost at 31 March 2020	**28,804**	**1,020**	**6,012**	**35,836**
Amortisation at 1 April 2019 - brought forward	**3,263**	**782**	**5,051**	**9,096**
Provided during the year	2,021	84	983	**3,088**
Disposals / derecognition	(68)	-	(2,392)	**(2,460)**
Amortisation at 31 March 2020	**5,216**	**866**	**3,642**	**9,724**
Net book value at 31 March 2020	**23,588**	**154**	**2,370**	**26,112**
Net book value at 1 April 2019	**23,059**	**238**	**3,685**	**26,982**

Note 15.2 Intangible assets - 2018/19

Group	Software licences £000	Licences & trademarks £000	Development expenditure £000	Total £000
Valuation / gross cost at 1 April 2018 - brought forward	**15,313**	**1,020**	**8,736**	**25,069**
Additions	11,009	-	-	**11,009**
Valuation / gross cost at 31 March 2019	**26,322**	**1,020**	**8,736**	**36,078**
Amortisation at 1 April 2018 - brought forward	**1,869**	**659**	**3,974**	**6,502**
Provided during the year	1,394	123	1,077	**2,594**
Amortisation at 31 March 2019	**3,263**	**782**	**5,051**	**9,096**
Net book value at 31 March 2019	**23,059**	**238**	**3,685**	**26,982**
Net book value at 1 April 2018	**13,444**	**361**	**4,762**	**18,567**

Note 16.1 Intangible assets - 2019/20

Trust	Software licences £000	Licences & trademarks £000	Development expenditure £000	Total £000
Valuation / gross cost at 1 April 2019 - brought forward	**26,218**	**1,020**	**8,736**	**35,974**
Additions	2,559	-	-	**2,559**
Reclassifications	(9)	-	-	**(9)**
Disposals / derecognition	(68)	-	(2,724)	**(2,792)**
Valuation / gross cost at 31 March 2020	**28,700**	**1,020**	**6,012**	**35,732**
Amortisation at 1 April 2019 - brought forward	**3,216**	**782**	**5,051**	**9,049**
Provided during the year	2,000	84	983	**3,067**
Disposals / derecognition	(68)	-	(2,392)	**(2,460)**
Amortisation at 31 March 2020	**5,148**	**866**	**3,642**	**9,656**
Net book value at 31 March 2020	**23,552**	**154**	**2,370**	**26,076**
Net book value at 1 April 2019	**23,002**	**238**	**3,685**	**26,925**

Note 16.2 Intangible assets - 2018/19

Trust	Software licences £000	Licences & trademarks £000	Development expenditure £000	Total £000
Valuation / gross cost at 1 April 2018 - brought forward	**15,209**	**1,020**	**8,736**	**24,965**
Additions	11,009	-	-	**11,009**
Valuation / gross cost at 31 March 2019	**26,218**	**1,020**	**8,736**	**35,974**
Amortisation at 1 April 2018 - brought forward	**1,840**	**659**	**3,974**	**6,473**
Provided during the year	1,376	123	1,077	**2,576**
Amortisation at 31 March 2019	**3,216**	**782**	**5,051**	**9,049**
Net book value at 31 March 2019	**23,002**	**238**	**3,685**	**26,925**
Net book value at 1 April 2018	**13,369**	**361**	**4,762**	**18,492**

Note 17.1 Property, plant and equipment - 2019/20

Group	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2019 - brought forward	**21,395**	**136,330**	**-**	**46,137**	**10,263**	**3,220**	**217,345**
Additions	-	1,987	1,951	2,583	1,107	28	**7,656**
Impairments	-	(131)	-	-	-	-	**(131)**
Revaluations	660	(1,594)	-	-	-	-	**(934)**
Reclassifications	-	-	-	-	9	-	**9**
Disposals / derecognition	-	-	-	(435)	(126)	(607)	**(1,168)**
Valuation/gross cost at 31 March 2020	**22,055**	**136,592**	**1,951**	**48,285**	**11,253**	**2,641**	**222,777**
Accumulated depreciation at 1 April 2019 - brought forward	**-**	**4**	**-**	**32,045**	**7,520**	**2,360**	**41,929**
Provided during the year	-	5,388	-	2,818	889	148	**9,243**
Impairments	-	750	-	-	-	-	**750**
Reversals of impairments	-	(1,720)	-	-	-	-	**(1,720)**
Revaluations	-	(3,989)	-	-	-	-	**(3,989)**
Disposals / derecognition	-	-	-	(389)	(117)	(541)	**(1,047)**
Accumulated depreciation at 31 March 2020	**-**	**433**	**-**	**34,474**	**8,292**	**1,967**	**45,166**
Net book value at 31 March 2020	**22,055**	**136,159**	**1,951**	**13,811**	**2,961**	**674**	**177,611**
Net book value at 1 April 2019	**21,395**	**136,326**	**-**	**14,092**	**2,743**	**860**	**175,416**

Note 17.2 Property, plant and equipment - 2018/19

Group	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2018 - brought forward	**21,740**	**134,847**	**-**	**44,447**	**9,295**	**3,210**	**213,539**
Additions	-	5,866	-	1,690	968	10	**8,534**
Impairments	-	(5,360)	-	-	-	-	**(5,360)**
Reversals of impairments	-	680	-	-	-	-	**680**
Revaluations	-	306	-	-	-	-	**306**
Transfers to / from assets held for sale	(345)	(9)	-	-	-	-	**(354)**
Valuation/gross cost at 31 March 2019	**21,395**	**136,330**	**-**	**46,137**	**10,263**	**3,220**	**217,345**
Accumulated depreciation at 1 April 2018 - brought forward	**-**	**-**	**-**	**29,103**	**6,676**	**2,205**	**37,984**
Provided during the year	-	2,404	-	2,942	844	155	**6,345**
Impairments	-	(2,400)	-	-	-	-	**(2,400)**
Accumulated depreciation at 31 March 2019	**-**	**4**	**-**	**32,045**	**7,520**	**2,360**	**41,929**
Net book value at 31 March 2019	**21,395**	**136,326**	**-**	**14,092**	**2,743**	**860**	**175,416**
Net book value at 1 April 2018	**21,740**	**134,847**	**-**	**15,344**	**2,619**	**1,005**	**175,555**

Note 17.3 Property, plant and equipment financing - 2019/20

Group	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2020							
Owned - purchased	22,055	126,956	1,951	12,215	2,961	559	**166,697**
On-SoFP PFI contracts and other service concession arrangements	-	7,755	-	-	-	-	**7,755**
Owned - donated	-	1,448	-	1,596	-	115	**3,159**
NBV total at 31 March 2020	**22,055**	**136,159**	**1,951**	**13,811**	**2,961**	**674**	**177,611**

Note 17.4 Property, plant and equipment financing - 2018/19

Group	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2019							
Owned - purchased	21,395	127,223	-	12,515	2,743	706	**164,582**
On-SoFP PFI contracts and other service concession arrangements	-	7,647	-	-	-	-	**7,647**
Owned - donated	-	1,456	-	1,577	-	154	**3,187**
NBV total at 31 March 2019	**21,395**	**136,326**	**-**	**14,092**	**2,743**	**860**	**175,416**

Note 18.1 Property, plant and equipment - 2019/20

Trust	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2019 - brought forward	**21,395**	**136,330**	**-**	**46,137**	**10,198**	**3,069**	**217,129**
Additions	-	1,987	1,951	2,583	1,106	28	**7,655**
Impairments	-	(131)	-	-	-	-	**(131)**
Revaluations	660	(1,594)	-	-	-	-	**(934)**
Reclassifications	-	-	-	-	9	-	**9**
Disposals / derecognition	-	-	-	(435)	(126)	(607)	**(1,168)**
Valuation/gross cost at 31 March 2020	**22,055**	**136,592**	**1,951**	**48,285**	**11,187**	**2,490**	**222,560**
Accumulated depreciation at 1 April 2019 - brought forward	**-**	**4**	**-**	**32,045**	**7,482**	**2,320**	**41,851**
Provided during the year	-	5,388	-	2,818	876	133	**9,215**
Impairments	-	750	-	-	-	-	**750**
Reversals of impairments	-	(1,720)	-	-	-	-	**(1,720)**
Revaluations	-	(3,989)	-	-	-	-	**(3,989)**
Disposals / derecognition	-	-	-	(389)	(117)	(541)	**(1,047)**
Accumulated depreciation at 31 March 2020	**-**	**433**	**-**	**34,474**	**8,241**	**1,912**	**45,060**
Net book value at 31 March 2020	**22,055**	**136,159**	**1,951**	**13,811**	**2,946**	**578**	**177,500**
Net book value at 1 April 2019	**21,395**	**136,326**	**-**	**14,092**	**2,716**	**749**	**175,278**

Note 18.2 Property, plant and equipment - 2018/19

Trust	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2018 - brought forward	**21,740**	**134,847**	**-**	**44,447**	**9,232**	**3,059**	**213,325**
Additions	-	5,866	-	1,690	966	10	**8,532**
Impairments	-	(5,360)	-	-	-	-	**(5,360)**
Reversals of impairments	-	680	-	-	-	-	**680**
Revaluations	-	306	-	-	-	-	**306**
Transfers to / from assets held for sale	(345)	(9)	-	-	-	-	**(354)**
Valuation/gross cost at 31 March 2019	**21,395**	**136,330**	**-**	**46,137**	**10,198**	**3,069**	**217,129**
Accumulated depreciation at 1 April 2018 - brought forward	**-**	**-**	**-**	**29,103**	**6,651**	**2,179**	**37,933**
Provided during the year	-	2,404	-	2,942	831	141	**6,318**
Impairments	-	(2,400)	-	-	-	-	**(2,400)**
Accumulated depreciation at 31 March 2019	**-**	**4**	**-**	**32,045**	**7,482**	**2,320**	**41,851**
Net book value at 31 March 2019	**21,395**	**136,326**	**-**	**14,092**	**2,716**	**749**	**175,278**
Net book value at 1 April 2018	**21,740**	**134,847**	**-**	**15,344**	**2,581**	**880**	**175,392**

Note 18.3 Property, plant and equipment financing - 2019/20

Trust	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2020							
Owned - purchased	22,055	126,956	1,951	12,215	2,946	463	**166,586**
On-SoFP PFI contracts and other service concession arrangements	-	7,755	-	-	-	-	**7,755**
Owned - donated	-	1,448	-	1,596	-	115	**3,159**
NBV total at 31 March 2020	**22,055**	**136,159**	**1,951**	**13,811**	**2,946**	**578**	**177,500**

Note 18.4 Property, plant and equipment financing - 2018/19

Trust	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2019							
Owned - purchased	21,395	127,223	-	12,515	2,716	595	**164,444**
On-SoFP PFI contracts and other service concession arrangements	-	7,647	-	-	-	-	**7,647**
Owned - donated	-	1,456	-	1,577	-	154	**3,187**
NBV total at 31 March 2019	**21,395**	**136,326**	**-**	**14,092**	**2,716**	**749**	**175,278**

Note 19 Donations of property, plant and equipment

The Trust has received the donation of a number of items of equipment to enhance patient experience from the East and North Hertfordshire NHS Trust Charitable Funds. The amount received in 2019-20 was £280k (2018-19 £664k).

Note 20 Revaluations of property, plant and equipment

The Trust's land and buildings valuations were reviewed at 31 March 2020 by an independent, qualified valuer, using the Modern Equivalent Asset (MEA) methodology, in accordance with DH guidance and the NHS Group Accounting Manual.

The desktop valuation was carried out by Avison Young (previously known as Bilfinger GVA), 3 Brindleyplace, Birmingham, B1 2JB. This was carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury.

Existing Use Value of the properties has been primarily derived using the Depreciated Replacement Cost (DRC) approach because the specialised nature of the asset means that there are no market transactions for this type of asset except as part of an entity.

In certain circumstances, for non-specialised properties, the Existing Use Value has been derived from comparable market transactions of arm's length terms.

The Existing Use Value is defined in UKPS 1.3 of the Red Book and, in undertaking these valuations, our surveyors have applied the conceptual framework of Market Value, which is detailed in PS3.2, together with the supplementary commentary which is included in items 2-5 of UKPS 1.3. Under UKPS1.3 the term "Existing Use Value" is defined as follows:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties have acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost".

The definition of MEA
Modern Equivalent Assets - a structure similar to an existing structure with an equivalent, productive capacity, which could be built using modern materials, techniques and designs. Replacement cost is the basis used to estimate the cost of constructing a modern equivalent asset.

The value of land has been assessed on the basis of the construction of a modern equivalent asset, over a number of storeys, with the associated footprint that such a construction would require.

Non specialised property is held at existing use value and is not materially different from its open market value.

Net increase in the valuation of property, plant and equipment which was transferred to revaluation reserve during the year was £2,924k.

Note 21 Other investments / financial assets (current)

The Trust's principal subsidiary undertakings as included in its consolidated accounts are below.

The Trust holds a £1,000k investment in ENH Pharma Ltd. Subsidiary's accounts are prepared as at 31 March 2020 and for the period then ended.

ENH Pharma Ltd is 100% owned and was incorporated on 28 July 2014 in the United Kingdom. Its principal activity is Outpatient Pharmacy. As at 31 March 2020, the subsidiary's total profit for the year was £797k, with gross assets of £4,722k and net assets of £2,086k.

Note 22 Inventories

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Drugs	3,309	2,787	1,901	1,617
Consumables	3,432	3,435	3,432	3,435
Energy	243	243	243	243
Total inventories	**6,984**	**6,465**	**5,576**	**5,295**
of which:				
Held at fair value less costs to sell	-	-		

Inventories recognised in expenses for the year were £52,836k (2018/19: £48,860k). Write-down of inventories recognised as expenses for the year were £312k (2018/19: £146k).

Note 23.1 Receivables

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Current				
Contract receivables	42,108	38,194	42,152	38,173
Allowance for impaired contract receivables / assets	(1,534)	(1,563)	(1,534)	(1,563)
Prepayments (non-PFI)	4,400	5,376	4,400	5,376
PDC dividend receivable	-	186	-	186
VAT receivable	2,184	2,372	1,573	1,948
Other receivables	2,391	2,678	2,391	2,679
Total current receivables	**49,549**	**47,243**	**48,982**	**46,799**
Non-current				
Contract assets	1,892	1,892	1,892	1,892
Allowance for other impaired receivables	(404)	(404)	(404)	(404)
Prepayments (non-PFI)	1,048	1,098	1,048	1,098
Total non-current receivables	**2,536**	**2,586**	**2,536**	**2,586**
Of which receivable from NHS and DHSC group bodies:				
Current	34,833	30,625	34,833	30,625
Non-current	-	-	-	-

Note 23.2 Allowances for credit losses - 2019/20

	Group and Trust	
	Contract receivables and contract assets	All other receivables
	£000	£000
Allowances as at 1 April 2019 - brought forward	**1,967**	**-**
New allowances arising	317	-
Utilisation of allowances (write offs)	(346)	-
Allowances as at 31 March 2020	**1,938**	**-**

Note 23.3 Allowances for credit losses - 2018/19

	Group and Trust	
	Contract receivables and contract assets	All other receivables
	£000	£000
Allowances as at 1 April 2018 - brought forward	**-**	**1,464**
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018	1,717	(1,464)
Changes in existing allowances	250	-
Allowances as at 31 March 2019	**1,967**	**-**

Ageing of non-impaired financial assets past their due date

	Group and Trust	
	31 March 2020	31 March 2019
	Trade and other	receivables
0 - 30 days	8,949	5,917
30-60 Days	1,238	440
60-90 days	1,980	407
90- 180 days	2,122	4,223
Over 180 days	8,594	6,111
Total	**22,883**	**17,098**

Note 24 Non-current assets held for sale and assets in disposal groups

	Group	
	2019/20	2018/19
	£000	£000
NBV of non-current assets for sale and assets in disposal groups at 1 April	**354**	**-**
Assets classified as available for sale in the year	-	354
Assets sold in year	(354)	-
NBV of non-current assets for sale and assets in disposal groups at 31 March	**-**	**354**

Note 25.1 Cash and cash equivalents movements

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents. Cash equivalents are readily convertible investments of known value which are subject to an insignificant risk of change in value.

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
At 1 April	**1,521**	**2,127**	**1,148**	**1,499**
Net change in year	9,868	(606)	9,675	(351)
At 31 March	**11,389**	**1,521**	**10,823**	**1,148**
Broken down into:				
Cash at commercial banks and in hand	586	406	20	33
Cash with the Government Banking Service	10,803	1,115	10,803	1,115
Total cash and cash equivalents as in SoFP	**11,389**	**1,521**	**10,823**	**1,148**

Note 25.2 Third party assets held by the Trust

East And North Hertfordshire NHS Trust held cash and cash equivalents on behalf of patients or other parties. This has been excluded from the cash and cash equivalents figure reported in the accounts.

	Group and Trust	
	31 March 2020	31 March 2019
	£000	£000
Bank balances	-	-
Monies on deposit	3	4
Total third party assets	**3**	**4**

Note 26.1 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	25,074	27,364	24,493	26,991
Capital payables	1,618	508	1,618	508
Accruals	21,335	12,913	21,335	12,913
Social security costs	3,321	3,163	3,298	3,163
Other taxes payable	2,830	2,798	2,830	2,776
Total current trade and other payables	**54,178**	**46,746**	**53,574**	**46,351**
Non-current				
Other payables	4,206	4,404	4,206	4,404
Total non-current trade and other payables	**4,206**	**4,404**	**4,206**	**4,404**
Of which payables from NHS and DHSC group bodies:				
Current	8,981	6,984	8,981	6,984
Non-current	-	-	-	-

Note 27 Other financial liabilities

	Group		Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Current				
Other financial liabilities	177	170	177	170
Total other current liabilities	**177**	**170**	**177**	**170**
Non-current				
Other financial liabilities	1,927	2,104	1,927	2,104
Total other non-current liabilities	**1,927**	**2,104**	**1,927**	**2,104**

Note 28 Other liabilities

	Group		Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Current				
Deferred income: contract liabilities	1,949	1,697	1,949	1,697
Total other current liabilities	**1,949**	**1,697**	**1,949**	**1,697**
Non-current				
Total other non-current liabilities	**-**	**-**	**-**	**-**

Note 29 Borrowings

	Group		Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Current				
Loans from DHSC	149,862	33,469	149,862	33,469
Other loans	63	63	63	63
Obligations under PFI or other service concession contracts (excl. lifecycle)	219	239	219	239
Total current borrowings	**150,144**	**33,771**	**150,144**	**33,771**
Non-current				
Loans from DHSC	40,625	155,780	40,625	155,780
Other loans	63	126	63	126
Obligations under PFI or other service concession contracts	6,008	6,213	6,008	6,213
Total non-current borrowings	**46,696**	**162,119**	**46,696**	**162,119**

Movement in loans from DHSC is due to event after reporting date as stated in note 38.

Note 29.1 Reconciliation of liabilities arising from financing activities

Group and Trust 2019/20	Loans from DHSC	Other loans	PFI schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2019	**189,250**	**188**	**6,452**	**195,890**
Cash movements:				
Financing cash flows - payments and receipts of principal	1,189	(63)	(225)	**901**
Financing cash flows - payments of interest	(4,090)	-	(466)	**(4,556)**
Non-cash movements:				
Application of effective interest rate	4,139	-	466	**4,605**
Carrying value at 31 March 2020	**190,488**	**125**	**6,227**	**196,840**

Group and Trust - 2018/19	Loans from DHSC	Other loans	PFI schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2018	**154,578**	**251**	**6,759**	**161,588**
Cash movements:				
Financing cash flows - payments and receipts of principal	34,333	(63)	(307)	**33,963**
Financing cash flows - payments of interest	(3,813)	-	(498)	**(4,311)**
Non-cash movements:				
Impact of implementing IFRS 9 on 1 April 2018	208	-	-	**208**
Application of effective interest rate	3,944	-	498	**4,442**
Carrying value at 31 March 2019	**189,250**	**188**	**6,452**	**195,890**

Note 30.1 Provisions for liabilities and charges analysis

Group and Trust	Pensions: early departure costs	Legal claims	Re-structuring	Total
	£000	£000	£000	£000
At 1 April 2019	**624**	**140**	**63**	**827**
Arising during the year	33	24	-	**57**
Utilised during the year	(103)	(13)	(63)	**(179)**
Reversed unused	(5)	-	-	**(5)**
Unwinding of discount	(3)	-	-	**(3)**
At 31 March 2020	**546**	**151**	**-**	**697**
Expected timing of cash flows:				
- not later than one year;	74	37	-	**111**
- later than one year and not later than five years	296	-	-	**296**
- later than five years.	176	114	-	**290**
Total	**546**	**151**	**-**	**697**

Early Departure costs relate to a constructive obligation with the NHS Pensions Agency to refund it the costs of pensions paid to staff who have retired due to ill-health in earlier years. The value of the obligation is assessed using actuarial tables and the uncertainty relates to the length of time these pensions will be payable.

Legal claims relate to claims made under the Trust's Employer Liability and Public Liability Schemes, for which the Trust is responsible for the payment of an excess should the claim be successful. Uncertainty relates to the potential for success and an amount has been included for all those assessed at a probability of over 50% by NHS Resolution

Restructuring provision relates to costs that are likely to be paid as a result of restructuring departments. All affected staff have been paid.

The discount rate applied to provisions above is -0.5%.

Note 30.2 Clinical negligence liabilities

At 31 March 2020, £329,803k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of East And North Hertfordshire NHS Trust (31 March 2019: £310,337k).

Note 31 Contingent assets and liabilities

	Group and Trust	
	31 March 2020 £000	31 March 2019 £000
Value of contingent liabilities		
NHS Resolution legal claims	(73)	(96)
Gross value of contingent liabilities	**(73)**	**(96)**
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	**(73)**	**(96)**
Net value of contingent assets	**-**	**-**

Contingent liabilities relate to claims under the Trust's Employer Liability and Public Liability Schemes, referred to in Note 25, where the probability of success has been assessed as being between 20% and 50%

Note 32 Contractual capital commitments

	Group and Trust	
	31 March 2020 £000	31 March 2019 £000
Property, plant and equipment	170	196
Intangible assets	-	-
Total	**170**	**196**

Note 33 On-SoFP PFI or other service concession arrangements

The Trust has one PFI Scheme, relating to the Hertford County Hospital. The hospital provides outpatient and therapy services to the local community. The facility became operational on 1 November 2004 with a contract period of 28.5 years. The contract is due to end on 31 March 2033.

The Trust pays a monthly contractual unitary payment, which covers the cost of facilities management services, financing and lifecycle replacement of assets components. Further information on the nature and value of these payments is included below.

Note 33.1 On-SoFP PFI or other service concession arrangement obligations

The following obligations in respect of the PFI or other service concession arrangements are recognised in the statement of financial position:

	Group and Trust	
	31 March 2020 £000	31 March 2019 £000
Gross PFI or other service concession liabilities	**10,067**	**10,717**
Of which liabilities are due		
- not later than one year;	684	716
- later than one year and not later than five years;	2,958	2,893
- later than five years.	6,425	7,109
Finance charges allocated to future periods	(3,840)	(4,265)
Net PFI or other service concession arrangement obligation	**6,227**	**6,452**
Of which:		
- not later than one year;	219	239
- later than one year and not later than five years;	1,311	1,176
- later than five years.	4,697	5,037

Note 33.2 Total on-SoFP PFI commitments

Total future commitments under these on-SoFP schemes are as follows:

	Group and Trust	
	31 March 2020 £000	31 March 2019 £000
Total future payments committed in respect of the PFI or other service concession arrangements	**24,106**	**24,290**
Of which payments are due:		
- not later than one year;	1,574	1,455
- later than one year and not later than five years;	6,701	6,193
- later than five years.	15,831	16,642

Note 33.3 Analysis of amounts payable to service concession operator

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

	Group and Trust	
	2019/20	2018/19
	£000	£000
Unitary payment payable to service concession operator	**1,537**	**1,499**
Consisting of:		
- Interest charge	466	498
- Repayment of balance sheet obligation	238	307
- Service element and other charges to operating expenditure	121	115
- Capital lifecycle maintenance	293	157
- Contingent rent	419	422
Total amount paid to service concession operator	**1,537**	**1,499**

Note 34 Financial instruments

Note 34.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking these activities. Because of the continuing service provider relationship that the Trust has with commissioners and the way those commissioners are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also 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 mainly apply. The Trust has limited powers to borrow or invest surplus funds and financial assets 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 Trust's internal auditors.

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. The Trust therefore has low exposure to currency rate fluctuations.

Interest rate risk

The Trust borrows from government for capital expenditure, subject to affordability as confirmed by NHS Improvement. The borrowings are for 1 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

The Trust may also borrow from government for revenue financing subject to approval by NHS Improvement. Interest rates are confirmed by the Department of Health (the lender) at the point borrowing is undertaken.

The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2020 are in receivables from customers, as disclosed in the trade and other receivables note. The Trust has assessed this risk against the impact of Covid-19 and has come to the same conclusion.

Liquidity risk

The Trust's operating costs are incurred under contracts with primary care organisations, which are financed from resources voted annually by Parliament . The Trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

Note 34.2 Carrying values of financial assets	Group
Carrying values of financial assets as at 31 March 2020	**Held at amortised cost £000**
Trade and other receivables excluding non financial assets	41,574
Cash and cash equivalents	11,389
Total at 31 March 2020	**52,963**

Carrying values of financial assets as at 31 March 2019	**Held at amortised cost £000**
Trade and other receivables excluding non financial assets	40,797
Cash and cash equivalents	1,521
Total at 31 March 2019	**42,318**

Note 34.3 Carrying values of financial assets	Trust
Carrying values of financial assets as at 31 March 2020	**Held at amortised cost £000**
Trade and other receivables excluding non financial assets	41,009
Cash and cash equivalents	10,823
Total at 31 March 2020	**51,832**

Carrying values of financial assets as at 31 March 2019	**Held at amortised cost £000**
Trade and other receivables excluding non financial assets	40,352
Cash and cash equivalents	1,148
Total at 31 March 2019	**41,500**

All financial assets are held at amortised cost

Note 34.4 Carrying values of financial liabilities (Group)

Carrying values of financial liabilities as at 31 March 2020	Held at amortised cost £000
Loans from the Department of Health and Social Care	190,487
Obligations under PFI and other service concessions	6,227
Other borrowings	126
Trade and other payables excluding non financial liabilities	52,099
Other financial liabilities	2,104
Total at 31 March 2020	**251,043**

Carrying values of financial liabilities as at 31 March 2019	Held at amortised cost £000
Loans from the Department of Health and Social Care	189,249
Obligations under PFI and other service concessions	6,452
Other borrowings	189
Trade and other payables excluding non financial liabilities	45,189
Other financial liabilities	2,274
Total at 31 March 2019	**243,353**

Note 34.5 Carrying values of financial liabilities (Trust)

Carrying values of financial liabilities as at 31 March 2020	Held at amortised cost £000
Loans from the Department of Health and Social Care	190,487
Obligations under finance leases	-
Obligations under PFI and other service concessions	6,227
Other borrowings	126
Trade and other payables excluding non financial liabilities	51,495
Other financial liabilities	2,104
Total at 31 March 2020	**250,439**

Carrying values of financial liabilities as at 31 March 2019	Held at amortised cost £000
Loans from the Department of Health and Social Care	189,249
Obligations under PFI and other service concessions	6,452
Other borrowings	189
Trade and other payables excluding non financial liabilities	44,794
Other financial liabilities	2,274
Total at 31 March 2019	**242,958**

All financial liabilities are held at amortised cost.

Note 34.6 Fair values of financial assets and liabilities

The book value (carrying value) of financial assets and liabilities is considered a reasonable approximation of fair value.

Note 34.7 Maturity of financial liabilities

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
In one year or less	202,420	79,130	201,816	78,735
years	3,098	71,464	3,098	71,464
years	9,413	51,705	9,413	51,705
In more than five years	36,112	41,054	36,112	41,054
Total	**251,043**	**243,353**	**250,439**	**242,958**

Note 35 Losses and special payments

	2019/20		2018/19	
Group and trust	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000
Losses				
Cash losses	1	1	1	-
Bad debts and claims abandoned	2	343	2	3
Stores losses and damage to property	14	320	13	147
Total losses	**17**	**664**	**16**	**150**
Special payments				
Ex-gratia payments	37	30	41	58
Total special payments	**37**	**30**	**41**	**58**
Total losses and special payments	**54**	**694**	**57**	**208**
Compensation payments received		-		-

Cases over £300,000

The Trust has no individual case of Losses and Special Payments in year that exceed £300,000.

Note 36 Gifts

The value of Gifts did not exceed £300,000 in year.

Note 37 Related parties

During the year none of the Department of Health and Social Security Ministers, Trust board members or key management staff, or parties related to them has undertaken any material transactions with East and North Hertfordshire NHS Trust. The Department of Health and Social Care is the Trust's parent department and there has been a number of material transactions with other public sector bodies, the most significant of which were with East and North Hertfordshire CCG, NHS England, Health Education England, the Hillingdon Hospitals NHS Foundation Trust, HMRC, the NHS Pension Scheme, NHS Resolution, Bedfordshire CCG, Hertfordshire Valleys CCG and NHS Professionals. In addition to the above bodies, there were a number of transactions between the Trust and its charity, the East and North Hertfordshire NHS Trust Charitable Fund. In 2019-20 the Trust received £1,287k (2018-19 £1,559k) from the charity. The majority of these receipts were for the re-imbursement of running costs and donations made for the benefit of patients and staff. There was £76k (2018-19 £246k) receivable balance from the charity at the end of either financial year.

Note 38 Event after the reporting date

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. Given this relates to liabilities that existed at 31 March 2020, DHSC has updated its Group Accounting Manual to advise this is considered an adjusting event after the reporting period for providers. Outstanding interim loans totalling £146m as at 31 March 2020 in these financial statements have been classified as current as they will be repayable within 12 months.

Note 39 Better Payment Practice code

Non-NHS Payables	2019/20 Number	2019/20 £000	2018/19 Number	2018/19 £000
Total non-NHS trade invoices paid in the year	70,080	177,709	73,130	194,482
Total non-NHS trade invoices paid within target	65,612	151,041	47,581	132,188
Percentage of non-NHS trade invoices paid within target	93.6%	85.0%	65.1%	68.0%
NHS Payables				
Total NHS trade invoices paid in the year	2,094	29,936	2,346	34,512
Total NHS trade invoices paid within target	1,601	25,982	1,533	23,948
Percentage of NHS trade invoices paid within target	76.5%	86.8%	65.3%	69.4%

The Better Payment Practice code requires the NHS body to aim to pay all valid invoices by the due date or within 30 days of receipt of valid invoice, whichever is later.

The Trust adopts the NHS Standard Terms and Conditions when entering into contractual arrangements, which requires invoices to be paid within 30 days of receipt. For the purpose of this disclosure, it has been assumed that all invoices which were paid within the 30 day target were due to be paid within that period.

Obligations for Late Payment Interest for failure to pay within the due terms are included within Note 13.

Note 40 External financing

The Trust is given an external financing limit against which it is permitted to underspend

	2019/20 £000	2018/19 £000
Cash flow financing	(8,735)	34,947
Other capital receipts	-	-
External financing requirement	**(8,735)**	**34,947**
External financing limit (EFL)	3,062	34,950
Under / (over) spend against EFL	**11,797**	**3**

Note 41 Capital Resource Limit

	2019/20 £000	2018/19 £000
Gross capital expenditure	10,215	19,543
Less: Disposals	(807)	-
Less: Donated and granted capital additions	(280)	(664)
Charge against Capital Resource Limit	**9,128**	**18,879**
Capital Resource Limit	10,525	18,889
Under / (over) spend against CRL	**1,397**	**10**

Note 42 Breakeven duty financial performance

	2019/20 £000
Adjusted financial performance surplus / (deficit) (control total basis)	829
Add back income for impact of 2018/19 post-accounts PSF reallocation	623
Breakeven duty financial performance surplus / (deficit)	**1,452**

Note 43 Breakeven duty rolling assessment

	1997/98 to 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance	-	2,500	3,328	3,568	532	109
Breakeven duty cumulative position	1,825	4,325	7,653	11,221	11,753	11,862
Operating income	-	331,312	340,309	346,402	350,543	365,313
Cumulative breakeven position as a percentage of operating income		1.3%	2.2%	3.2%	3.4%	3.2%

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance	(3,613)	(16,226)	(29,533)	(24,424)	(13,543)	1,452
Breakeven duty cumulative position	8,249	(7,977)	(37,510)	(61,934)	(75,477)	(74,025)
Operating income	376,050	384,712	411,870	420,968	444,903	498,597
Cumulative breakeven position as a percentage of operating income	2.2%	(2.1%)	(9.1%)	(14.7%)	(17.0%)	(14.8%)

The Trust reported cumulative deficit in 2015-16 of £7,977k (-2.1% of operating income). The Trust is in the fifth year of consecutive break-even duty breach achieving a cumulative deficit of £74,025k (-14.8% of operating income) above the -0.5% permitted. The Trust achieved surplus of £1,452k in 2019-20 and is working with NHS Engalnd & Improvement to develop a plan to achieve cummulative breakeven duty in future years.