North Cumbria University Hospitals NHS Trust

Six Month Report and Accounts from 1 April to 30 September 2019

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Chair and Chief Executive Introduction

This report recognises a key event in the history of the NHS locally which followed the successful integration at the end of September 2019 of North Cumbria University Hospitals NHS Trust (NCUH) with Cumbria Partnership NHS Foundation Trust (CPFT). This led to the formation of North Cumbria Integrated Care NHS Foundation Trust (NCIC) under the leadership of the former Chair and Chief Executive.

This report relates to the six month period between the end of the financial year 2018/19 and the date of integration.

The six month period resulted in a great deal of change for the Trust as it prepared to merge with CPFT as part of the wider system strategy to join up care for patients. We have developed the eight Integrated Care Communities (ICCs) – aiming to increase the capacity of community teams to keep more people at home and support people to leave hospital sooner. Early indications show this has already had a significant impact with hundreds of people avoiding a hospital stay.

As well as investment in out-of-hospital care, we have also seen great progress with our major investment projects at the acute hospitals.

The old tower block at the Cumberland Infirmary has been demolished and building work on the new £35m cancer centre has begun with visible structures now on site.

The centre will open in summer 2021 and will offer services to patients across the north of the county, including radiotherapy and chemotherapy.

At West Cumberland Hospital, the redevelopment work is continuing with cardiology, vascular and breast services recently moving into a newly refurbished area.
Work will continue this year with the demolition of the older buildings meaning the new hospital will be more visible when you arrive at the hospital.

We are also developing new ways of working at West Cumberland Hospital in order to provide a more joined-up service.

L. Simpson

Lyn Simpson
Chief Executive

Peter Scott
Chair

1. PERFORMANCE REPORT

1.1 Overview of performance

The purpose of the Overview is to give the user a short summary that provides them with sufficient information to understand the organisation, its purpose, the key risks to the achievement of its objectives and how it has performed during the year.

Chief Executive's Statement

North Cumbria University Hospitals NHS Trust (NCUH) provided acute hospital care serving a resident population of around 340,000 people in the north of the county of Cumbria living in the districts of Allerdale, Carlisle, Copeland and Eden. We also provided services to parts of Northumberland and Dumfries and Galloway. NCUH was authorised as a University Hospital Trust in August 2008.

Acute hospital services are provided from the Cumberland Infirmary in Carlisle and West Cumberland Hospital in Whitehaven. We also provided a maternity-led service at Penrith Hospital.

We delivered services including emergency care, maternity care, children's services, surgery, critical care, cancer services and medical care. We also provided a range of outpatient and diagnostic clinics at a number of the community hospitals across North Cumbria.

We are currently rated as 'requires improvement' overall by the Care Quality Commission with the majority of services rated 'good'.

NCUH merged with Cumbria Partnership NHS Foundation Trust in (CPFT) October 2019 to become North Cumbria Integrated Care NHS Foundation Trust. The new Trust now employs more than 6,000 members of staff.

Signed L. Simpson Date: 23rd June 2020

Lyn Simpson
Chief Executive

Our Year at a Glance – Performance Summary

Our Patients

- A&E attendances: 49,516
- Outpatient appointments: 154.468
- Elective inpatients: 1,737
- Non-elective admissions: 20,381
- Elective day case admissions: 18,436

Our Staff

- The Trust was the first in the UK to introduce a Menopause Policy to support staff who are experiencing this change.
- A new approach to performance management was launched in 2019 which consists of 4 conversations a year, covering the Trust's four core values: Kindness, Respect, Ambition and Collaboration.
- The Trust's work on managing the spend and quality of Agency appointments has seen the teams involved nominated for 2 national awards.
- 40 cadets have been supported in clinical placements from Lakes and Carlisle Colleges.
- The Trust will be assessed for a Silver Better Health at Work Award during 2019/20.

Our Performance

- The Trust has not met the 95% emergency care standard in 2019/20, but has consistently remained above the national average
- The Trust has not met the three national cancer standards for the first 2 Quarters of 2019/20
- The number of Long Length of Stay (21+ days) patients has increased in 2019/20
- The Trust is currently rated as 'requires improvement' overall by the Care Quality Commission with the majority of services rated as 'good'
- The Trust has not met Referral to Treatment and Diagnostic standards, but plans are in place for recovery of this including demand and capacity work and a theatre utilisation
- The Trust consistently exceeds the Safety Thermometer Harm Free Care national standard

Our Finances

- Working together as a system has allowed the Trust to achieve its financial control total for the period up to 30 September 2019
- The Trust achieved £3.5m cost improvements in the six month period to 30 September 2019

Our *Improvements*

- The Trust continues to show annual reduction in recorded rates of Clostridium difficile (C.diff) infections, dropping from 11 in 2018/19 to 7 during the same period this year.
- Work has commenced on the new Cancer Centre at the Cumberland Infirmary. The Cancer Centre will be BREEAM certified, and is on schedule to achieve a rating of Excellent.
- Since April 2019, women registering their pregnancy in Cumbria became some of the first in England to have access to electronic maternity notes via an app.

Our Values

In March 2019 we officially launched our brand new set of values shared across both Trusts and NHS North Cumbria Clinical Commissioning Group.

Work has been ongoing to embed these values into our everyday work.

The values are:

Kindness - Kindness and compassion cost nothing, yet accomplish a great deal

Respect - We are respectful to everyone and are open, honest and fair - respect behaviours

Ambition - We set goals to achieve the best for our patients, teams, organisation and our partners

Collaboration - We are stronger and better working together with and for our patients

We are currently focusing on ways in which these values can become more embedded into practice; activities to support this include the review of appraisal documentation to ensure the values are built into discussions with members of staff.

We want to build a new integrated health and care system together, using our collective capabilities for a healthier and happier population and we are committed to the four long term goals we have agreed jointly with our system partners.

Our Priorities 2019/20

Joint strategic objectives agreed with CPFT in April 2018 continued to be our strategic priorities for 2019/20. These are **S**taff, **S**ystem working, **S**ervice quality, and **S**ustainable finances, which we refer to as the '4s'. The 4s underpinned our business plan for 2019/20 which, as in 2018/19, was prepared collaboratively with

CPFT, and also with North Cumbria Clinical Commissioning Group (NCCCG) to develop the 'system' plan for North Cumbria. Our shared values, strategic objectives and priorities for 2019/20 are shown below.

NHS

Our **Objectives** and **Priorities - 4S** (2019-2020)

staff | system working | service quality | sustainable finances

staff
We will reshape our workforce using more innovative workforce models, and value our staff highly by; being a great place to work and embedding the right culture.

system working
We will work in partnership to develop how the longer term design and delivery of health and care services are integrated and provide better outcomes for our population.

service quality
We will improve the quality of our services, as experienced by our patients and as measured by regulators, always learning from our mistakes to continually improve what we do.

sustainable finances
We will deliver our financial strategy collectively across our system, improving the efficiency and affordability of care for our patients, investing in the right services for the future.

staff | system working | service quality | sustainable finances | staff | system working | service quality | sustainable finances

- Develop and implement approaches for **population health** and population health management at: ICC Network/pathway and System level.
- Develop **integrated patient pathways**, which deliver care in the most appropriate setting, and improve outcomes.
- Deliver **safe** and **sustainable services** for all our patients, supported by **Continuous Service Improvement.**
- Continue to develop our local care provided by **ICCs, Primary Care and Community Services**.
- Develop preventative services, and improved care pathways, for **frail & elderly** patients.
- Develop our system to support the **integration** of commissioning and service provision with our partners.
- Deliver the priorities of the **people** plan including; enhancing staff engagement, reducing medical, dental and nursing / AHP vacancies and ensuring staff have core skills to do their job.
- Reduce the demand for, and improve the provision of services for patients accessing **urgent and emergency care services.**
- Improve the prevention, access and treatment for patients requiring our **cancer services.**
- Deliver improvements and innovations for **elective care.**
- Improve quality of **mental health** services for both adults and children.
- Improve the models of care and experience for patients with **learning disability and autism.**
- Deliver safe, personalised services that are joined up for **children and families.**
- Improve **safety & quality** across the system and achieve a CQC rating of "GOOD".
- Deliver strategic investment in **estates** including: a.) Cancer Centre, WCH redevelopment and Community Hospitals development, b.) CIC Strategic Development and c.) consolidation of current estates.
- Deliver the **Digital** Plan including: supporting the merger and transition of MH&LD, supporting regional and ICC Initiatives, delivery of 'Digital Ready' and design of 'Digital Set' themes.
- Deliver **financial control** total for 19-20 and reset our 5 year financial plan.

For more information about our priorities visit: www.northcumbriahealthandcare.nhs.uk

OUR SHARED **VALUES: KINDNESS | RESPECT | AMBITION | COLLABORATION**

Cumbria Partnership NHS Foundation Trust
North Cumbria Clinical Commissioning Group
North Cumbria University Hospitals NHS Trust

Principal Activities of the Trust

Our function is to provide health care services. Our principal activities are to:

- Provide elective (planned) operations and care to the local population in hospital and community setting
- Provide non–elective (unplanned emergency or urgent) operations and care to the local population in hospital settings
- Provide diagnostic and therapy services on an outpatient and inpatient basis to the local population in hospital and community settings
- Provide specialist level services within a network of regional and national organisations
- Provide learning and development opportunities for staff and students
- Provide additional services commissioned where agreement has been reached on service delivery models and price
- Provide support services to deliver the above activity and support the activity of other local health providers where these have been commissioned and agreement has been reached on service delivery models and price.

Delivery of the principal activities is underpinned by our key clinical, performance and financial priorities. The Board Assurance Framework (BAF) is the main tool by which the Board monitors the risks to the organisation in relation to achieving these strategic objectives. The framework maps the organisation's objectives to principal and subordinate risks, controls and assurances.

The complete BAF is reviewed against the Care Quality Commission (CQC) and NHS Improvement (NHSI) compliance and regulatory requirements on an ongoing basis. The BAF changes as a result of risk mitigation plans and is reviewed by the Board on a quarterly basis.

Our Services

As an integrated care organisation, we work side by side with partners and the wider community to join up health and care for patients.

Before the new Trust was formed, the former CPFT and NCUH NHS Trust worked with partners in the wider North Cumbria Health and Care System to become one of the first 14 areas nationally to be confirmed as an Integrated Care System.

Now working as a single Trust, we want to become more embedded in our local community. Not just caring for people but improving their wellbeing too.

In June 2019 a North East and North Cumbria Integrated Care System was created. This means we're able to work together more easily across the region on shared challenges such as sustaining services.

An Integrated Care Community (ICC) works together to improve the overall health and wellbeing of the community. We will do this by:

1. Joining up health and care services to work better together
2. Providing more care out of hospital where possible
3. Supporting people to have information about their health conditions

Health and social care professionals, GPs, the voluntary sector and the community will work as one team to support the health and wellbeing of local people.

West, North and East Cumbria has been divided into eight ICCs based on groups of GP practices and their patients. By understanding the challenges that each area faces it is hoped that the community can work together with health and care organisations to improve the health and wellbeing of local people.

The eight ICCS's are: Carlisle Healthcare ICC, Carlisle Network ICC, Carlisle Rural ICC, Copeland ICC, Eden ICC, Keswick and Solway ICC, Maryport and Cockermouth ICC and Workington ICC.

The other two care groups are: Specialist Services and Integrated Pathways.

Our services provide a full range of acute hospital and adult community services.

These include: A&E; Cardiology; Children and adolescent services; Cancer services; Dermatology; Ear, nose and throat; General medicine; Gynaecology; Maternity services'; Ophthalmology; Oral and maxillofacial surgery; Orthopaedics; Respiratory medicine; Urology; Vascular and Stroke services.

Our Key Issues and Risks

Since April 2018 we have operated aligned arrangements with CPFT for the management and reporting of strategic and operational risks. Our key risks and how they are managed can be found in the Annual Governance Statement found later in this report.

1.2 Performance Analysis

All healthcare providers across the country are set a range of quality and performance targets by the Government, commissioners and regulators. 2019/20 has been a challenging year for all providers due to increasing demand and pressures on the health and social care system and the financial challenges Trusts have faced. Our performance this financial year reflects these pressures.

Trust Performance of key National Measures in 2019/20

Area	Measure	National standard	National average	Trust actual performance as reported				19/20 compared to	
				16/17	17/18	18/19	19/20	National standard	National average
A&E	% of patients who wait under 4 hours in A&E	95%	86.1%	87.4%	90.3%	90.1%	84.9%	🔴	🟡
Cancer	% of cancer patients seen within 2 weeks of a GP referral	93%	90.2%	96.8%	94.6%	91.5%	92.4%	🟡	🟢
	% of cancer patients treated within 31 days of a decision to treat	96%	96.1%	96.5%	97.6%	95.7%	96.0%	🟢	🟡
	% of cancer patients treated within 62 days from a GP referral	85%	77.7%	82.9%	85.4%	81.6%	76.6%	🔴	🟡
Waiting times	% of patients waiting less than 18 weeks from Referral to Treatment	92%	77.5%	92.1%	84.2%	75.3%	72.0%	🔴	🔴
	% of patients waiting less than 6 weeks for a diagnostic test	99%	96.2%	99.5%	98.6%	95.2%	88.6%	🔴	🔴

Key 🟢 Same as or better 🟡 Slightly worse (within 2%) 🔴 Significantly worse (>2%)

The above summary table for 2019/20 highlights that meeting the core national standards remains challenging, both for the Trust and for the NHS nationally. At the mid-year point, the Trust

- was meeting the 31 day cancer standard
- was higher than national average for the 2 week standard
- was only slightly worse than the national average for the 62 day standard

Similarly, performance for the A&E four hour standard was only a little below national average at the half year point.

Diagnostics and Referral to Treatment performance have deteriorated since last year. This is partly due to nationally experienced pressure over the winter period which meant that urgent care for patients was prioritised over planned and non-urgent care.

Trust Performance Improvement Plans 2019/20

Our clinical and managerial teams continue to monitor performance closely. Outlined below are some of the actions in place:

- Operational weekly meetings will continue ensuring robust performance management of each of the core national standards. Daily flow measures are being circulated
- The Trust Board and Care Groups continue to receive regular performance packs to support performance improvement.
- Cancer Patients will continue to be individually tracked by the multi-disciplinary team throughout each of the stages of their pathway to ensure they are seen within the timeframes.
- Detailed work is underway looking at the possible process improvements for Referral to Treatment; capacity and demand work continues with some temporary extra capacity added

Operational Finance Review

The Trust has delivered a deficit of £13.9m against a planned deficit of £14.0m for 30 September 2019. It remained an extremely challenging period financially and achieving the planned deficit has again required the commitment of our partners at Cumbria Partnership NHS Foundation Trust and NHS North Cumbria CCG and deployment of the joint risk share agreement to support this outcome.

As a result of achieving its financial plan the Trust will receive its allocated £2.1m from the Provider Sustainability Fund (PSF) and £5.2m from the Financial Recovery Fund (FRF). Access to these funds is dependent on achieving a deficit reduction.

During the six months to 30 September 2019 the Trust also incurred capital expenditure of £5.3m including investment in new medical equipment, IM&T, the WCH Redevelopment and the new Northern Cancer Centre.

The Trust's cash position remains very challenging. In order to support its deficit the Trust continues to require financing support in the form of loans from the Department of Health in order to meet its outgoings. During the period to 30 September 2019 the Trust accessed new revenue loans totalling £20.6m and repaid revenue loans totalling £12.0m. In addition it accessed the balance of £1.0m on a previously approved capital loan and repaid £0.3m. In total the net increase in loans during the period was £9.3m.

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. Loans totalling £253.5m at 30 September 2019 will form part of this exchange.

Going Concern

The Trust has prepared its accounts on a going concern basis. Directors have considered the Trust's overall financial position and expectation of future financial support. There is no formal letter guaranteeing cash support which represents a material uncertainty that may cast significant doubt on the Trust's ability to continue as a going concern. However, the Trust has continued to be able to access loans to support its planned deficit position.

In addition, non-trading entities in the public sector are assumed to be going concerns where the continued provision of a service in the future is anticipated, as evidenced by inclusion of financial provision for that service in published documents. In September 2019 NHS Improvement approved the proposed merger of the Trust and Cumbria Partnership NHS Foundation Trust. The business case included a long term financial model and had the support of the main commissioners of the two Trusts, NHS North Cumbria Clinical Commissioning Group, as well as the NHS North Cumbria System Leadership Board. Merger took place on 1 October 2019 via a technical acquisition of the Trust by Cumbria Partnership NHS Foundation Trust which was renamed to North Cumbria Integrated Care NHS Foundation Trust on the same date.

The new organisation has submitted a revised financial plan for 2019/20. The Directors, having made appropriate enquiries, have a reasonable expectation that the required cash support will be received allowing it to continue in operational existence for the foreseeable future. Taking these factors into account the Trust's accounts have been prepared by the directors on a going concern basis and the Trust has not included the adjustments that would result if it was unable to continue as a going concern.

Statutory break-even duty

The Trust is required to break even taking one year with another. The Trust continued to fail its break-even duty. On an income of £150.0m the Trust was in deficit by £13.3m at 30 September 2019 allowing for £0.7m additional bonus PSF for 2018/19 received in 2019/20. The cumulative deficit now stands at £239.7m as at 30 September 2019.

Capital cost absorption duty

The Trust is required to achieve a rate of return on capital of 3.5% each year. This is a measurement of the dividend it pays to the Department of Health compared to the assets it has at its disposal to achieve this. The dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets based on the pre audited accounts and therefore the actual capital cost absorption rate is automatically 3.5%. However, since the Trust had negative average relevant net assets throughout the period to 30 September 2019 it was not required to pay any dividends.

External financing/capital resource limit

The amount that the Trust can spend on capital investment is controlled by the Department of Health via resource and cash limits. The Capital Resource Limit (CRL) controls the amount available to spend on capital. The External Financing Limit (EFL) determines whether external cash can be drawn down or whether a repayment of cash is due to the Department of Health. For part-year accounts both the CRL and EFL are set by the Department of Health at exactly the level required by the Trust provided that this does not exceed the original agreed limits. This has meant limits of £5.2m and £13.9m for the CRL and EFL respectively for the period to 30 September 2019.

Better Payment Practice Code

The Trust is required to achieve a target of 95% for the number and value of creditors paid promptly in year. The Trust has failed to achieve this target due mainly to ongoing liquidity pressures although performance against all four targets is better for the first six months of 2019/20 than for the 2018/19 financial year.

	6 months to 30 September 2019	
	Number	**Value (£000s)**
Non NHS		
Total bills paid in year	38,387	64,949
Total bills paid within target	9,954	33,592
Percentage of bills paid within target	**25.9%**	**51.7%**
NHS		
Total bills paid in year	1,534	16,945
Total bills paid within target	246	12,821
Percentage of bills paid within target	**16.0%**	**75.7%**
Total		
Total bills paid in year	39,921	81,894
Total bills paid within target	10,200	46,413
Percentage of bills paid within target	**25.6%**	**56.7%**

Despite the Trust's ongoing liquidity issues it remains committed to paying key local suppliers as promptly as possible to ensure cash flow supporting the local economy moved smoothly between the Trust and suppliers.

The Trust signed up to the Prompt Payment Code in 2009/10 although due to its fragile cash position it has been unable to comply with the code. Whilst the Code has no specific targets it encourages users to pay suppliers on time and gives suppliers clear guidance and promotes good practice.

The Year Ahead 2020/21

As part of a new organisation (NCIC), the Trust, alongside other trusts in England, is working within a temporary national financial regime during the period of incident related to COVID19. The regime includes:

- Suspension of local contracting and incentive FRF based control totals.
- Top-up payments to Trusts to enable breakeven.
- Reclaim of all COVID-19 excess costs.

The Trust's planned capital programme for 2020/21 is £45.1m. Major estates developments at the Cumberland Infirmary and West Cumberland Hospital make up the largest proportion of this. The plan also includes reclassification of some assets to ensure compliance with IFRS 16.

At the start of 2020/21 the Trust is delivering a much reduced level of service and whilst commissioning contracts have been suspended it is financially protected from the impact of this. However, specialist services activity income which is Payment by Results (PBR) based is significantly lower than plan, and local CCG contract income is insufficient to cover the costs of the Trust – hence the need for cost reductions. The readiness of the Trust to deliver cost reductions and re-establish arrangements for a "new normal" is being taken forward in earnest. This includes plans to deal with any further COVID-19 outbreaks and ensuring that our other services are available for our patients.

During the period of the temporary financial regime the Trust's position in terms of both cash and financial performance is much improved from the underlying normalised position. To maintain financial governance budgets for the year have been set in line with the Board approach prior to the COVID-19 incident. These budgets include a significant level of savings and will need to be revised as the temporary national financial regime ceases and the Trust resets a formal plan for the year. This will take place in line with national timescales.

Our productivity and efficiency plans will be rolled out through the year and financial governance arrangements in partnership with Care Groups and Support Services and our local economy partners will be strengthened so that the benefits of ICS risk sharing remain in place and available to the Trust.

Infection Prevention and Control

We monitor a range of healthcare associated infections to assess how good our Infection Prevention and Control practices are.

In terms of hospital onset/linked cases to date in 2019/20 figures are stable or improving in all areas other than hospital onset E.coli bacteraemia. Summarised below:

- Zero Meticillin Resistant *Staph. aureus* bloodstream infections

- A reduction in *Clostridium difficile* infection from 11 in 2018/19 to 7 during the same period this year.
- Meticillin sensitive *Staph. aureus* bloodstream infections remain stable with 7 cases during the same period in 2018/19 and 2019/20
- Klebsiella spp. bloodstream infection remain stable with 8 cases during the same period in 2018/19 and 2019/20
- Pseudomonas aeruginosa bloodstream infection remain stable with 3 cases during the same period in 2018/19 and 2019/20
- An increase in E.coli bloodstream infection from 14 cases in 2018/19 to 23 during the same period in 2018/19 and 2019/20

Ongoing development of the mortality and morbidity framework

Our Mortality and Morbidity Framework has been updated in response to the National Guidance on Learning from Deaths and is reviewed annually and/or updated as required in line with national guidance. Our Summary Hospital-Level Mortality Indicator (SHMI) has improved since 2012 and remains consistently within 'expected limits'. Across the Trust inpatient deaths have a preliminary review using a previously agreed mortality review tool which also records the Hogan and 'National Confidential Enquiry Into Patient Outcome and Death' (NCEPOD) score, depending on the level of concern deaths can either be raised with an individual directorate linking in with the mortality lead for that area or if more serious concerns raised with the Clinical Care Group for consideration of whether the case needs to be investigated as a Serious Incident (SI).

We receive reports from North East Quality Observatory Service (NEQOS) that are reviewed at the mortality surveillance group and if deaths are higher than expected for a specific diagnostic group a more detailed review is undertaken.

Learning from Deaths - Mortality Reviews

The Trust continues to analyse deaths each week identifying those which have a high Hogan Score (an assessment of preventability with deaths judged as more than 50% preventable (Hogan core 4-6) and depending on clinical context referring them to clinical teams for review as part of the teams morbidity and mortality review process of when more serious concerns occur for declaration as a Serious Incident. In line with national recommendations, we will publish data on a quarterly basis regarding avoidable deaths and we will work more closely with families when reviewing such cases.

Staff Engagement

A considerable amount of work has taken place to focus on staff engagement, listening and learning from staff experience. Further details can be found in the Staff Report.

Patient Experience

As an organisation we value feedback from our patients and relatives. This insight into of their experience helps us make improvements in our services and learn when we have not got it right and share the recognition for a job well done with our staff.

Feedback is received by different methods including the friends and family tests, 2 minutes of your time card, face to face surveys, postal surveys and the national surveys. This is shared with teams directly so they can use this information to make changes in their departments /ward areas. We also have a programme of patient stories which involves patients or their loved one sharing their story in their words to our in public Board meetings quarterly. This will increase over the next year to ensure our Board are sighted directly and hear the impact of experience directly from the people we serve.

Care Quality Commission (CQC) Registration and Inspections

The North Cumbria University Hospitals NHS Trust is required to register with the Care Quality Commission (CQC) as a provider of acute healthcare services in accordance with Section 10 of the Health and Social Care Act 2008. The CQC last inspected the Trust in the summer of 2018 and rated the Trust as 'Requires Improvement'. The CQC has not taken enforcement action against the North Cumbria University Hospitals NHS Trust (the Trust) during 2019/20.

Complaints

North Cumbria University Hospitals NHS Trust remained mindful of the need for continual review and improvement of the services offered to patients to improve service user experience. As part of improving services and patient experience, the receipt of complaints is an important and valuable source of information providing insight and feedback on the services provided within the acute sector.

North Cumbria's 2017/18 Annual Report documented the start of a number of changes and refinements to the complaints and data processes 2016/17 which the Trust continued to progress and build on. This included a standardised 30 working days response timeframe which had been in effect since 2016/17 with a compliance requirement set at 95% for complaints investigated under due process (NHS 2009

Complaints Procedure) - the national requirement is for complaints to be investigated and responded to in six months. Statistical information for these complaints is also reported quarterly to NHS Digital who record complaints data from health organisations on behalf of the Department of Health. This information is also reported internally within the Trust. Internal Trust compliance has been achieved since 2017/18. The overall performance of complaints is shown in the table below (Complaints Performance Indicators).

The care groups quality assures complaint responses investigated under the complaints legislation prior to the Chief Executive (or nominated deputy) sign off.

Complaints performance indicators

Complaints Performance Indicators	2016/17	2017/18	2018/19	**2019/20 Q1 and Q2 6 month period**
New complaints received	285	256	312	**178**
New complaints acknowledged within 3 working days	285 (100%)	256 (100%)	312 (100%)	**178 (100%)**
***All** complaints closed	329	296	345	**210**
***All** complaints closed in 30 working days	303 (92%)	295 (99.6%)	345 (100%)	**208 (95%)**
**Number of upheld or partially upheld complaints	225 (73%)	191 (64.5%)	176 (51.01%)	**121**

***All** complaints, refers to the total of both New complaints and Further Local Resolution (FLR) cases received. Further Local Resolution cases are complaints which have been reopened for further investigation.

A total of 210 complaints (New and FLR) were closed during Quarters 1 and 2 of 2019/20 with 208 cases (95%) closed within 30 day timeframe set by North Cumbria University Hospitals NHS Trust.

**The number of "upheld or partially upheld" complaints indicates the overall percentage of complaints which the Trust has either fully or partially upheld at either initial or FLR stage; these include cases where learning lessons have been identified as a result of the complaint's findings and outcomes. Of the 210 cases closed, the number of both upheld and partially upheld cases totalled 121. The number of upheld cases totalled 44 (20.95%) of the 210 closed.

As part of North Cumbria University Hospitals NHS Trust's complaints process the Trust continues to offer invites to complainants to meet with staff; it was felt this approach would benefit the complainant and support resolution, either at an early

stage within the complaint investigation or as an invite extended within the Trust's final response letter. This has been found to work particularly well with complex complaints. Complaint responses also contain an invite to the complainant to return to the Trust for any further clarity or in the event the information contained within the Trust's response raised further questions. Any cases that were reopened for further investigation or meeting offer were known as FLR.

Process

The content of complaint correspondence, including email or telephone complaints taken in the Complaints and Patient Advice & Liaison Service (PALS) Office continues to be reviewed on receipt to assess the most appropriate route for investigation and response; this is confirmed with the individual. Issues and concerns having been reviewed and clarity obtained (where required) will either be escalated to the Trust's formal complaints process for investigation under NHS Complaints Legislation (due process) or alternatively if a quicker response and resolution could be provided and more suitable, passed to the PALS service for appropriate resolution at an informal level with the support of relevant staff.

When a complaint is identified as requiring a full detailed clinical investigation either through the Trust's Serious Incident (SI) investigation processes, the complaints procedure closed and the complainant notified accordingly. Verbal and written Duty of Candour then being carried out by an appropriate member of staff.

Early identification of those complaints requiring investigation under either the Root Cause Analysis (RCA) or SI processes is conducted as quickly as possible so early notification and explanation could be provided to individuals. On conclusion of the SI, the final report, together with any findings / lessons learned are shared with the individual and an invitation extended for the person/family to meet with clinical staff to discuss the report and findings allowing for any questions or points of clarity to be addressed.

Of the 178 new complaint cases received during Quarters 1 & 2, approximately 5.0% following review by clinical staff were identified as requiring transfer to clinical investigation and the formal complaints process closed.

The above table illustrates the number of formal complaints received in the first two quarters of 2019/20; the number of complaints received has increased compared to the previous financial year. Both the complexity of complaints and the number of complaints received involving more than one healthcare organisation has continued to rise. It is not possible to say definitively the reason for the increase in the numbers of complaints received this year, however, this will be monitored by the Trust and appropriate actions identified.

Trends, themes and learning is reported monthly and quarterly; including information and data obtained via PALS together with information provided from the investigation of formal complaints to the Quality & Safety Committee. Additionally, a six-monthly report is provided to the Quality & Safety Committee capturing trends, themes and learning including data on real time interviews with patients carried out by the Patient Experience Team along with local and national survey feedback. Opportunity to strengthen the triangulation of this data is recognised as being required as part of the care group reconfiguration and learning for the organisation.

With specific regards to the reporting of complaints, the reports provided to the Committee and Board contain an overview of the numbers of formal complaints, those formal complaints initially graded as potentially serious, the number of FLR cases and any Parliamentary & Health Service Ombudsman (PHSO) investigations received.

Complaints statistical information is required to be reported quarterly to NHS Digital (on behalf of the Department of Health known as the KO41 return) which monitors the numbers of complaints received by health organisations and the categories which they fall into.

Trends/Themes

The Trust continued to identify complaint themes. With specific regard to formal complaints, the main categories are as follows (inpatient and outpatient included):

- Discharge Concerns / Issues
- Diagnostic Test Issues
- Delay in Treatment /Care
- Misdiagnosis - Outpatient
- Length of Wait for Operation / Procedure

The trends and themes identified from complaints and PALS continues to be collated centrally within the Complaints Department. A larger piece of work is planned to support the Care Groups and Trust with the identification of trends and themes for all of complaints, risks and incidents received within Care Group specialisms.

Learning from complaints

During 2019/20 the Trust continued to capture learning identified from complaints investigated within the Trust by utilising the complaints module on Ulysses.

The Care Quality Commission's report from the 2016/17 visit acknowledged the Trust identified learning from complaints and complaints received were shared with staff. It

was also identified there was evidence that complaints involving the wards were discussed at ward meetings as standing agenda items. The CQC's most recent visit and review of information in July 2018 did not identify any issues with the Trust's complaint processes and no actions were levied against the Trust's complaints system.

Patient stories shared at the public Trust Board meetings enable the Board to have a greater understanding of patients and families' experiences of services we provide. The individual Care Groups continue to invite patients and or their families to attend their educational away days to personally relate their experiences to staff and the effects their experiences have had on them. This format has a very powerful and meaningful impact on the staff when coming directly from the family or patient.

There is recognition of the need to continually review governance processes and implement any improvements or refinements as identified. Work is ongoing following the Trust merger to ensure our processes are fully aligned, fit for purpose and learning is captured; this will continue throughout the latter part of this year.

A Rapid Process Improvement Workshop (RPIW) for complaint handling took place in November 2019 reviewing the entire complaints process; the aim was to identify areas for improvement. This will support the Trust in having a complaints process designed to meet all user needs; complaint legislative requirements and support the organisation in its journey towards a learning organisation and the development of a learning culture. Any identified areas for improvement have timeframes set to achieve the goals from the workshop. This is part of a continued quality improvement process to ensure the Trust meets the needs of its patient group.

Complaints training and development

Complaint handling workbooks are available at two levels, through the online learning system for any member of staff to access within the Trust. Level 1 aimed at all members of staff across the organisation as an introduction to complaints awareness and requirements and Level 2 aimed at those staff expected to have direct involvement in the complaints investigation process.

To complement online training, further bespoke complaint training continues to be offered by direct training sessions to key staff. This includes complaints staff attending wards or departments to support staff. The customer service training first implemented in 2016/17 by the Learning and Development team, aimed at all administrative staff became an established course with sessions running throughout the year. Further complaints training requirements for all staff has been identified as part of the RPIW which includes customer service training for all staff and how to handle difficult conversations for those front line staff who deal with patients concerns at a local level for a timely resolution for patients and or their family members.

Duty of Candour

The Trust has in place a policy and process which meet the statutory requirements of Regulation 20 of the Health and Social Care Act (2008) Regulated Activities (2014). Here is the link to the Trust's Being Open and Duty of Candour policy and procedure:
https://www.ncic.nhs.uk/application/files/5415/7374/7197/Being_Open_Duty_Candour_Policy_v3.0.pdf

The objective of the Trust's policy is to ensure that following an incident where harm or a near miss to a patient has occurred, there is appropriate communication, investigation and support provided for the patient, their relatives and staff. The type and level of communication and support provided will be dependent on the severity and nature of the incident.

Patient Advice and Liaison Service (PALS)

North Cumbria University Hospitals NHS Trust continued to offer a dedicated face to face and telephone Patient Advice and Liaison Service (PALS), although there have been gaps within the service during the course of the year due to staff recruitment and sickness periods which has regrettably resulted in a minimal physical presence at the West Cumberland site over the two quarter periods although telephone and email messages are responded to.

With the merger, there is scope to review and improve the situation and the physical presence will be enhanced once the service and staffing have been reviewed.

PALS Enquiries & Interpreters	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20 Q1 & Q2**
Total number of Enquiries across both hospital sites	1882	2071	1665	1558	440 Q1 460 Q2 Total 900 for first 2 Q's
Interpreter requests	521 (of 1882)	385 (of 2071)	568 (of 1665)	667 (of 1558)	194 Q1 209 Q2 Total 403 for first 2 Q's (of 900)

The NCUH PALS service had been responsible for booking face to face interpreters for patients attending the Cumberland Infirmary and West Cumberland Hospitals and this will be continued on a temporary basis for users of the acute services. There is proposal to change this once the Care Groups are fully established post-merger.

Requests for face to face interpreters within the Acute Trust continued to see an increase in the number of requests. The top five languages requested remained with Polish, Arabic, Romanian, Mandarin and Portuguese. Statistical information and patient feedback relating to PALS (including the number of face to face interpretation requests) is reported to the Quality & Safety Committee.

The largest number of enquiries received related to concerns about Treatment and Care; this type of concern is also reflected as the top reason for formal complaints. This category covers the content of the majority of complaints and enquiries involving clinical care and treatment, followed by enquiries relating to Length of Wait for Operation, requests for written information and issues around Results not Received or Incorrect, during the first two quarters of the year.

Parliamentary Health Service Ombudsman (PHSO)

PHSO Investigations	**2019/20 Q1 & 2**	2018/19	2017/18	2016/17
New Investigations received	**1**	3	3	14
Upheld		1	0	0
Partially Upheld		1	0	8
Not Upheld			1	4
Outstanding – awaiting PHSO outcome	**1**	1	2	2

One PHSO case was received for investigation during the two quarter periods for 2019/20. At the time of producing this six-month report, no final decision /outcome has been received by the PHSO. A final report was received for an outstanding complaint from the previous financial year which was Partially Upheld. The Trust is complying with the PHSO recommendations.

Sustainability

Sustainability and Carbon Reduction is a corporate and workforce responsibility. It continues to be demonstrated that with good management and the adoption of sustainable driven goals carbon reduction can be achieve, which includes a commitment to further staff and patient engagement and also leads to financial savings and importantly, improved environmental impact and reputation benefit.

Sustainability is about solutions, and allows innovative managers and staff to consider how they can improve their service. The Trust has a Sustainable Development Management Plan and is actively developing this to focus activity on the projects that will provide the most benefit.

Projects

Work has commenced on the new Cancer Centre at the Cumberland Infirmary, the Cancer Centre will be BREEAM certified, and is on schedule to achieve a rating of Excellent. The continued redevelopment at the West Cumberland Hospital (WCH) will soon commence demolition of unused estate which will reduce energy usage.

The Trust is currently trialling a new clinical waste container made from recycled materials; the Trust is working towards the NHSi target of reducing the usage of single use plastic containers. The Trust has to remove plastics from high temperature incineration; move toward UK approved reusable containers or non-plastic sharps and pharmaceutical packaging within the next 10 years.

The Trust continues to concentrate on engaging with its Private Finance Initiative (PFI) partners in identifying carbon reduction projects, LED lighting has been installed within the public area at CIC.

Energy

The Trust experiences seasonal pressures on energy, electricity consumption increases through the warmer months due to the cooling installations and gas increases in the colder months due to the heating installations.

	2019/20 M01-M06	2018/19	2017/18	2016/17
Electricity consumed (MWh)	8,800	17,328	16,989	17,684
Gas consumed (MWh)	9,875	30,402	29,062	28,506
Energy costs for all energy supplies (£m)	1.48	2.92	2.82	2.67

At WCH we continue to use energy across both old and new hospital buildings with about 20% (15,868m^2) of that space classified as empty unoccupied. It is estimated that this empty space is costing about £0.2m in utilities each year. The planned redevelopment will address this; starting with demolition of 13,400m^2 in Blocks A, C and D, planned for late 2019, early 2020. Further demolition will follow once Phases 2 and 3 are constructed.

Waste

We continue to make improvements to segregation of waste into appropriate waste streams, in particular to minimise domestic waste entering the clinical waste stream. The Trust has implemented an additional waste stream, offensive waste.

Previously the Trust was over treating the waste for disposal, which was inefficient. The Trust is currently working on the feasibility to send offensive waste to a waste to energy plant.

Cardboard and plastic bottles recycling will be implemented at WCH in spring 2020.

Water

Due to the old building at WCH being partially unoccupied it is necessary to flush the system more frequently, this will continue until the completion of phase 2 of the new hospital. Water consumption is expected to reduce in 2020, due to the forthcoming demolition works.

Procurement

We are part of the shared procurement service providing increased availability and opportunity within Cumbria and Morecambe Bay area. This will utilise the use of local companies to compete for Trust contracts and reduce carbon mileage. This will help sustain local economies across the regions. We are committed to reducing packaging were possible in the contractual conditions of procurement.

Social, community and human rights issues

As a public sector organisation we comply with public sector equality duty, which is part of the Equality Act 2010. Our policies reflect social, community and human rights issues, for example standards of business conduct, information governance and safeguarding of vulnerable persons. We also have an equality and diversity policy and procedures for assessing equality impacts of policies and significant change to our services on all protected characteristics and other vulnerable groups. We produce a number of reports annually such as the Gender Pay Gap, Workforce Race Equality Standard, Workforce Disability Equality Standard, Equality Annual Report as well as having organisational equality objectives as part of our Equality Delivery System commitment.

We have taken steps to ensure we meet the Trust's responsibilities under the Modern Slavery Act 2015, we are aware of our responsibilities towards patients, service users, employees and the local community and expect all suppliers to the Trust to adhere to the same ethical principles. We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. Currently all awarded suppliers sign up to our terms and conditions of contract which contain a provision around Good Industry Practice to ensure each supplier's commitment to anti-slavery and human trafficking in their supply chains. We operate a number of policies to ensure we are conduction business in an ethical and transparent manner.

We have systems in place to identify whether any incidents or complaints have occurred relating to human rights, equality, and diversity issues, and for initiating investigations accordingly. Board level reports include information around reported incidents and complaints as part of the performance management reporting framework.

Our Achievements 2019

The Trust has seen a number of achievements in 2019.

Digital maternity notes – Since April 2019, women registering their pregnancy in Cumbria became some of the first in England to have access to electronic maternity notes via an app.

The first baby born using entirely digital maternity notes was born at the West Cumberland Hospital in July 2019.

Julie Haigh, a 'digital midwife', recently won Clinician of the Year for the project at the North West Skills Development Network's Informatics Awards. The awards are part of the Connect 2019 conference showcasing pioneering work in digital health.

The NHS Long Term Plan states that by 2024 all women should have access to their maternity notes via their phone and this has already been achieved in north Cumbria.

Launch of No Place Like Home checklist – A new information sheet has been launched for patients and their carers/families with the aim of helping people to plan well for leaving CIC or WCH when they are fit to be discharged.

The Head of nursing for clinical standards at the Trust has led the development of the information, working with local third sector groups.

The information sheet which is given to patients and/or their carers/families when they are admitted onto an inpatient ward contains useful information and is available on the wards as well as the NCIC website.

Recruitment for staff is ongoing - We have held local recruitment events which have attracted hundreds of attendees who live both locally and outside of the county. Forty job offers were made to nurses and midwives at an event in March. We are expecting a number of Italian nurses to join the Trust in spring 2020.

Consultant led maternity services to be maintained at WCH – In July, it was announced that consultant-led maternity services would remain in west Cumbria after a 12-month period of review.

Cumbria Health on Call (CHoC) relocated next to the A&E department at CIC in May. The new location has enabled an improved partnership working between CHoC and the A&E department, improving the flow of patients between the two

departments to ensure that the right patient is seen by the most appropriate clinician in a timely manner.

Opening of new breast, cardiology and vascular units at WCH – Trudy Harrison MP for Copeland and former Workington MP Sue Hayman officially opened the new breast, cardiology and vascular units at WCH in July.

The units have been open to patients since May 2019 and are part of the ongoing redevelopment work at the hospital.

The event included presentations from staff working in the three departments detailing how the new facilities have improved their services as well as plans for the future.

The opening of the three units marks the completion of phase 1b of the extensive redevelopment work taking place at WCH.

The £90m phase 1 was completed in October 2015 with the opening of the new hospital building.

2. ACCOUNTABILITY REPORT

2.1 Corporate Governance Report

The Trust Board (the Board) sets the strategic direction for North Cumbria University Hospitals NHS Trust (the Trust), governs and monitors its progress in achieving plans and targets. The Board is made up of Executive and Non-Executive Directors (NEDs) and is led by a Chair.

Membership of the Board includes lay people (NEDs) with a lay person as the Chair, to ensure the Trust is accountable to the local population. NHS Improvement appoints the Chair and NEDs for a period of up to four years to ensure suitable candidates are in place and have appropriate experience.

The Chief Executive and all Executive Directors are on permanent NHS contracts. All Executive Directors hold responsibility across both NCUH and CPFT. The Chief Executive is on secondment from Mid Yorkshire NHS Trust. All other Executive Directors are on substantive contracts with either NCUH or CPFT.

From April 2018 NCUH and CPFT have operated increasingly aligned arrangements. This included holding Board of Directors meetings in the same room at the same time with Board Members of both Trusts present in the same meeting. The Board met monthly throughout the year (except August), holding meetings in public on a quarterly basis alternating between Cumberland Infirmary in Carlisle, Voreda House in Penrith (HQ of CPFT) and being in West Cumberland Hospital in Whitehaven in October 2018. Details of Board meetings held in public are available, including minutes and papers from previous meetings, on the Board section of our website. The Board considers the reports and recommendations made by the Trust's assurance committees including the Audit & Risk Committee (A&R), Finance Investment & Performance Committee (FIP) and the Quality & Safety Committee (Q&S). The Trust complies with the principles of corporate governance as recommended by the Cadbury Committee and with guidance specific to the NHS.

So far as each Director is aware, there is no relevant audit information of which the Trust's auditor is unaware and each Director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Trust's auditor is aware of that information.

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

As part of the evolution of the north Cumbria Integrated Health and Care System, all Executive Directors have responsibility for both NCUH and CPFT. During the year

three of the Trust's seven NEDs held appointments in both NCUH and CPFT. In April 2019 a joint Chair was appointed to both Trusts, taking the current number of NEDs with responsibilities for both Trusts to four. Formal confirmation has been received from NHSI that 'cross-directorships' of this nature do not compromise independence as conflicts should be minimal as the interests of the two Trusts should in most cases align. All NEDs are therefore considered to be independent in character and judgement and have no other cross directorships or significant links which could materially interfere with the exercise of their independent judgements. Arrangements are in place to manage any potential conflicts associated with 'joint' NED appointments. There are no company directorships or other significant interests held by directors which may conflict with their management responsibilities in relation to the Trust.

The composition of the Board as at 30 September 2019 is set out below which also includes background, committee membership and attendance.

Following the merger, in January 2020 Lyn Simpson commenced in post as Chief Executive of NCIC and in April 2020 Peter Scott commenced in post as Chair of NCIC.

In addition Dr Vince Connolly joined the Trust in April 2019 and succeeded Dr Rod Harpin as System Executive Medical Director in June 2019.

Their details are also provided below.

NCUH TRUST BOARD COMPOSITION AS AT 30/09/2019

DIRECTOR PROFILES

<u>Non-Executive Directors</u>

Prof. Robin Talbot PhD, BA, Cert Ed
Chair
Robin has spent over 26 years working in Higher Education and the NHS across Cumbria and Lancashire. Robin's previous NHS roles include chairing the Doncaster Family Practitioner Committee, the Lancaster and Morecambe Community Health

Council, the Lancaster Primary Care Group and the Cumbria and Lancashire Workforce Development Confederation. Until 2004 Robin chaired the Morecambe Bay Primary Care Trust and since has had roles within the NHS including; Governing Body positions at Cumbria Partnership NHS Foundation Trust; and more recently from 2009-16 at Calderstones Partnerships NHS Foundation Trust. In addition, Robin has maintained his special interest in workforce development by Board positions until summer 2017 on the Lancashire and South Cumbria Workforce Action Board and Health Education England (North).
At St Martin's College and the University of Cumbria Robin was Executive Dean with a particular focus on Health, Social Care and Wellbeing.

Outside the NHS and Higher Education, Robin is a member of the Lakes College Board at Lillyhall, and a member of Independent Monitoring Board for HM Prisons. He also chairs the Health and Education Co-operative (a social enterprise hosting/producing online learning materials for universities and the Health Service).

Robin is Chair of the Board of Directors and member of the North Cumbria Health & Care System Leadership Board.

Malcolm Cook
Non-Executive Director
Malcolm has significant business experience having worked 26 years within British Telecom in a variety of roles including Head of Service Excellence and Customer Research. More recently Malcolm was responsible for negotiating the largest HR outsource contract ever which received worldwide recognition and a World Class Leader award.

Malcolm has significant experience in the NHS as Vice Chair and Non-Executive Director of NHS County Durham between 2007- 2013 and since 2013 as Vice Chair and Non-Executive Director of North Cumbria University Hospitals NHS Trust. Malcolm is Chair of NCUH Charitable Funds Committee and Chair of NCUH Finance Investment and Performance Committee. Malcolm has a Law Degree from Northumbria University.

Malcolm is Chair of the Finance, Investment & Performance Committee and a member of North Cumbria Health & Care System Leadership Board.

George Liston
Non-Executive Director
George served in the Royal Air Force for over 30 years and travelled all over the world as an engineer officer. He retired from the Royal Air Force in January 2015 and is currently President and Chair of the Scottish Fencing Ltd. George is a Non-executive Director at North Cumbria University Hospitals NHS Trust since July 2015.

George is a member of the NCUH Audit and Risk Committee and a member of Finance, Investment & Performance Committee and Quality & Safety Committee.

David Kennedy
Non-Executive Director
David was appointed on 1 January 2017.
Dr Kennedy's roles at Newcastle University include:

- Deputy Head of School of Medical Education
- MBBS Degree Programme Director
- Director of Learning and Teaching, School of Medical Education
- Examinations lead and Chair of Phase I MBBS Meetings of Examiners
- Chair Phase I MBBS Learning, Teaching and Student Experience Committee
- Member of the MBBS Admissions Executive
- University representative for the Physiological Society

David is a member of the Quality & Safety Committee.

Louise Nelson PhD
Non-Executive Director

Dr Louise Nelson completed training as a mental health nurse in 1987, Louise completed an MBA whilst working as a Senior manager in the NHS and has since 2005 worked in higher education as a senior lecturer/programme leader for mental health nursing, a principal lecturer and, currently as Head of Nursing, Health and Professional Practice with the University of Cumbria. Louise obtained her PhD in 2014, based on Service users experiences of Mental Health Services and in 2018 completed a qualification as an Executive Coach.

Louise is involved in education-focused meetings with all local provider Trusts in Cumbria and a Non-Executive Director at Cumbria Partnership NHS Foundation Trust. Louise is Chair of the Quality & Safety Committee for both Trusts.

Jeff O'Neill
Non-Executive Director

Appointed November 2018. Mr O'Neill is a chartered accountant and formerly the Global director of finance of North Group, an international marine insurance group of companies based in Newcastle upon Tyne. Jeff is a Chartered Accountant.

Jeff is Chair of the Audit & Risk Committee and a member of Finance, Investment & Performance Committee.

Executive Directors

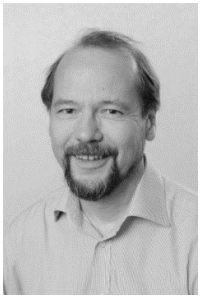
Professor Stephen Eames
Chief Executive
Stephen was appointed in September 2017.

Stephen is a public service leader with 25 years' experience as a Chief Executive. In 2012, Stephen was drafted in to Mid Yorkshire Hospitals where he spent 3 years overseeing major changes and improvements to services. Before this, Stephen was CEO of County Durham and Darlington NHS Foundation Trust where he successfully led a substantial multi-site hospital reconfiguration, secured a major acquisition of community services and ensured sound clinical and financial performance. In 2007 Stephen was awarded public service turnaround leader of the year by the Society of Turnaround professionals. In 2013 Stephen was awarded 'Turnaround performance of the year' by the Management Consultants Association for his work in Mid Yorkshire.

Stephen has a wealth of experience in top level leadership activities and in partnership working with NHS Institutions, Local Authorities, the private sector and a variety of other agencies.

Stephen has worked in a coaching capacity as a consultant for the NHS Performance Support Unit and the Leaders UK programme sponsored by the National School of Government.

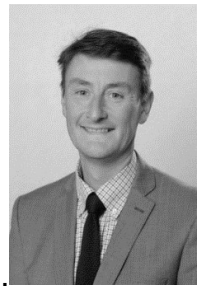
Professional Qualifications:
Advanced Diploma in Senior Executive Coaching for the Oxford School of Coaching and Mentoring. Degree in Professional Coaching Practice from Middlesex University.



Professor John Howarth MBBS, DTM&H, FRCGP, FFPH
Deputy CEO for NCIHT and CPFT / System Clinical Lead / Professor of Primary Care UCLAN
John's post covers Cumbria Partnership NHS Foundation Trust and North Cumbria University Hospitals NHS Trust.

John was a GP in Cockermouth for 24 years. He was Clinical Director for community services and elderly care lead for NHS Cumbria. Prior to this he spent 7 years as medical director of Cumbria's GP out of hours cooperative, chaired the primary care research group and was a GP trainer for over 10 years. He was medical adviser to the local hospice at home charity and co-authored a textbook in Palliative Care.

During the 1990s he trained in tropical medicine and worked in 11 different wars and natural disasters. He became medical director and head of operations of an international disaster relief charity. In 2010 he was a runner up in the national NHS Leadership Awards from over 1000 entries. In 2011 he received a Fellowship in Public Health through distinction and in 2013 he received a Fellowship to the Royal College of General Practitioners.



Michael Smillie BSc (Hons) FCPFA
Executive Director of Finance & Estates
Michael's role covers Cumbria Partnership NHS Foundation Trust and North Cumbria University Hospitals NHS Trust.

Michael joined the Trust in January 2007 and has over 25 years' experience working in the NHS. He has held posts as the Director of Finance, Director of Commissioning and Director of Business Development in both commissioning and provider organisations in England. Michael is passionate about ensuring high quality services are delivered in the most effective way and that leadership of our health and care system demonstrates the courage and ambition that matches the vitality and needs of our communities.

Michael grew up and now lives in Cumbria and leads on financial stewardship and forward planning for the Trust and is working with our partners to improve the health

and care system overall. Michael also leads on ensuring the Trust's estate and facilities are all fit for purpose and developed to support clinical care effectively.

Alison Smith
System Executive Chief Nurse
Alison's post covers North Cumbria University Hospitals NHS Trust and Cumbria Partnership NHS Foundation Trust.

Alison has been a registered nurse for 34 years and has worked in a variety of clinical, managerial and educational roles. Alison worked at South Tees Hospitals NHS Foundation Trust for a significant part of her career including as assistant director of nursing and children's lead. After leaving South Tees, Alison then spent the next five years working in wider health system roles as deputy director of nursing & quality at NHS England for the North East & Cumbria then as senior clinical lead at NHS Improvement, taking the lead role for the quality agenda.

In both of her roles with NHS England and NHS Improvement, Alison has worked closely with colleagues in the NHS in Cumbria.

Mandy Nagra
System Executive Chief Operating Officer
Mandy was previously the delivery & improvement lead for NHS Improvement (NHSI) in Cumbria and the North East. She has been instrumental in improving patient flow across the system and embedding the first phase of integrated care communities.

Prior to joining the Trust Mandy worked in the health and social care system for 24 years in a range of roles including clinical and managerial experience both nationally and regionally. She brings a vast amount of experience from her work with NHS Improvement and NHS England where a key part of her role was to support north Cumbria.

Judith Toland
Executive Director of Workforce & Organisational Development
Judith joined in November 2018 and her post covers North Cumbria University Hospitals NHS Trust, Cumbria Partnership NHS Foundation Trust and the wider North Cumbria Health and Care system.

She has extensive experience in human resources, organisational development and transformation projects in a number of sectors including health, education and private sector. Some of her previous posts include Director of Business Transformation at Durham University, Change Director/Director of Operations at the Independent Parliamentary Standards Agency and a Business Change Consultant at British Airways.

Dr Vincent (Vince) Connolly
System Executive Medical Director
Dr Vincent Connolly, System Executive Medical Director, North Cumbria Integrated Health & Care System, joined the Trust on 1st April 2019 on secondment (which was made substantive 1st June 2019) & Acute Physician at the James Cook University Hospital, Middlesbrough.

Medical Director North, NHS Improvement 2016-2019; President of the British Association of Ambulatory Emergency Care. Dr Connolly is currently Regional Medical Director (North) NHS Improvement. Vince completed a doctorate on the Impact of social deprivation on diabetes, cardiovascular risk & mortality. He has published papers on diabetes epidemiology & ambulatory emergency care. Medical Director, Emergency Care Improvement Programme. Clinical Lead for the Emergency Care Intensive Support Team since 2010, was a Clinical Advisor to the Ambulatory Emergency Care Delivery Network.

Chair of the North East SHA, Clinical Innovation Team for Acute Care.

Dr Connolly was a recipient of the Hospital Doctor Acute Medicine Team of the Year Award 2004.

Ramona Duguid
System Executive Director of Strategy
Ramona Duguid was previously Director of Integration for the Trust and NCUH and has played a key role in establishing north Cumbria as one of the 14 nationally recognised systems for leading integration. Ramona has worked in a range of roles across the NHS over the last 20 years, including leading improvements in governance and quality within the acute sector in north Cumbria as part of the special measures process.

Ramona was born in Cumbria and still lives in the county she is passionate about helping to improve and develop our health and care services, with our partners for the communities we serve.

NCIC TRUST BOARD FROM 01/10/2020: CHIEF EXECUTIVE OFFICER AND CHAIR

Non-Executive Director

Peter Scott

Interim Chair

Peter was appointed as Interim Chair to lead the Trust's Board of Directors and Governors' Council in April 2020.

His previous positions include working at various levels of the NHS locally at North Cumbria Acute Hospital, Cumbria Clinical Commissioning Group and Newcastle Hospitals together with national roles at the Department of Health.

Executive Director

Lyn Simpson

Chief Executive

Lyn was appointed as Chief Executive in January 2020.

She has a wealth of clinical and executive director level experience working in the NHS at a local, regional and national level.

Lyn started her career in the NHS as a nurse and is also a qualified midwife and health visitor.

Lyn has worked as an executive and board director since 1992 across a variety of different NHS sectors of which have included roles such as, director of patient

services for Newcastle Hospitals trust, regional nurse / director of operations and workforce for the Strategic Health Authorities and nationally as director of NHS operations at the Department of Health.

Lyn has led a number of high profile national programmes of work for example coordinating the health service response to the London 2012 Olympics along with national emergency preparedness response, incident specific issues. She was responsible for providing oversight of NHS performance and operations, communications and briefings for NHS operational matters to the director general, ministers and NHS chief executive as well as having national responsibility for the NHS interface with military health.

Lyn was the regional director for the North at the NHS Trust Development Authority which subsequently became NHS Improvement and was involved in providing leadership and engagement for 70 NHS organisations across the North East and Yorkshire and North West region including acute, community, mental health and ambulance trusts as well as NHS Foundation Trusts.

Recently she led, on behalf of the region, the early phases of integration and transformation in the Tees Valley, which included designing and executing a clinical services strategy, financial recovery plan and an options appraisal process for organisational form.

Lyn remains passionate about ensuring the delivery of safe, high-quality care for patients as well as developing staff and services and looks forward to working with colleagues to continue to build on the good work already done and help improve areas through the engagement of clinicians and staff and partnership working.

Register of Directors' Declared Interests

A copy of the Trust's Register of Declared Interests can be found on our Trust website: http://www.ncuh.nhs.uk/about-us/freedom-of-information/Declaration-of-Interests.aspx

Appointments and Changes to our Board during the Year

Dr Vincent (Vince) Connolly	System Medical Director	Joined the Trust 1st April 2019 on secondment (which was made a substantive appointment on 1st June 2019) & Acute Physician at the James Cook University Hospital, Middlesbrough.

Performance Evaluation Arrangements

Each NED is appraised by the Chair formally on an annual basis. The Chair was appraised by NHS Improvement during the year. In a similar way the executive directors and members of the wider executive team are appraised by the Chief Executive on a formal basis annually with ongoing one to one meetings taking place on at least a monthly basis for updates to be provided on progress against objectives. The performance of the Chief Executive in leading the organisation and being an effective member of the Board is assessed by the Chair.

Each member of the Board has in place a personal development plan to meet their own learning and development needs and to ensure the continuous development of the Board as a whole. Executive Directors' objectives mirror the strategic objectives of the Trust with an Executive Lead being assigned both to the attainment of strategic objectives and the management of risks to their achievement. The Board is further supported by the wider Executive team and senior operational and care group leadership teams. The committees of the Board undertake an annual review of their effectiveness and the way in which they have met the objectives set by the Board.

Trust Committee Structure

The Trust has in place a committee structure, which supports the effective governance and risk management of the organisation and the monitoring of performance. The key committees of the organisation have agreed terms of reference, which are outlined within the Trust's Standing Orders. Details of the Trust's key committees and the Standing Orders can be found on the Trust's website: https://www.ncic.nhs.uk/trust/how-we-are-run/meet-board

Details are also provided in the Annual Governance Statement.

External Audit

The Trust's External Auditors are Grant Thornton UK LLP, 4 Hardman Square, Spinningfields, Manchester, M3 3EB. For the six month period ending 30 September 2019 Grant Thornton's fees were £54,500 plus VAT for the audit of the Trust's financial statements.

Internal Audit

The Internal Audit service was provided by AuditOne. The service provides an independent and objective opinion to the Accountable Officer, the Board and the Audit & Risk Committee on the degree to which risk management, control and governance support the achievement of the organisation's agreed objectives and an independent and objective consultancy service to help line management improve the organisation's risk management, control and governance arrangements. The Audit & Risk

Committee considered and approved the contents of the Internal Audit Plan and a Head of Internal Audit Opinion was provided for the period to 30 September 2019.

Counter Fraud

The Counter Fraud Service was provided by AuditOne. An annual plan for the service was approved and in place for the beginning of the financial year under review and regular progress reports have been received against the plan. Regular updates were also received on cases which AuditOne have been dealing with on the Trust's behalf. The work plan undertaken in the year was risk based to highlight areas at higher risk of potential fraud.

Charitable Funds

The Trust is the corporate trustee for North Cumbria University Hospitals NHS Trust Charitable Fund. The total value of the charitable funds are small and therefore, subject to annual review and confirmation by the Audit & Risk Committee, the charitable funds are not consolidated with the Trust accounts as would normally be required under IFRS 10 *Consolidated Financial Statements*.

The Charity is required to publish its own set of accounts and an annual report (currently available for 2018/19). A summary of the Charity's key activities and its unaudited income and expenditure figures for the period to 30 September 2019 are included below.

North Cumbria University Hospitals NHS Trust Charitable Fund has continued to support a wide range of healthcare services and facilities not normally provided for or in addition to the normal NHS service over the past year at the Trust. This has been made possible by the generous donations and legacies from staff, local companies, patients and their families to Charitable Funds.

The Charity is registered in England, registration number 1059946 and holds two general funds; one for West Cumberland Hospital and one for Cumberland Infirmary, alongside eight restricted funds which have been specifically registered for Cardiology, Renal, Breast Cancer, Cancer Services, CT Scanner, Radiotherapy, Children's Services and the Healing Arts.

The Charitable Fund has a Corporate Trustee which, until 30 September 2019, was the North Cumbria University Hospitals NHS Trust Board who in turn has devolved management of the Fund to the Charitable Funds Committee. Since 1 October 2019 the Corporate Trustee is the Board of North Cumbria Integrated Care NHS Foundation Trust.

Income Received

Income is received from 3 main sources:

	Up to 30 Sept 2019 £k	2018/19 £k
Donations	135	293
Legacies	0	21
Investment Income	15	23
Total	**150**	337

In addition, the Charity's £500k investment in CCLA's COIF Charities Ethical Investment Fund was valued at £678k at 30 September 2019 giving rise to a gain on investment of £51k during the six month period to 30 September 2019. The Charity currently has no plans to sell the investment.

Resources Expended
The total expenditure of the Charity in the six months to 30 September 2019 was £123k (2018/19: £700k). North Cumbria University Hospitals NHS Trust has benefited from revenue and capital payments from the charity amounting to £218k (2018/19: £661k) to enhance patient experience and support staff in the delivery of high quality care within the Trust.

The charity has supported a wide range of healthcare services and facilities in respect of patient care and equipment, patients' welfare and amenities, staff education and training, and staff welfare and amenities at the Trust.

	Up to 30 Sept 2019 £k	2018/19 £k
Medical Equipment	88	204
Furniture & Equipment	15	80
Information Technology	14	5
Education & Training	29	92
Uniforms	0	4
Patient Amenities	17	24
Staff Amenities & Functions	7	4
Building Work	29	248
Support Costs	19	39
Total	**218**	700

Support Costs
In the six months to 30 September 2019 support costs of £17k (2018/19: £35k) have been paid to North Cumbria University Hospitals NHS Trust for providing administrative and financial services to the Charity. The service includes the day to day management of the funds and the preparation of all statutory reports and returns. Remaining support costs were £2k and this includes audit fees and banking charges (2018/19: £4k).

If you would like to make a donation to the charitable fund please visit our website at www.ncuh.nhs.uk/about-us/charity-and-fundraising/make-a-donation.aspx for information on the ways in which you can do this.

Annual Governance Statement 2019/20 (April 2019 to September 2019)

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 North Cumbria University Hospitals NHS Trust (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 system of internal control has been in place in the 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 and risk management arrangements

The Chief Executive has overall accountability for risk management within the organisation and discharges that duty through the Executive Directors who have collective responsibility for maintaining a system of sound internal control. The System Executive Chief Nurse with responsibility for governance is the Executive Director of Nursing who supported by the Director of Nursing and the Company Secretary coordinates governance and risk management across the organisation.

During the first six months of 2019/20 the Trust worked increasingly collaboratively with Cumbria Partnership NHS Foundation Trust (CPFT) to further align, develop and improve our quality governance arrangements ahead of the merger between the two Trusts on 1st October 2019. On this date the Trusts came together to form North Cumbria Integrated Care NHS Foundation Trust (NCIC). In quarter 2 of 2019/20 we introduced integrated Care Group governance and leadership structures spanning all of both Trusts' services. Care Groups were (and continue to be in NCIC) supported

by staff within Corporate and Support Service teams who are specialists in various aspects of risk management, and who are a central resource for training, advice and guidance. Details of how our Trusts became integrated into a single entity can be found in the annual report for NCIC.

Arrangements to identify, manage, escalate and report risks, as appropriate to the scale and nature of the risk were in place throughout this reporting period and continue within NCIC. Senior clinical leaders continue to have responsibility for driving improvements to quality and safety, and to actively support our staff in the identification and management of identified risks. Staff are supported to attend mandatory training and additional subject-specific and core skills training including risk management, which make up the overall training programme.

The Board had line of sight to the management of significant operational and strategic risks through the governance framework, the functioning of its committees, the Board Assurance Framework (BAF) and Corporate Risk Register. These arrangements continue in NCIC.

The Board Development programme incorporated risk management training for board members through activity to review and update of strategic risks that underpin the BAF, due diligence around merger and significant transactions, an externally facilitated session around the Care Quality Commission's (CQC) well led framework, and activity to deliver the County's suicide prevention strategy.

The risk and control framework

Trust Board & Changes to Board Membership

There were no changes to the Executive or Non-Executive Directors team between April 2019 and September 2019. All Executive Directors had remit across NCUH and CPFT as part of the aligned governance arrangements across both Trusts. Three Non-Executive Directors, including the Trust Chair, held positions in both Trusts. As at 30 September 2019 the Trust has:

- Six Non-Executive Directors (the Chair plus five other Non-Executive Directors, three of whom also have NED roles with CPFT)
- Eight Executive Directors, five of whom have voting rights
- No Executive Director or Non-Executive Director vacancies

The Deputy Chief Executive was entitled to exercise the voting rights of the Chief Executive during a period of incapacity or absence and the Executive Director of People & OD and Executive Director of Strategy were non-voting members of the Board. The balance between Executive and Non-Executive Directors on the Board

remains in line with Standing Orders. Further details about Board members and changes to Board membership during the year can be found in the Directors Report and the Remuneration Report.

Following agreements from NHS Improvement (NHSI) and CPFT Governors Council during 2018 and 2019, the formal merger between NCUH and CPFT took effect on 1st October 2019. This transaction was technically an acquisition of NCUH by CPFT. The merged Trust is called North Cumbria Integrated Care NHS Foundation Trust (NCIC).

Meetings that were in place within NCUH during April 2019 to September 2019 and any changes or adjustments to their arrangements are set out below.

Board and Board level committees

The Board of NCUH was supported by a governance structure as follows, which dealt with various components of corporate governance and risk. With the exception of the Audit & Risk Committee and Charitable Funds Committee all meetings described below happened in an aligned manner with CPFT (meeting at the same place, at the same time). Aligned arrangements recognised the statutory duties of both Trusts as separate legal entities whilst also enabling efficiencies through avoiding duplication of senior managers' attendance at meetings. Committees and governance meetings which were aligned across NCUH and CPFT continue as meetings for NCIC unless otherwise stated.

- Quality Improvement & Safety Committee (QIS) (name changed from Quality and Safety Committee (Q&S) in September 2019) – the designated Board subcommittee which oversees quality and safety issues. It is chaired by a Non-Executive Director (NED) and had Executive and NED membership. The QIS Committee monitors clinical risk management performance throughout the year and made recommendations to the Board as appropriate.
- Finance Investment and Performance Committee (FIP) - the designated Board subcommittee which oversees financial, corporate performance and investment issues. It is chaired by a NED and has Executive and NED membership. The FIP Committee monitored risks to operational and financial performance throughout the year and made recommendations to the Board as appropriate.
- Charitable Funds Committee – this designated Board subcommittee which oversees the management of Charitable Funds held by the Trust. Following merger a single Charitable Funds Committee is in place for NCIC.
- Audit & Risk Committee (A&R) – an independent committee and senior Board subcommittee, with all members NEDs. The A&R Committee has responsibility for overseeing risk management and internal control. The A&R Committee agreed audit plans with our internal and external auditors and received progress

updates and audit opinions throughout the year. Following merger a single Audit & Risk Committee is now in place for NCIC.
- Remuneration Committee – wholly NED membership.
- Executive Leadership Group – membership is Executive Directors, led by the Chief Executive. The Joint Company Secretary also attends these meetings.

High level governance meetings that support Board subcommittee effectiveness

- Clinical Management Group (CMG) - the senior operational management group led by the Medical Director and attended by Executive Directors, senior operational and clinical leaders within care groups and Heads of Support Services. CMG monitors risks to operational, clinical and financial performance and escalates issues and risks to Board level Committees as appropriate.
- Quality Improvement & Safety Group (formerly Compliance Board) - led by the System Executive Chief Operating Officer and including Executive Directors and senior managerial and clinical leaders, with a specific focus on CQC compliance. This Group superseded the Trust Wide Clinical Governance Group which was disbanded in April 2019 as its membership and function required review. Revised governance arrangements were agreed in June 2019 and were implemented from July 2019 although this group had not met by the time of merger on 1st October 2020
- Joint Leadership Community Forum – led by the Chief Executive and including Executive Directors and senior managerial and clinical leaders, with a specific focus on the development and implementation of Trust strategy. During the year membership of this group expanded to also include senior managers from the North Cumbria Clinical Commissioning Group

The effectiveness of our Board and committees was evaluated in quarter 1 of 2019/20 as part of merger preparations when it was determined that Committees were functioning effectively in line with their Terms of reference and would continue into NCIC.

<u>Trust Governance Framework & Priorities</u>
The Board agreed the Trust's Integrated Governance Framework document in September 2019. This brought together the documents which described governance and risk management processes within NCUH and CPFT into a single integrated document ahead of the merger. Governance priorities for 2019/20 were included in the Trust's annual plan for 2019/20.

The System Executive Chief Nurse is accountable for ensuring appropriate systems and processes are in place to enable the implementation of the Trust's Governance Framework and Priorities. Our Governance Framework is implemented through the

Risk Management Policy which sets out the framework for how risks are identified, evaluated and controlled. Risks can be identified through a variety of means, including investigations into incidents through to changes in the way services are designed or delivered. Risks, once identified, are assessed using the risk assessment methodology set out within our risk management policy and recorded within our Ulysses risk management system. Operational risks are managed on a day-to-day basis by staff throughout the organisation through the Trust's governance structures. Risks which are complex in nature that require senior management attention are escalated through our governance frameworks (ultimately to the Board of Directors) for decisions on how the risk will be managed. Risks which have strategic impacts are recorded in our Board Assurance Framework (BAF).

Central to our integrated approach to risk governance is risk appetite. In June 2018 the Trust agreed a joint risk appetite statement which continued to be in place throughout the period covered by this report. In setting out our appetite for risk, the Trust uses a risk appetite framework based upon that promoted by the Good Governance Institute but which it has expanded to include wider range of risk domains that reflect complex sustainability challenges currently facing the NHS. Board members' individual risk appetites inform a collective debate on the organisational risk appetite which is then agreed by the Board of Directors. Our risk appetite is articulated in our Integrated Governance Framework document.

The System Executive Chief Nurse is accountable for ensuring appropriate systems and processes are in place to enable the implementation of our Risk Management Strategy which is described within our integrated governance framework document.

The Risk Management strategy is also delivered through other policies and procedures that support the activities mentioned above, including:

- Policies on specific risk areas, including policies and procedures with respect to countering fraud and corruption.
- Policies for the reporting and investigation of incidents, complaints, concerns, and claims.
- A risk-based training programme based on an annual analysis of skills and competencies required to support the delivery of safe and effective services.
- Induction programmes for our staff.
- Training delivered by a combination of in-house experts and external partners, that gives the flexibility to provide tailored training to meet the needs of individuals with additional risk management responsibilities.
- Reporting to the Board and its committees on quality governance matters, including patient safety, patient experience, performance against key performance indicators and other regulatory and compliance requirements.

Trust Risk Profile

Risk management is fundamental to how the Trust operates. Risks are identified and evaluated using a 5 x 5 risk grading matrix, and recorded and reported in accordance with the Risk Management Policy.

Top strategic risks are managed through the Board Assurance Framework (BAF). Work activities of the Board and Board level committee are aligned to the BAF in order to enable line of sight to the management of strategic risks.

All operational risks are recorded in the Trust's risk management information system (Ulysses). Those risks recorded within Ulysses collectively form the Trust's risk register. The risks recorded on the Trust's risk register which scored 15-25 i.e. high risks, are also identified on the corporate risk register. An Executive Director or other senior manager is formally accountable for each recorded risk on the Trust's risk register. Individual responsibilities include ensuring appropriate arrangements are in place for effective risk management and mitigation.

During Quarter 1 of 2018/19 the Boards of NCUH and CPFT agreed joint strategic objectives, joint strategic risks and an aligned approach to the BAF. The 'joint' BAF was reviewed on a quarterly basis throughout 2019/20.

The BAF is subject to formal review by the A&R Committee every six months and quarterly by the Board, QIS Committee and FIP Committee. The CMG has responsibilities for risk management performance and receives monthly updates on the management of risks on the corporate risk register. The BAF review process incorporates a quarterly review of risks on the corporate risk register. The management of risks is a routine item for discussion at each of the care groups' clinical governance forums.

Top Strategic risks

We take assurance that our quality governance arrangements are effective from a range of sources including audits by our Internal Auditors, and reviews by external bodies such as the CQC. We recognise that balancing high quality care with long term financial sustainability and delivering integrated care are significant and challenging strategic risks. These are integral to our BAF. We are working with our partners in the North East and North Cumbria Integrated Care System on major transformation programmes which span the Cumbria footprint to find workable solutions to these very challenging strategic risks. Examples of transformational schemes include partnership working with GP practices to enable a more sustainable model for primary care across north Cumbria and delivery of the NHS

long term plan through development and implementation of a 5-year strategy for North Cumbria in collaboration with our system partners and our communities.

The following top strategic risks formed the basis of our aligned BAF with CPFT which was adopted by NCIC on 1st October 2019 as the BAF for the merged Trust.

Risk 1	Leadership and workforce is not sufficient to deliver the scale and pace of transformative change
Risk 2	Cultural change to improve quality and empower people is not sustained
Risk 3	Engagement with the public and partners is not effective in achieving positive change that improves or transforms services
Risk 4	Quality of services (experience, safety, outcomes) are not improved because programmes to transform, integrate and save have adverse quality impacts
Risk 5	Financial sustainability is not achieved as the effectiveness of cost reduction plans and implementation of new service models does not deliver the anticipated financial benefits set out in our long term plans
Risk 6	Health and Health Service improvement plans are impeded by dependency on key partners who are not sufficiently ready / able to support our plans
Risk 7	Vulnerable services become too unstable to continue during the implementation of wider transformation programmes across Cumbria and North East
Risk 8	Infrastructure developments are not sufficiently enabling of transformation
Risk 9	Fragility within primary care impacts our ability to effectively manage patient flow
Risk 10	Support services are insufficiently resilient to effectively support the Trust following transfer of mental health services to an alternative provider

The framing of top strategic risks is reviewed on at least an annual basis, usually during Quarter 3.

Significant operational and clinical risks

Risks are identified, managed and monitored through our governance frameworks, in accordance with the Risk Management Policy and the aligned performance framework. Risk reporting and measurement are actioned through our Outcomes Framework, quality and safety dashboards, and via the risk management information system (Ulysses) - all of which enable line of sight to risk management performance at all levels throughout the Trust.

Examples of significant operational and clinical risks affecting the Trust noted within the corporate risk register include the following:

- Resilience and performance of the IT network infrastructure
- Overcrowding in the emergency department

- Ability to recruit permanent medical and nursing staff
- Ability to meet the better payments practice code

Quality governance

Quality governance is a key activity of the Board to ensure essential levels of quality and safety are met. External sources of assurance include:

- Internal and external auditors
- CQC
- NHS Litigation Authority
- Other visits and inspections from regulatory agencies

The role of internal audit is to provide independent, objective assurance on the robustness and effectiveness of the Trust's systems and processes and to add value by identifying opportunities for improvement. The role of external audit is to perform an audit, in accordance with specific laws or rules, of the Trust's financial statements and is independent of the Trust.

Internal sources of assurance include:

- Activities undertaken by Care Groups, Quality & Nursing teams and the Corporate Governance Department
- Performance metrics
- Non-executive visiting programme
- Incident reporting
- Patient and carer feedback and staff surveys

To comply with the governance conditions of the Provider Licence, the Trust is required to provide a Corporate Governance Statement to NHSI. The Corporate Governance Statement relating to 2018/19 was presented to the Board of Directors for formal acceptance in May 2019. The Corporate Governance Statement sets out any risks to our compliance with the governance conditions, along with the actions taken or being taken to maintain future compliance. The statement sets out a number of key questions essential for quality governance, with evidence gathered through self-assessment or review. The Chief Executive has overall responsibility for ensuring compliance with the Trust's Provider Licence conditions, which he discharges through the Executive Team.

The Trust complied with all of the Provider Licence conditions. NHSI were regularly apprised of the Trust's financial position throughout 2019/20.

Incident reporting

A positive approach to incident reporting is communicated through Trust policies and procedures. The Trust encouraged the reporting of incidents or concerns and used these as a tool to learn and improve. The Trust had a clear focus on open and

honest reporting of incidents, with investigation into an incident proportional to the level of harm or potential harm, as detailed in the Trust's Being Open/Duty of Candour and Serious Incident policies. The Trust has a designated Freedom to Speak Up Guardian who provides regular updates to the Trust Board. Again, these arrangements continue into NCIC.

Incident Management

Serious incidents which occur within the Trust are reported to the Trust's Commissioners. After reporting the incidents, a root cause analysis (RCA) is undertaken for each incident reports. An investigation report, including an action plan, is produced following the RCA investigation with the report initially reviewed by the Care Group governance meeting and then by the Trust Patient Safety Panel, chaired by the Medical Director. Once approved, the report is submitted to the Commissioners. Actions arising for the investigation are monitored within the Divisions and by the Patient safety Panel until they are completed.

The Trust declared 24 serious incidents, between 1 April 2019 and 30 September 2019. An annual analysis of themes from serious incidents during the year is undertaken to ensure that the wider contributory factors are informing the themes of learning across the organisation.

The Trust has continued with the sharing of Trust-wide safety information through specific patient safety alerts, Trust-wide safety newsletter and where appropriate patient safety summits.

Coroner Regulation 28

The Trust was not issued with any Regulation 28 notices during the period 1st April 2019 to 30 September 2019.

Quality Impact Assessments

As part of our collaborative working with CPFT, an aligned approach to undertaking quality impact assessments was agreed by the Q&S Committee in April 2018 and has been applied throughout 2018/29 and 2019/20. The approach to undertaking quality impact assessments takes a holistic approach to assessing the impacts of major change schemes, including those proposed within our efficiency programme. The impact assessment approach enables decisions to be made based upon a balance of risks to quality, equality and the clinical and financial sustainability of services. The process is jointly led by the System Executive Chief Nurse and Executive Medical Director and overseen by the QIS Committee. It is also integrated into the Trust's business planning process.

Board level assurance on the timely undertaking of impact assessments is provided through the QIS Committee who also have a role in the EQIA approvals process. During 2019/20 the EQIA process has been strengthened further through undertaking evaluations of post-change impacts compared with anticipated impacts.

Workforce strategies

The People Plan for the North Cumbria Integrated Health and Care System, approved by the Board in March 2019, sets out the strategic delivery approach to ensure a sustainable workforce. A number of the delivery plan priorities for 2019/20 have been implemented including implementing a new induction process and a values based appraisal, rapid improvements of recruitment processes and a review of the volunteer service and mandatory training. Quarterly reports on progress are presented to the Trust's QIS Committee.

A monthly workforce dashboard provides the Board and sub committees with regular oversight of workforce performance and changes and nurse staffing reports including fill rates and care hours per patient day (CHPPD).

There is a continued focus on reducing the cost of temporary staffing in line with national targets through good rota management and monitoring. On a weekly basis the Executive Director team receives reports on agency spend, this includes any individuals whose hours have exceeded 48 hours worked and/or (un)paid breaks not taken as well - this is to ensure safe working and manage spend. In addition the Executive Directors team is updated on agency spend for the previous week and a forecast for the following week. Strict processes are in place to ensure substantive/NHS recruitment is prioritised where agency workers are being deployed.

Business conduct / 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 within the past twelve months, as required by the 'Managing Conflicts of Interest in the NHS guidance. (https://www.england.nhs.uk/publication/managing-conflicts-of-interest-in-the-nhs-guidance-for-staff-and-organisations/)

The Trust's Standards of Business Conduct policy was updated in 2018 to reflect changes to legislative requirements and to become a joint policy with CPFT. Policy requirements began being implemented on a phased approach during 2018/19 and continued into 2019/20. Interest's registers are published on the Trust website. Delivery of the phased implementation plan is being overseen by the A&R Committee.

Care Quality Commission
The Trust is fully compliant with the registration requirements of the Care Quality Commission. During 2018/19 the Trust underwent a formal inspection by the CQC against the CQC and NHSI's joint 'Well Led' framework. The Trust was rated as 'requires improvement' however a number of notable improvements were identified since their last inspection of the Trust in 2015. No formal CQC inspections of NCUH took place between April 2019 and September 2019. Progress on addressing CQC must and should do recommendations is overseen by the QIS Committee and Board of Directors. Improvement actions to address CQC must and should do recommendations from previous CQC inspections form part of NCIC's quality improvement plan.

Our last annual self-assessment against the CQC and NHSI's joint Well Led framework prior to merger was approved by the Board in June 2019 and related to 2018/19. Improvement actions identified from that review are included within NCIC's quality improvement plan.

Details of how we have responded to CQC recommendations and progress against the quality improvement plan can be found in the Quality Account within NCIC's annual report (published separately).

NHS Pension Scheme
As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations. Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

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

Environmental Issues
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.
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Review of economy, efficiency and effectiveness of the use of resources

CQC last undertook Well Led and Use of Resources inspections during 2018/19 and published their report in November 2018. The Trust was rated Trust as 'Requires Improvement' for quality and use of resources. Actions to address the CQC's inspection recommendations which were not completed at the time of merger have been incorporated into NCIC's quality improvement and efficiency programmes.

During 2019/20 the Trust closely monitored budgetary control and expenditure through financial efficiency meetings, Clinical Management Group and, at Board level, through the FIP Committee. A dedicated programme management team support the identification and delivery of schemes which improve efficiency and positively impact the Trust's overall financial efficiency efforts. These arrangements continue in NCIC.

The Executive Director of Finance & Estates presents finance reports to both the FIP Committee and the Board of Directors. Through the Trust's Standing Orders (SOs), Standing Financial Instructions (SFIs) and Scheme of Delegation the Board of Directors has created clarity regarding delegated authority levels across the Trust. Executive Directors and managers have responsibility for the effective management and deployment of their staff and other resources to optimise the efficiency of each area of the Trust's operations.

The Board receives both performance and financial reports at each of its public meetings in addition to reports from the chairs of its committee, to which it has delegated powers and responsibilities. When required, the Board receives further assurance provided by its internal and external auditors.

The financial plan for 2019/20 was developed in conjunction with CPFT and North Cumbria Clinical Commissioning Group and was agreed by both Boards in March 2019. NHSI have been kept abreast of risks to the delivery of the plan throughout the period of this report and the financial position at the time of merger.

Through concerted efforts driving efficiencies during the year and through our collaborative working with system partners, NCUH's year-end (Sept 2019) financial out-turn at 30 September of £13.9m deficit resulted in achievement of our financial control total. As a result of deploying our risk sharing agreements the north Cumbria system will receive £2.1m from the Provider Sustainability Fund and £5.2m from the Financial Recovery Fund for the first six months of 2019/20.

The Trust was rated as being placed in Segment 3 under NHSI's Single Oversight Framework at 30 Sept 2019. You can find further details about ratings in the Performance Report.

During the year we continued to reduce reliance on agency staff where possible and controls were in place to control expenditure on agency workers. Board-level oversight of expenditure on agency workers was undertaken by the FIP Committee as part of the Board level performance reports. Information is also readily available to front line managers through quality and safety dashboards. Again, these arrangements continue in NCIC.

Information Governance (IG) and data security

The Trust reported one incident via the Data Security and Protection Toolkit to the Regulator during the period 1st April to 30th September 2019. This was identified by Care Quality Commission (CQC) staff and multiple individuals involved. This Incident was investigated and investigation report sent to the Information Commissioners Office with recommendations completed for improvement. We are committed to learning from all incidents with a view to preventing recurrence in the future.

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 Trust that 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 & Risk Committee, the FIP Committee and Q&S Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

During the period covered by this report the System Executive Chief Nurse was responsible for developing and delivering the clinical audit programme and for ensuring the audit programme supports a process of continual improvement. Oversight of the clinical audit programme was through Quality Improvement & Safety Committee who also receive monthly updates on significant or escalating risks to quality and safety. These arrangements continue in NCIC.

The QIS Committee, FIP Committee, Charitable Funds Committee and A&R Committee each have activity schedules framed around enabling the Board of Directors to have line of sight to any significant risks to internal control. An annual evaluation of committee effectiveness is undertaken for each of these Board

committees. This is via a self-assessment by committee members and regular attendees, the outcome of which is considered by the A&R Committee. Again, these arrangements continue in NCIC.

Through concerted efforts driving efficiencies during the year as a result of our collaborative working with system partners and through the risk sharing agreements with our system partners, we achieved our financial control total, enabling the north Cumbria system to receive £2.1m from the Provider Sustainability Fund and £5.2m from the Financial Recovery Fund for the first six months of 2019/20. The financial plan for 2019/20 was been developed in conjunction with CPFT and North Cumbria Clinical Commissioning Group and was agreed by both Boards in March 2019. The plan included reliance on further DHSC revenue support loans to finance the planned deficit, in line with the Trust's control total, and the assumption that this finance would be made available to the Trust. Delivery of this plan is dependent on achieving efficiencies at a level that can only be secured by working closely with other organisations within the local health and care system. The Board is committed to this and is satisfied that strong partnership working arrangements are in place. NHSI were notified of significant risks and caveats impacting the delivery of the financial plan and were updated on progress on plan delivery throughout the period covered by this report.

At 31 March 2019 there was an estimated £2.5m of fire rectification works remaining outstanding on the Cumberland Infirmary site. As at 30th September 2019 virtually all works had been completed, with any remaining works expected to be completed by 31st March 2020.

The internal audit plan recognises the joint working between the Trust and CPFT with a number of audits being audits on our joint arrangements. As a result of merger, the Trust's 2019/20 internal audit plan now forms part of NCIC's internal audit plan. The outcome of internal audits and progress with audit recommendations are reported to each meeting of the Audit & Risk Committee. As at 30 September 2019, our internal auditors had commenced fieldwork on around one quarter of the audits within the 2019/20 internal audit plan, however no final reports had been issued. Of the five audits commenced between April and September 2019, four were awarded Limited Assurance and highlighted controls which require improvement. These were in the areas of fire safety, non-medical prescribing, elective endoscopy waiting list management and physical and environmental controls for data centres. Actions have either been completed or are ongoing to address internal audit recommendations.

NCIC's Audit & Risk Committee will receive the outcomes of audits of our internal audit plan. Details of any significant internal control issues identified through the remaining audits on our audit plan can be found within the Annual Governance Statement of NCIC's annual report.

The internal audit plan is prepared with the intention to deliver a robust year end annual opinion based on the range of audits undertaken throughout the year. Internal audit plans for CPFT and NCUH were adopted by NCIC upon merger on 1st October 2019. At the time of merger, a number of audits on the NCUH internal audit plan had commenced but none had concluded. In giving their opinion on the effectiveness of internal controls within NCIC, the Head of Internal Audit has given consideration to arrangements within NCUH and CPFT before merger, and within NCIC after merger. The Head of Internal Audit has given an overall opinion of reasonable assurance that there is a sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently.

The Head of Internal Audit was satisfied he had sufficient evidence, largely based on completion of the Core Internal Audit plan and carefully considered professional judgement, to provide the Trust with a robust Head of Internal Audit Opinion. The Head of Internal Audit opinion has not been impacted by COVID-19

Conclusion

As Accounting Officer and based on the review process outlined above, I conclude that no significant internal control issues have been identified between 1 April 2019 – 30 September 2019 being the period covered by this report.

Signed ..... Date: 23rd June 2020

Lyn Simpson
Chief Executive

2.2 Remuneration and Staff Report

2.2.1 Staff Report

Average FTE by Staff Group for the 6 month period to 30 September 2019

	6 months to 30 September 2019			2018/19
	Permanently employed	Other	Total	Total
Average Staff Numbers				
Medical and dental	421	86	507	473
Administration and estates	918	0	918	944
Healthcare assistants and other support staff	531	0	531	529
Nursing, midwifery and health visiting staff	1,098	7	1,105	1,141
Scientific, therapeutic and technical staff	304	3	307	309
Healthcare Science Staff	271	3	274	269
Other	8	0	8	4
Total	**3,551**	**99**	**3,650**	3,669

Staff Costs for the 6 month period to 30 September 2019

	6 months to 30 September 2019			2018/19
Staff Costs - Gross	Permanently Employed £000s	Other £000s	Total £000s	Total £000s
Salaries and wages	69,961	5,136	75,097	143,948
Social Security costs	6,365	467	6,832	12,951
Apprenticeship Levy	323	31	354	670
Employer's contributions to NHS Pensions	7,767	570	8,337	16,295
Pension cost - other	43	0	43	49
Termination Benefits	297	0	297	0
Temporary staff	0	5,662	5,662	12,688
Total staff costs	**84,756**	**11,866**	**96,622**	186,601
Of which:				
Costs capitalised as part of assets	136	0	136	315

Staff Numbers and composition

The headcount by gender split as at 30/03/2019 is as follows:

Role	Female Headcount	Male Headcount
Directors (Executive and Non-Executive Directors)*	5	9
Other Senior Managers	0	1
Employees	4,083	842

*The numbers reported are the full Joint Transitional Executive and Non-Executive Team for North Cumbria University Hospitals NHS Trust and Cumbria Partnership NHS Foundation Trust (CPFT).

Gender

Gender	Headcount	% of Workforce
Female	4,088	82.75
Male	852	17.25
Grand Total	**4,940**	**100.00**

NB This table includes staff employed directly by the Trust including bank staff and staff on fixed term contracts; agency workers are excluded from this table.

Board Directors' Gender

Gender	Board Directors
Female	5
Male	10
Grand Total	**15**

NB The table reflects all of the Trust's executive and non-executive directors at 30 September 2019

Sickness

Figures Converted by DHSC to Best Estimates of Required Data Items			Statistics Published by NHS Digital from ESR Data Warehouse	
Average FTE 2018	Adjusted FTE days lost to Cabinet Office definitions	Average Sick Day per FTE	FTE-Days Available	FTE-Days Lost to Sickness Absense
3,498	34,444	9.85	1,276,803	55,876

Please note that the information in this table is the same as that included in the Trust's 2018/19 annual report. NHS bodies are required to disclose the sickness absence data for the last full calendar year and therefore the information for the calendar year 2018 is the latest available.

Workforce strategies

The People Plan for the North Cumbria Integrated Health and Care System, approved by the Board in March 2019, sets out the strategic delivery approach to ensure a sustainable workforce. It also states the annual delivery plan priorities for

2019/20. Priorities for 2019/20 include developing an attraction plan and improving recruitment processes, and also designing an effective, inclusive and engaged workforce through local plans that meet the needs of the population built on multi professional working and new roles. Delivery of the people plan will be overseen through the QIS Committee. Further details can be found in the Corporate Governance Report.

Staff policies and actions applied during the financial year

Policies relating to our staff continued to be reviewed and updated throughout 2019. The joint consultation process (with CPFT) continued to develop and agree workforce related policies across both Trusts to ensure consistency in how staff are treated across both organisations.

The Trust was the first in the UK to have a Menopause Policy, which was developed with the Staff Representative Chair, who has a particular interest in championing this important subject.

All revised policies went through local Equality Impact Assessment processes, and the HR team work in conjunction with the occupational health service and line managers to ensure any reasonable adjustments which are required to either sustain a staff member in post, or assist a return to work are put in place where appropriate as quickly as possible.

Equal Opportunities, Equality & Diversity and Disability

The Trust Equality, Diversity and Inclusion (EDI) report, which is available on the Trust website, provides information on how both Trusts are meeting their legal duties set out in the Equality Act 2010, the Public Sector Equality Duty 2011 and the Human Rights Act 1998 which aim to:

- Eliminate unlawful discrimination, harassment and victimisation and other unlawful conduct
- Advance equality of opportunity between people of different groups; and
- Foster good relationships between people who share a protected characteristic and those who do not.

Modern Slavery Act

As of October 2015 all commercial organisations carrying on business in the UK with a turnover of £36m or more have to complete a slavery and human trafficking statement for each financial year. The Modern Slavery Act consolidates offences relating to trafficking and slavery (both in the UK and overseas). As a large business

we need to publicly state each year the actions we are taking to ensure our suppliers are slavery free. We continue to work within the Act.

Appraisals

We have launched a new approach to performance management. This consists of 4 conversation a year covering Talent, Appreciation which included values, Learning and Development, Service improvement and Wellbeing. Objectives can be set for short, medium or long term and the conversations build on each other.

This approach in to continue or aims, to ensure that:

- All staff to have a meaningful appraisal that is linked to our values and translates the work of the Trust to individual objectives.
- All staff to have a personal development plan (PDP) but also recognise how they learn o the job.
- Supporting performance though a coaching culture.

The Trust has an appraisal window which links with the business planning cycle to ensure objectives are aligned to the Trusts priorities and staff can understand how they are contributing. The Trust has a target for 85% of all staff to have an appraisal within the last 12 months, as at 30/9/2019 58.3% a reduction on last year. This reduction has been attributed to organisational change, restructure and high service demands.

Trade Union Facility Time

The Trust continues to work closely with staff representatives on the Partnership Forum and Local Negotiating Committee to collate the data required under the regulations. Both are now joint forums with one nominated staff side chair on each.

Trade Union Relationships

During 2019 staff consultation, engagement and involvement has continued through the well-established and well attended monthly Joint Partnership Forum. This is a joint forum which represents both Trusts and encompasses the Unions which represent non-medical staff. For Doctors and Dentists, there is a bi-monthly Local negotiating Committee which is a joint forum with management and representatives from the British Medical Association (BMA).

Significant staff consultation and engagement has been targeted around the integration of services across both Trusts with the first phase commencing in May 2019 in relation to phase one of the Care Group restructuring. This piece of work

amalgamated Care Groups across the Trusts into three, grouping services by patient pathways. Restructuring of the senior nursing and medical teams also took place, along with support services such as Human Resources and Finance. Integration of other services, including clinical services, will continue throughout 2019/2020.

Recruitment and the use of temporary staff

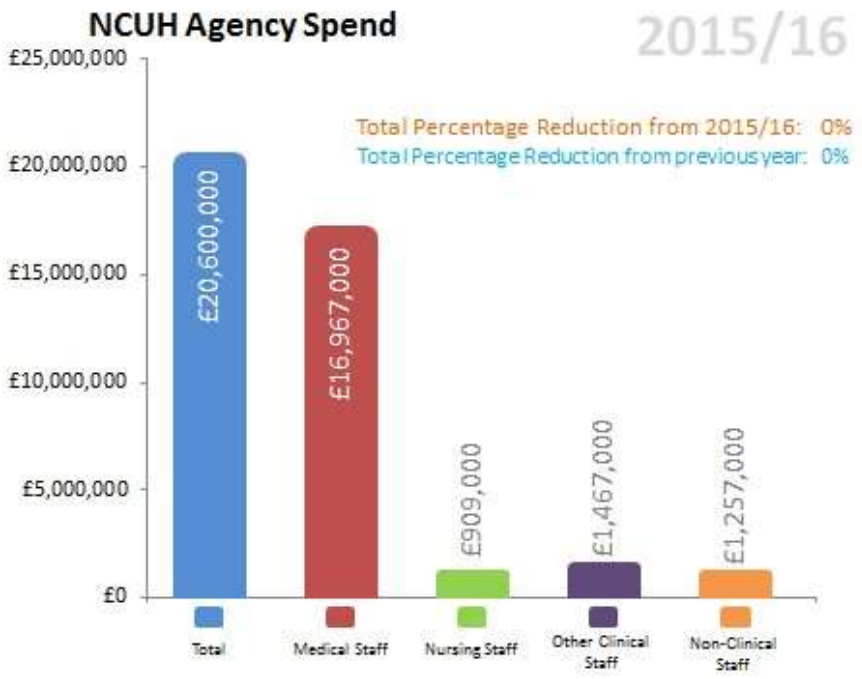
We, along with our partners in the Cumbria health and social care system, continue to face significant challenges in the ability to recruit people into Cumbria with the right skills and experience to fill vacancies in our specialist roles. We continue to work together with our local partners and with leaders in the regional major transformation programmes to find workable solutions to this challenging problem.

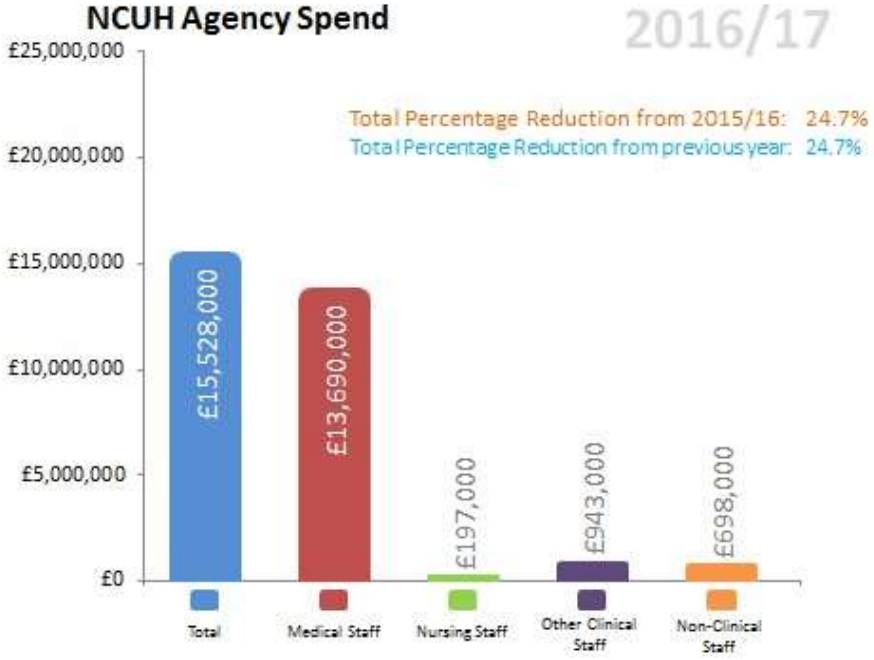
Throughout the year the Trusts has worked collaboratively on a number of attraction initiatives. Examples include:

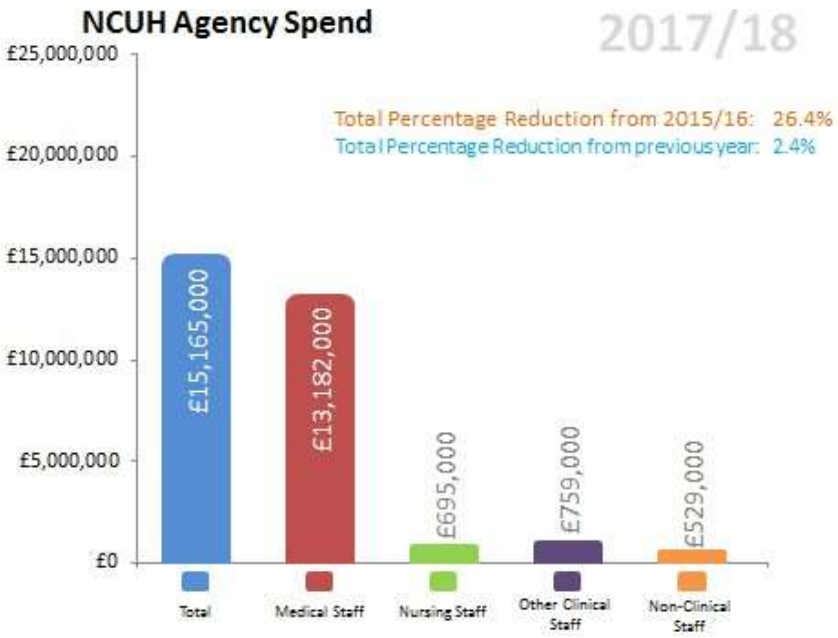
- Attendance at various national recruitment fayres
- Local recruitment events.
- Use of social media to promote specialist vacancies.
- International recruitment for clinical posts

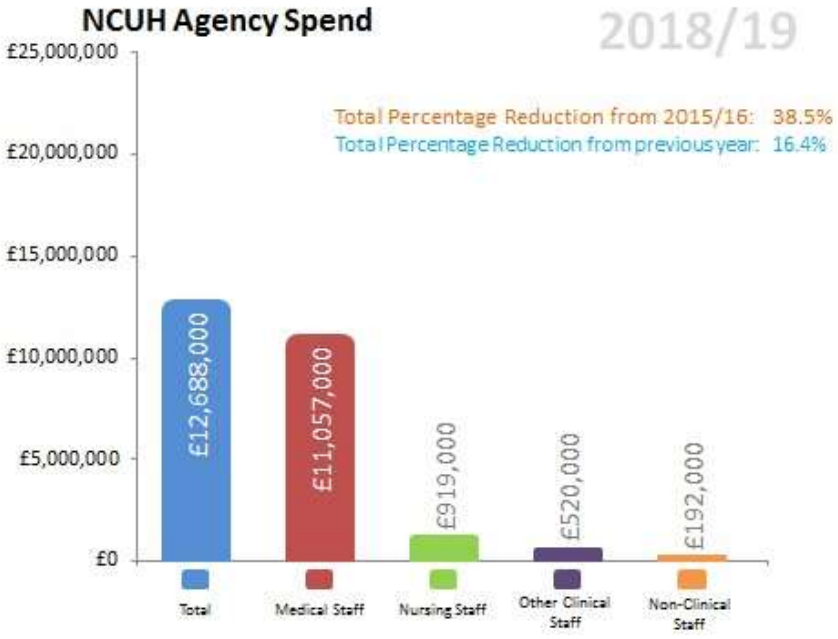
The Trust continues its drive to manage the spend and quality of Agency appointments and work in this area has seen the teams involved nominated for 2 national awards. Their work with NHSI has contributed to influencing key changes to framework providers at a national level around umbrella companies and self-employed status of workers and they continue to work with NHS Counter Fraud. Although the current workforce landscape is extremely challenging, value for money and quality controls continue to drive this work-stream.

Total agency spend since 2016 is provided in the graphs below. A full year figure for 2019/20 is not available due to the Trust merge in October 2019, but total agency spend for the six month period April to September 2019 was £5.7 million which continues the Trust's year-on-year reduction in costs.


NCUH Agency Spend
2015/16
Total Percentage Reduction from 2015/16: 0%
Total Percentage Reduction from previous year: 0%
£25,000,000
£20,000,000
£15,000,000
£10,000,000
£5,000,000
£0
£20,600,000
£16,967,000
£909,000
£1,467,000
£1,257,000
Total
Medical Staff
Nursing Staff
Other Clinical Staff
Non-Clinical Staff


NCUH Agency Spend
2016/17
Total Percentage Reduction from 2015/16: 24.7%
Total Percentage Reduction from previous year: 24.7%
£25,000,000
£20,000,000
£15,000,000
£10,000,000
£5,000,000
£0
£15,528,000
£13,690,000
£197,000
£943,000
£698,000
Total
Medical Staff
Nursing Staff
Other Clinical Staff
Non-Clinical Staff





Health and Well-being

The Trust has been developing our work around staff health and wellbeing during 2019, building on the work that NCUH and CPFT did to achieve the Bronze Better Health at Work Awards in 2018.

Work has focused on integrating health and wellbeing into joint policies and staff appraisal, as well as a further focus on the mental health support available to staff. We have worked to raise the profile and importance of staff health and wellbeing via a new Health and Wellbeing section in staff news, a new 'Be Well' Health and Wellbeing brand, monthly campaigns and dedicated section on the Trust's new staff website. This includes a wealth of mental health resources in the Mental Health Support Hub.

In addition we have:

- Introduced a Menopause Policy with UNISON to outline steps that are being taken to raise awareness of the symptoms of the menopause among staff and managers, and to support staff who are experiencing this change.
- Continued to raise awareness of mental health and support services available to staff via our Employee Assistance Programme and staff counsellor.
- Held monthly Schwartz Rounds
- Developed a network of Mental Health First Aiders and expanded our Health Advocate Network.
- Continued to run our in-house PhysioFAST service for staff with acute musculoskeletal conditions
- Launched NHS Health checks for staff
- 2018/19 Reached our annual staff flu vaccination target
- Appointed a Health and Wellbeing Board champion
- As a Trust we are passionate about Parkrun. We have a Parkrun buddy scheme for staff who have never been before and regularly promote Parkrun to staff. Throughout the year we have worked with local leisure providers to promote physical activity to staff in a number of ways.

The Trust was assessed for a Silver Better Health at Work Award on 19th November and presented with the award in December 2019. We are now working towards the Gold Award.

We continue to engage with staff and gain feedback on areas where they need more support so that we can further develop our staff health and wellbeing and occupational health offer.

Learning and Development

The Learning and Development function continues to adapt and develop to meet the changing demands associated with supporting staff both within the Trust and across the wider health and care system to meet their learning needs.

As part of our work for 2019/2020 we have recognised the need to improve our approach to statutory and mandatory training by raising the quality of training and

linking it explicitly to the quality and safety of patient care and to professional standards. A key element of this work has been on the review and alignment of a single Learning Needs Analysis (LNA) and single reporting for the merged Trust. There is work underway to develop and roll out a 3 tiered approach to the LNA which includes Core Skill Framework subjects, organisational essential and role essential elements. Developing Learning Champions and piloting a 'Learning Health Check' are initiatives in development to support staff to engage with their essential learning.

Our apprenticeship offer continues to grow; there are currently over 100 apprentices on programme across a range of occupations including Registered Degree Nurse, Operating Department Practitioner, Senior Leadership and Advanced Clinical Practitioner. Levy is being transferred to local GP practices to facilitate development of their staff in Nurse Associate and Advanced Clinical Practice apprenticeships. A priority work stream for us going forward is in ensuring an increase in placement capacity across our system to support an increasing number of learners across a range of settings.

A Work Experience Policy has been developed and we are currently working towards Fair Train accreditation. 40 cadets have been supported in clinical placements from Lakes and Carlisle Colleges, 21 tailor-made work experience placements for young people interested in health careers organised and we have attended 3 large careers events to promote the NHS as a great place to work and develop. As part of the Talent for Care programme, our Step into Work continues to offer a successful route into healthcare roles for local unemployed people. Between April and October approximately 6000 hours of bank shifts were worked by people who had successfully completed the programme and the initiative been recognised nationally as an example of good practice by Health Education England (HEE).

We continue to support a range of accredited vocational training programmes covering: ILM Level 3 Leadership and Management, Health Level 3, Business Administration Level 2 and Level 3 Vocational Qualifications. As part of our workforce development plans we are piloting the delivery of City and Guilds Functional Skills Maths primarily targeted at those staff who aspire to undertake nursing apprenticeships.

The integrated Clinical Skills team continues to develop and offer a range of clinical skills training and competency development across our health and care system. The team have been involved in the roll out of the Stop and Watch Tool, a project supported by the Academic Health Science Networks (AHSN) and designed to support spotting signs of deterioration and early intervention. In total 329 care home staff and 59 Learning Disability Leads have been trained in the use of the tool – it has been delivered within Protected Learning Time (PLT) sessions to Primary Care staff and the focus now is on delivering Train the Trainer workshops to ensure sustainability of the project.

468 staff have attended clinical skills workshops between April and September 2019 and workshops on dementia awareness, ear care, pressure ulcer awareness and Aseptic Non-Touch Technique (ANTT) have been delivered to non-registered staff

working in primary care. Work to develop a competency hub at Maryport Hospital supports staff in the community to gain skill competency and this initiative recently won the Innovation in Education category at the Bright Ideas in Health Awards. Further work is underway to develop further competency hubs across our localities.

A single Corporate Induction programme is now underway and incorporates essential components of both culture and compliance. Our newly started non-registered workforce continue to complete the Care Certificate and revised extended development programme as part of the mandatory requirements of their induction into the Trust

Medical Education – Summary of performance and challenges going forward

The Medical Education department, part of the Medical Directorate Support Service, was fully integrated across both Trusts as part of the pre-merger collaboration in north Cumbria. The department has robust and continually improving systems and processes of educational governance as a part of good quality control, recognised by partner universities and Health Education England North East (HEE NE) with a phased 5 year improvement plan that is now in its second year. This procedural discipline and positive culture change is the cornerstone to driving and improving the quality of the students and trainees educational experience through the staff and environments they learn and work in.
Medical education has a key role in ensuring the highest clinical standards, supporting patient safety, service delivery and the maintenance of up to date clinical practice. It is central to the successful recruitment and retention of permanent medical staff.

Undergraduate Medical School Portfolios – Newcastle University (NU), University of Central Lancashire (UCLan) and University of Lancaster (LMS)
Performance continues to be robust over the last year in respect to learning placements, teaching and training for our medical students.

- Cumbria based students from NU continue to provide excellent feedback on their experience and the scheme supports the highest pass rates in the North East region. Student numbers will again increase next year to including 4th year medical students and Cumbria successfully hosted medical school final exams in June for the first time.
- Following last year's successful design and implementation of the first year of UCLan 3rd year medical students largely based in west Cumbria for placements and teaching events we have increased numbers of students, we are consolidating our approach and have recently appointed 2 clinical teaching fellows to support the programme which although in its early stages is getting very positive feedback from the students.

  Again the feedback continues to be positive showing excellent performance as determined by student evaluation, university feedback and GMC

inspection where many aspects of what Cumbria has delivered is being put forward to the sister site in Lancashire as exemplars of practice. The GMC inspection of November was very positive and expect full regulatory approval in the New Year. On this basis it is planned that 4th year students will be placed with us next year subject to capacity mapping.

Postgraduate Speciality Training – Health Education England North East

Our postgraduate portfolio accounts for in the order of 190 trainees across the Trust. There are a number of specialities that have been performing particularly well both regionally and nationally;

- Ear Nose and Throat (ENT), Obstetrics & Gynaecology & Emergency medicine
- Foundation Program's ability to support and develop doctors in difficulty.
- The Targeted Enhanced Recruitment Scheme (TERS) has resulted in a near 20% increase in junior medical workforce across the grades, leading to less vacancies/and almost full postgraduate trainee rotas which has been beneficial to the service and all training programmes at much lower cost than traditional locum appointments. Should be seen as the most effective medical recruitment initiative in memory.

Simulation

The integrated medical education department has established Cumbria's first multi-professional faculty and continues to deliver well evaluated, critical sim training in theatres in response to incidents and is accessing HEE NE resources into Cumbria. Now moving into our 2nd year we have produced a sustainable business case and are developing a project plan for the provision of the faculty and modern simulation facilities in 2020 to support all our staff and learners both medical and multi-professional. Due to this impetus HEE NE have reinstated our previously withdrawn approval to run regional simulation assessments.

Performance Challenges going forward

Despite the significant achievements detailed, the Trust is significantly challenged in terms of quality where cultural and operational problems have a serious detrimental performance on us as a Local Education Provider. As a result the Trust is now in "escalation" with HEE and a return to GMC enhanced monitoring as a result.

The recently released General Medical Council's National training survey comparator data provides the Trust with challenging results. This data for 2019 allows comparison between CPFT and NCUH and with the North East and Country. There are 233 organisations providing medical education in the UK and 12 Trusts doing so in the UK;

UK WIDE rankings 2019 (of 233)

- CPFT - 3rd nationally

- NCUH 203

Regional / HEE NE rankings 2019 (of 12)

- CPFT – 1st / Top
- NCUH – 12th/ Bottom

Our analysis of this whilst complex, should chiefly be understood in terms of differences in culture, behaviours and degree of procedural discipline.

Hospital at Night and Escalation Beds

The Hospital at Night service continues to be a challenge and needs further redesigned, clinical leadership with performance monitoring to ensure appropriate workload and supervision for foundation trainees. This now is led in the Associate Medical Director (AMD) for Medicine portfolio. Concerns continue to arise as staffing pressures draw members of nursing workforce out of hospital at night services and onto wards leaving the junior doctors to cover the wards alone.

Foundation Doctors move out of surgery

Due to reduced educational performance over the last 5 years, General Surgery and Trauma and Orthopaedics FY2 trainees are being relocated into other specialties within the Trust that have performed better educationally upon instruction of HEE. This naturally has caused significant service challenges and has impacted on morale in the departments. This will be monitored closely by the medical education team and care group colleagues, by undertaking feedback, risk analysis and developing appropriate mitigation and action plans to ensure the remaining surgical FY1 trainees are not impacted significantly by this decision; noting that these departments performance for FY1 training is also deteriorating.

The Trust continues to be at risk of losing postgraduate trainees if the agreed improvement action plans are not implemented. The departments receiving poor feedback are at highest risk of having trainees withdrawn. Any loss of training status will impact on service delivery and on recruitment and retention of senior medical staff.

There appears to be a systemic issue in trainees accessing sufficient time in theatres, which is unfortunate as concerns are not primarily about training quality. The issue of delivering and coordinating theatres activity is a key challenge for the Trust and not yet resolved. Key areas of concern are;

- Foundation Placements in all surgical specialities
- Trauma and Orthopaedics
- Obstetrics and Gynaecology – emerging concern linked to theatre training capacity
- Anaesthetics – emerging concern linked to theatre training capacity

Guardian of Safe Working

The terms and conditions of the new Junior Doctor Contract were implemented in August 2016. Almost all trainees are now employed under this contract. The contract is being monitored real time within the terms and conditions of service using an exception reporting system. All trainees have a work schedule and any deviation from it will generate an exception report. Exception reports are useful in identifying the trends and determining any outstanding issues, which can be reported to the Board.

A Joint Guardian of Safe Working (GOSW) for both Trusts was appointed from 1 January 2019. The post is supported by an administrator, rota co-ordinator and a Business Manager attached to the Medical Workforce Team.

The GOSW maintains a very healthy, useful relationship with the Medical Director. GOSW reports have been presented quarterly to the Board throughout the year. The Board was very welcoming to the newly appointed GOSW.

Junior Doctor Forum meetings have been established and attendance by members of the Executive Team who have been very helpful. Unfortunately there has been low attendance by the Junior Doctors. Efforts are being made to communicate with the Junior Doctors more effectively via email and occasionally via hard copy communication. We are in the process of starting a WhatsApp group for all trainees in order to improve communication with them.

Joint GOSW is given one Personal Assistant (PA) for his work. Hours need to be monitored to see if time allocation is adequate.

There have been a total of 154 exception reports from 1 April 2019 to 30 September 2019. The vast majority of these have been closed and resolved; either with time off in lieu or payment for extra time worked. As in previous years there have been a large number of exception reports in August and September periods. This is mostly around the time when the new Foundation Doctors started in the Trust. This year we noted an increase in exception reports especially in the new academic year. This may be due to better engagement with the trainees and promotion of exception reporting by the GOSW.

All trainees have work schedules as per the Terms and Conditions of the Contract. A new joint trainee forum has been established since April 2019. From the previously held trainee forums it has been possible to identify useful informal information in order to improve Junior Doctors working lives and in turn improve the patient safety. I reported in the last board report that there were only 12 junior doctor vacancies which was an improvement from previous three months.

Flexi Shifts, which is a new electronic system of monitoring the rota gaps and passing the information to the Junior Doctors throughout the region, has been helpful in managing the gaps.

The system Plus Us (Formally Brooksons) is used to manage Agency Locums and now internal locums' shifts. The vacant shifts are distributed, for registered doctors, to pick up and be paid. No paper timesheets will exist and payment will be added to their monthly salary. We need departments to be more engaging with giving the agency team the vacant shifts to distribute rather than just using for payment processing.

Most of the Supervisors are helpful and engage with the exception reporting system well. There have been few instances of lack of appropriate supervision to the trainees. They have been resolved with the involvement of the senior medical staff.

The new Joint GOSW post is evolving and it is important to monitor the hours in order to maximise the potential of the post, to improve the working lives of the Junior Doctors, and in turn the safety of the patients.

The Trust has adopted BMA Fatigue and facilities charter which stipulates the facilities to improve junior doctors' working lives.
We are in the process of re-locating the Junior Doctors' Mess facility as it is located too far away from the main building.

We have started providing rest rooms in the Henry Barnes Suite for any trainee who feels unsafe to drive home after a long shift free of charge. Usage of these rooms has been good.

We also have started 24/7 fresh food facility to all junior doctors. There are menus available with a vegetarian option and trainees could order food anytime out of hours and the food would be delivered to their place of work.

Our Trust is in the forefront in providing these facilities in North East and North Cumbria.

Freedom to Speak Up (FTSU) Guardian
The Freedom to Speak up concept arose as a direct consequence of the lessons learnt from the Public Inquiry into the Mid Staffs Scandal. In February 2015; Sir Robert Francis published his Freedom to Speak Up report which made a number of key recommendations under five overarching themes with actions for NHS organisations and professional and system regulators to help foster a culture of safety and learning in which all staff feel safe to raise a concern.

Two key elements included the appointment of a local Freedom to Speak up (FTSU) guardian in each Trust and a National Guardian for Healthcare to support and oversee the work of local FTSU guardians.

Richard Heaton, Deputy Director of Nursing, (Operations) was appointed to the role of Freedom to Speak up Guardian for the Acute Trust in October 2016. Catherine Bird was appointed in September 2017 for CPFT. Catherine is currently the Regional Chair for the North East and Cumbria FTSU Guardian network. Richard is a National Trainer.

Both appointments are in addition to Richard's and Catherine's substantive clinical roles. A number of organisations have moved to a stand-alone full time role for Guardianship as the role has and continues to grow with pace. Catherine has had her time increased from one day to three days as capacity was becoming increasingly challenging. The Trust has made a commitment to recruiting a full time Guardian as a substantive post which is imminent.

Data

Staff are speaking up and are citing the policy when speaking up to the guardians. The Guardians are continuing to work with the Leadership Team in escalating issues when appropriate and signposting individuals to the 'Raising Concerns Policy' and the executive team when necessary.

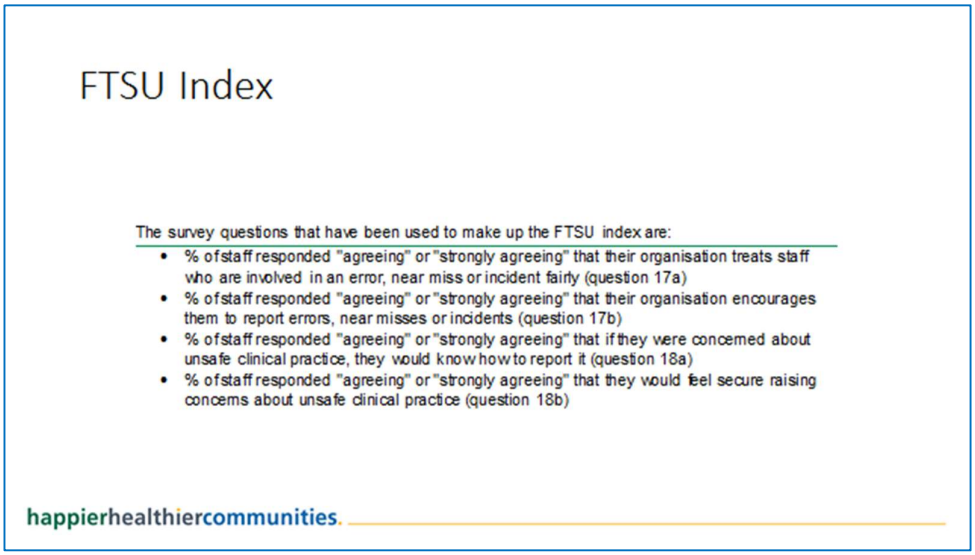
Below are the numbers of concerns taken to the guardian in the year September 2018 to September 2019.

Trust	Oct-Dec 2018	Jan-Mar 2019	Apr-Jun 2019	Jul-Sept 2019	Total
Acute	54	52	14	18	138
CPFT	21	21	23	44	109
Total					**247**

Some of these cases involved more than one theme, for example unacceptable behaviours may also involve patient safety issues, so there can be a greater number of themes than the total number of cases.

Reflection and Lessons Learnt

The national Guardians office has released the FTSU index report in November 2019 based on the following staff survey questions.



For the first time NHS trusts and Foundation trusts can assess where they stand on a new index that highlights their workers' views of the speaking up culture in their organisations, with the FTSU Index.

The FTSU Index was created using four questions from the annual NHS Staff Survey. It enables trusts to see at a glance how their speaking up culture compares with others, providing trust boards with an indicator to learn more about the Freedom to Speak Up culture in their organisation.

"Broadly speaking the index reveals a very strong correlation between trusts that are rated highest by the CQC and those that have the highest rated speaking up cultures," says Dr Henrietta Hughes.

"Trusts should see the index as an insight into the views of their workforce around the issue of speaking up," says Henrietta. "The aim of the report is to commend those trusts doing well and those that have shown significant improvement, while encouraging those that have room to improve to take the opportunity to address the issues that may be affecting their index scores."

The FTSU Index is a new measure for assessing the speaking up culture in organisations. We encourage those at the top to support those with less positive results. The Report also provides case studies which illustrate how the top performing trusts are encouraging a Speak Up culture and provide learning for others to follow.

NCUH were 5th from the bottom of this table whilst CPFT performed better near the top.

Report can be found here: www.nationalguardian.org.uk/publications
Tackling Unacceptable Behaviours

The FTSU Guardians are currently leading on a workshop which aims to enable staff and managers tackle 'unacceptable behaviours'. This was developed using the themes raised to the guardians. Many raising concern contacts were indicating that staff were being subject to unacceptable behaviours and that leaders were not managing these behaviours effectively. The Guardians are working closely with Cumbria Learning and Improvement Collaborative (CLIC) and the OD team to enable this work to be supported by the executive team and producing a tool which will in turn effectively lead staff to feel better supported and raise the profile of raising concerns and promoting the use of the policy where necessary.

Themes also used from the Guardians directly influenced the leadership training led by Organisational Development, i.e. managing difficult conversations and senior leaders ability to think about inclusion and diversity which has been proven to have a direct influence on positive organisational culture

The Trust is continuing a programme to create a culture of openness and transparency, where staff feel safe and are encouraged to speak up. The work being undertaken is to address the issues identified within the most recent staff survey results, together with the issues raised through the Speak Up Guardians within both Trusts. The programme will also build upon existing organisational development programmes covering these issues.

Caldicott Guardian

The Caldicott Guardian is the person with overall responsibility for protecting the confidentiality of person identifiable data (PID). The Caldicott Guardian plays a key role in ensuring that the organisation and partner organisations abide by the highest level for standards for handling PID and adherence to the Caldicott Principles.
It is the responsibility of the Caldicott Guardian to feedback any Information Governance (IG) issues to the Executive Senior Management Team. The Caldicott Guardian is a member of the Information Governance Board.

The Caldicott Guardian is Dr Rod Harpin, Medical Director & Responsible Officer supported operationally on a day to day basis by the Chief Clinical Information Officer, Graham Putnam.

The Caldicott Guardians have been pivotal and supportive to the highlights achieved above. The key responsibilities of the Caldicott Guardian are:

- **Strategy and governance** – the Caldicott Guardian champion's confidentiality issues at board / management team level and sits on the Trust's IG Board and acts as both the "*conscience*" of the organisation and as an enabler for appropriate information sharing. This is important in the direction of travel in system working and the implementation of new electronic processes and systems within the Trust.

- **Confidentiality and data protection expertise** – the Caldicott Guardians have a developed knowledge of confidentiality and data protection matters, drawing on the IG team to provide advice and guidance when necessary. The Caldicott Guardian is regularly consulted on disclosure issues.
- **Internal information processing** – the Caldicott Guardian ensures that confidentiality issues are reflected in organisation's strategies, policies and working procedures for staff. The Caldicott was pivotal in introducing the IG Handbook for staff detailing the working practices for staff to follow.
- **Information Sharing** – the Caldicott Guardian oversees all arrangements, protocols and procedure where confidential information may be shared with external bodies within and outside the NHS. This includes flows of information to and from partner agencies and as the Trust develops as part of a system with partner organisations (for example third sector, police). The Caldicott Guardian signs off all information sharing agreements in the Information Sharing Gateway

Research and Development (R&D)

We continue to embrace clinical research as a means to contribute to progression of evidence-based healthcare. North Cumbria University Hospitals NHS Trust (the Trust) is a Partner Organisation (PO) of the National Institute for Health Research (NIHR) North East & North Cumbria Clinical Research Network (NENC CRN), one of 15 CRNs in England. The NIHR is the clinical research delivery arm of the NHS. Further information on the remit of the NENC CRN can be found on their website, http://www.nihr.ac.uk/nihr-in-your-area/north-east-and-north-cumbria . As a Partner Organisation, the Trust receives funding for the delivery of research. This includes funding for the majority of the research delivery team of 16 nurses, practitioners and administrators, as well as pharmacy and pathology staff. Additional income is derived from recruiting to commercially sponsored research.

The R&D team supports delivery of a range of different types of research study ranging from large national and international clinical trials to small, single-centre studies. These include research into new drugs, surgical techniques and other therapies, and the collection of samples for genetic analysis. Particular highlights from April to September 2019 include opening both hospital sites for the ORION 4 study which is trialling a new cholesterol-lowering injection and the increase in the number of Investigator Initiated Trials where clinicians within the trust lead on research studies which are on the national portfolio.

During the first 6 months of the financial year 2019/20 the R&D team have consolidated the integration of the R&D functions of the Trust and Cumbria Partnership NHS Foundation Trust (CPFT). Staff are now working flexibly across both organisations to maximise research opportunities for the population of North

Cumbria. Further detail on research activity and performance can be found in the Quality Account.

Health & Safety

The focus for 2019/20 as always remained on Patient & Staff safety. Following the retirement of the Health & Safety Manager a review of the Trust and team requirements was undertaken: This has enabled the upgrade of two existing posts allowing for Lead Health & Safety Advisers with a portfolio of responsibility one on Safety and one on Security

The Health & Safety team working together with Ward and Department staff are encouraging and embedding self- assessment and audit of health and safety compliance. Following the implementation of safer Sharps as a key priority for the Trust during 2018/19; the continued monitoring of sharps related incidents has seen a downward trend. A full review of the current risk assessments in relation to Sharps incidents will be undertaken for the full 2019/20 and be reported 1920/21

Violence and challenging behaviour is a recognised hazard within healthcare.
In response to an increase in incidents; a review of the management of violence and aggression has been undertaken. Key recommendations have been supported and we will provide training in prevention and therapeutic management of violence & aggression for Clinicians in high risk areas along with first response staff such as Porters. The recruitment of 2 trainers, working alongside the CPFT Prevention Management of Violence and Aggression (PMVA) training is in progress to facilitate a rollout of training across the Trust throughout 2020/21.

Security

Progress continues to be made across the Trust to improve security across all settings:
Data cleansing continues to take place with improved processes between Human Resources, Managers and the respective site security teams to ensure a live data base of access for staff. The Abloy system (Clinical key management system) continues to be embedded within the Cumberland Infirmary following the learning from the Medication Incident in 2017. A battery backup has been provided in the event of a power outage as not all systems where on essential power. A review of site security requirements across the Trust is underway to identify any further gaps in control. A business case is in development to address lone working arrangements which is a known risk.

The national shortage of accredited Local Security Management specialist training (LSMS) remains a challenge. The Trust currently has one member of staff with this

qualification, following the retirement of the Health & Safety Manager, which leaves a vulnerability should the member of staff leave; the national position is monitored closely for the availability of accredited courses, guidance is expected to be released nationally on what will be deemed as acceptable qualification.

Prepared For Emergencies

During 2019/20 both Trusts implemented joint working of the Emergency Preparedness, Resilience and Response (EPRR) with the Resilience Managers undertaking a North Cumbria remit. This was split with each Resilience Manager leading on a specific portfolio of either business continuity or emergency planning and response. The emergency planning post is currently vacant.

The Trust is fully compliant with NHS England's EPRR Core Standards for 2019-20, the CQC requirements for emergency preparedness and the requirements set out in the Civil Contingencies Act (2004). This demonstrates our readiness to respond to a wide range of incidents which could impact on hospital services and the wider Cumbrian community. This readiness to respond to multiple/mass casualties has been tested several times throughout the year and will continue into 1920/21

Two major challenges throughout this period has been the management of the national emergency plan for waste management and the EU Exit planning.

Staff Engagement and Staff Survey

Staff engagement

A core objective of the Trust is to embed the right culture and make the organisation a great place to work. Staff engagement is essential because we know that when staff are happy and fully engaged they provide the best possible care for our patients.

'This is Us' is the Trust's approach to staff engagement. Staff have the opportunity to meet with the CEO each quarter, in a variety of locations, to hear about the Trusts plans, raise any concerns and ask questions. The annual business plan and priorities are shared at the start of the financial year and cascaded to individuals through 'This is me', values based appraisal. Staff are also kept informed through a weekly CEO Blog, a newly developed staff intranet portal, email and 'Trust Talk' printed magazine.

NHS Staff Survey

The NHS Staff Survey is the largest survey of staff opinion in the UK; it is carried out annually to gather the views on staff experience at work in ten key indicators. The survey is administered electronically and completely anonymous. Indicators are

measured on a scale of 1-10 and the Trust is benchmarked against the average score of other similar Trusts.

The NCUH response rate for the 2019 NHS staff survey was 34% compared to a national median of 47%. The scores for each indicator, together with comparison against the average for Acute Trusts are presented in the table below:

Indicators	2019		2018		2017	
	Trust	Average	Trust	Average	Trust	Average
Equality, diversity and inclusion	9.0	9.0	9.1	9.1	9.2	9.1
Health and wellbeing	5.3	5.9	5.6	5.9	5.8	6.0
Immediate managers	6.0	6.8	6.2	6.7	6.3	6.7
Morale	5.5	6.1	5.7	6.0	*	*
Quality of appraisals	4.8	5.6	4.8	5.4	4.8	5.3
Quality of care	6.7	7.5	7.1	7.4	7.2	7.4
Safe environment – bullying and harassment	7.5	7.9	7.8	7.9	8.0	8.0
Safe environment – violence	9.4	9.4	9.4	9.4	9.3	9.4
Safety culture	5.7	6.7	6.1	6.7	6.2	6.6
Staff engagement	6.1	7.0	6.5	7.0	6.6	7.0
Team work	5.9	6.6	6.2	6.5	6.3	6.5

Eight of the 11 themes have the lowest score nationally. The results show that staff engagement has dropped to 6.1; staff recommendation of the Trust as a place to receive treatment is 39.7%, which is the worst score nationally (average is 70.5%) and recommendation as a place to work is 36%, which is the worst score nationally (average is 62.5%).

Staff are telling us that

- Quality of Care needs to be the organisations top priority.
- Senior managers are not always visible or demonstrate behaviours in line with our values. As staff they say they would like to be more involved and see how their feedback has been acted upon.
- They do not feel valued or have opportunities to develop. The scores tell us that conversations with managers and the quality of their appraisal is poor.

Future Priorities and Targets

The results of the NHS Staff survey were reviewed in light of feedback from pulse surveys and exit interviews and themes from issues raised with the Freedom to

Speak Up Guardians. These themes inform our organisational development plan and initiatives.

As a Trust for 2019/20 we planned to focus on four core areas:

- Continuing to support staff health and wellbeing and work towards achieving the silver Health and Wellbeing at work award (awarded in December 2019).
- Enhancing opportunities for more flexible working.
- Improve relationships and positive behaviours at work.
- Maintain a focus on communication

So far in 2019/20 we have….

Supporting Staff Health and Wellbeing - The trust has continued to develop work around staff health and wellbeing, and will shortly be assessed for the silver Better Health at Work Award. Work towards the silver award has included integrating health and wellbeing into joint policies and staff appraisal, and further focus on mental health support available for staff. The Trust has also participated in four campaigns on: menopause, physical activity and park run, mental health and health checks.

Enhancing opportunities for more flexible working – Historic survey results show that opportunities for flexible working are not improving and are below average when compared to other similar Trusts. An Engaging for Improvement project will start in December 2019, and will see HR and staff working together to explore options for flexible working and better work life balance.

Improve relationships and positive behaviours at work – The new Trust values were launched in April 2019 and a new values approach to appraisal, 'This is us' launched shortly after. The Freedom to Speak Up Guardians are also leading a task and finish group to put steps in place to address bullying and harassment and incivility.

Staff feedback will continue to be monitored through quarterly pulse checks and progress reported to the Clinical Management Group (CMG).

2.2.2 Remuneration Report

This report covers:

- Our remuneration policy
- The policy under which the Chair, Executive Directors and Non-Executive Directors were remunerated up to the 30 September 2019
- Senior managers are defined as Trust Board members

The following information in the Remuneration and the above Staff Report has been audited by our external auditors:

- the single total figure of remuneration for each director on pages 85-87;
- Cash Equivalent Transfer Value disclosures for each director on page 89-90;
- narrative notes on exit packages on page 93;
- the analysis of staff numbers and costs on page 61; and
- the table of fair pay (pay multiples) disclosures on pages 89.

The Remuneration Committee is a committee of the Trust Board. The Trust believes that a properly constituted and effective committee is key to ensuring Executive Directors' remuneration is aligned with stakeholders' interests and that it motivates the Directors to enhance the performance of the Trust.

Membership

The members of the Committee are the Chair and all Non-Executive Directors. Meetings are considered to be quorate when the Chair and two Non-Executive Directors are present. The Chief Executive may also attend in an advisory capacity, except with his or her own remuneration or other items of service are under discussion.

Service Contracts

All Executive Directors have service contracts. Executive Directors' contracts are usually awarded on a permanent basis, unless the post is for a fixed period of time and have a six month notice period. Termination payments are made in accordance with contractual agreements.

Non-Executive Directors are appointed by NHS Improvement on behalf of the Secretary of State. The length of appointments is normally four years. An appointment does not create any contract of service or contract for services between the Non-Executive Director and the Secretary of State or between the Non-Executive Director and the NHS Trust.

Non-Executive Director appointments are not within the jurisdiction of Employment Tribunals. Neither is there any entitlement for compensation for loss of office through employment law.

<u>Remuneration Policy for Executive Directors</u>

Directors' posts are currently evaluated using the NHS Improvement Job Evaluation Panel and are subject to approval by the Remuneration Committee. Any pay awards are agreed by the Committee. Directors participate in an annual personal development plan process, which identifies and agrees objectives to be met. This is supported by a development plan, where appropriate.

Performance related pay is not used within the Trust.

Remuneration Policy for the Chair and Non-Executive Directors

Increases in the remuneration of the Chair and Non-Executive Directors are agreed nationally by the Department of Health and implemented locally by the Trust.

Remuneration

The Trust has a joint Board arrangement with Cumbria Partnership NHS Foundation Trust (CPFT) and there are recharges between the Trusts for all posts excluding the Chair, Non-Executive Directors and the Joint Company Secretary.

The salary range quoted is pro rata to the annual salary and relates to the period that the individual was employed by the Trust in the stated post less any recharges to CPFT. The total remuneration for individuals where there were recharges between both Trusts are shown in the table below:

Name and Title	For the 6 month period to 30 September 2019				2018/19			
	Salary (bands of £5,000)	Expense payments (taxable) total (to nearest £100)	All pension related benefits (bands of £2,500)	TOTAL (bands of £5,000)	Salary (bands of £5,000)	Expense payments (taxable) total (to nearest £100)	All pension related benefits (bands of £2,500)	TOTAL (bands of £5,000)
	£000	£	£000	£000	£000	£	£000	£000
Mr Robin Andrews, Interim Executive Director of Finance until 30 April 2018					10-15		0-2.5	10-15

Name and Title	For the 6 month period to 30 September 2019				2018/19			
	Salary (bands of £5,000)	Expense payments (taxable) total (to nearest £100)	All pension related benefits (bands of £2,500)	TOTAL (bands of £5,000)	Salary (bands of £5,000)	Expense payments (taxable) total (to nearest £100)	All pension related benefits (bands of £2,500)	TOTAL (bands of £5,000)
Andrew Brittlebank, Executive Medical Director, Cumbria Partnership NHS Foundation Trust until 31 March 2019					50-55			50-55
Dr Vincent Connolly, Executive Medical Director wef 1 June 2019	35-40		90-92.5	130-135				
Mr Malcolm Cook, Non-Executive Director	0-5	400		0-5	5-10	500		5-10
Mrs Ramona Duguid, Director of System Integration wef 24 May 2018 and Executive Director of Strategy wef 1 April 2019	30-35	100	12.5-15	45-50	50-55	200	25-27.5	75-80
Mr Stephen Eames, Chief Executive	55-60	6,100		60-65	130-135	8,700		135-140
Dr Rod Harpin, Executive Medical Director NCUHT until 31 May 2019	20-25	100	2.5-5	25-30	140-145	300	30-32.5	170-175
Dr John Howarth, Joint Deputy Chief Executive	40-45	900		40-45	80-85	1,500		85-90
Dr David Kennedy, Non-Executive Director until 30 September 2019	0-5	200		0-5	5-10	400		5-10

Name and Title	For the 6 month period to 30 September 2019				2018/19			
	Salary (bands of £5,000)	Expense payments (taxable) total (to nearest £100)	All pension related benefits (bands of £2,500)	TOTAL (bands of £5,000)	Salary (bands of £5,000)	Expense payments (taxable) total (to nearest £100)	All pension related benefits (bands of £2,500)	TOTAL (bands of £5,000)
Ms Esther Kirby, Executive Director of Nursing wef 18 April 2018 - 31 July 2018					15-20			15-20
Mr George Liston, Non-Executive Director	0-5	400		0-5	5-10	500		5-10
Mrs Mandy Nagra, Interim Chief Operating Officer wef 1 July 2018	30-35	100		30-35	35-40			35-40
Dr Louise Nelson, Non-Executive Director	0-5			0-5	5-10			5-10
Mr Jeffrey O'Neill, Non-Executive Director wef 9 November 2018	0-5			0-5	0-5			0-5
Mr David Rawsthorn, Non-Executive Director until 4 July 2018					0-5	100		0-5
Mrs Helen Ray, Executive Managing Director of Operations until 15 July 2018					20-25	200	5-7.5	25-30
Mr Peter Rooney, Interim Director of Service Improvement wef 27 August 2019	n/a	n/a	n/a	n/a				
Mr Daniel Scheffer, Joint Company Secretary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Name and Title	For the 6 month period to 30 September 2019				2018/19			
	Salary (bands of £5,000)	Expense payments (taxable) total (to nearest £100)	All pension related benefits (bands of £2,500)	TOTAL (bands of £5,000)	Salary (bands of £5,000)	Expense payments (taxable) total (to nearest £100)	All pension related benefits (bands of £2,500)	TOTAL (bands of £5,000)
Mr Michael Smillie, Executive Director of Finance & Estates (wef 1 May 2018) & Digital (1 May 2018 - 31 March 2019); and Executive Lead for Workforce and Organisational Development 1 February 2018 - 4 November 2018	30-35		0-2.5	30-35	65-70		152.5-155	220-225
Mrs Alison Smith, Executive Director of Nursing wef 9 July 2018	30-35	100	40-42.5	70-75	45-50	200	105-107.5	150-155
Mr Robin Talbot, Chair wef 1 April 2019	10-15			10-15				
Mrs Gina Tiller, Chair until 31 March 2019					35-40	400		35-40
Mrs Judith Toland, Executive Director of Workforce & Organisational Development wef 5 November 2018	30-35	100		30-35	25-30	100	5-7.5	30-35

Wef = With effect from

Notes to the Remuneration Table

The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less, the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease

due to a transfer of pension rights. This value does not represent an amount that will be received by the individual. It is a calculation that is intended to convey to the reader of the accounts an estimation of the benefit that being a member of the pension scheme could provide. The pension benefit table provides further information on the pension benefits accruing to the individual.

Factors determining the variation in the values recorded between individuals include, but are not limited to, a change in role with a resulting change in pay and impact on pensions and/or changes in the wider remuneration package of an individual.

The total remuneration for 2019/20 for individuals where there were recharges between North Cumbria University Hospitals NHS Trust and Cumbria Partnership NHS Foundation Trust is shown in the table below:

	Salary (bands of £5,000)	Expense payments (taxable) total (to nearest £100)	All pension related benefits (bands of £2,500)	TOTAL (bands of £5,000)
	£000	£	£000	£000
Dr Vincent Connolly wef 1 June 2019	190-195	200	457.5-460	650-655
Mrs Ramona Duguid	130-135	200	57.5-60	190-195
Mr Rod Harpin until 31 May 2019	30-35	200	5-7.5	35-40
Mr John Howarth	160-165	3,700		165-170
Mrs Mandy Nagra until 31 December 2019	95-100	400		95-100
Mr Michael Smillie	130-135		0-2.5	130-135
Mrs Alison Smith	100-105	100	122.5-125	220-225
Mrs Judith Toland	70-75	200		70-75

- Mrs Duguid and Dr Rooney do not have a voting right on the Trust's Board of Directors and Dr Howarth only has a voting right in the absence of Mr Eames.
- Until 30 September 2019 Mr Cook, Mr Liston and Dr Nelson were Joint Non-Executive Directors for North Cumbria University Hospitals NHS Trust and Cumbria Partnership NHS Foundation Trust. They were paid a salary by each of the Trusts directly.
- Mr Eames is on secondment from The Mid Yorkshire Hospitals NHS Trust and the Trust is invoiced for his salary costs. Since 1 September 2017 Mr Eames has worked as Joint Chief Executive for both North Cumbria University Hospitals NHS Trust and Cumbria Partnership NHS Foundation Trust and the Trust has only been invoiced for 50% of his costs since that date. From 3 June 2019 Mr Eames has been seconded 1 day per week to Humber Coast and Vale Health & Care Partnership and North Cumbria University Hospitals has invoiced this organisation for 0.5 days per week of its share of Mr Eames' salary.
- For the period to 31 May 2019 Dr Harpin's salary was split between his role as a director for the Trust (£5k-£10k) and his clinical duties as a Consultant Anaesthetist (£15k - £20k).

- Mrs Nagra was on secondment from NHS Improvement until 30 April 2019 and the Trust was invoiced for her salary costs until then.
- Dr Rooney is on secondment from North Cumbria Clinical Commissioning Group who met all his salary and any pension costs.
- Mr Scheffer is the Joint Company Secretary. He is employed by Cumbria Partnership NHS Foundation Trust who met all his salary and pension costs.
- Mrs Smith was on secondment from NHS Improvement until 1 November 2018 and the Trust was invoiced for her salary costs up until that date.
- Taxable expenses include lease cars.

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.

Median remuneration of staff	**Year ended 31 March 2020**	**Year ended 31 March 2019**
Band of Highest Paid Director's Total Remuneration (£000)	135-140	140-145
Median Total Remuneration	28,220	29,031
Ratio	4.9	4.9

The banded remuneration of the highest paid director in North Cumbria University Hospitals NHS Trust in the period to 30 September 2019 was £135,000 - £140,000 (2018/19: £140,000 - £145,000). This was 4.9 times (2018/19: 4.9) the median remuneration of the workforce which was £28,220 (2018/19: £29,031).

During the period to 30 September 2019 19 Trust-employed members of staff (2018/19: 46) received remuneration in excess of the highest paid director. The equivalent of 43 agency medical staff earned more than the highest paid director (2018/19: 48). Remuneration ranged from £17,652 to £264,070 (2018/19: £17,460 to £281,027).

Total remuneration includes salary and benefits in kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Pension Benefits (The information below is subject to audit)

Name and Title	Real increase in pension at pension age (bands of £2,500) £000	Real increase in pension lump sum at pension age (bands of £2,500) £000	Total accrued pension at pension age at 31 March 2020 (bands of £5,000) £000	Lump sum at pension age related to accrued pension at 31 March 2020 (bands of £5,000) £000	Cash Equivalent Transfer Value at 1 April 2019 £000	Real Increase in Cash Equivalent Transfer Value £000	Cash Equivalent Transfer Value at 31 March 2020 £000
Dr Vincent Connolly, Executive Medical Director wef 1 June 2019	2.5-5	10-12.5	90-95	240-245	1,356	91	1,966
Mrs Ramona Duguid, Director of System Integration wef 24 May 2018 and Executive Director of Strategy wef 1 April 2019	0-2.5	2.5-5	30-35	60-65	357	11	427
Dr Rod Harpin, Executive Medical Director until 31 May 2019	0-2.5	n/a	10-15	n/a	193	7	255
Mr Michael Smillie, Director of Strategy & Support Services 1 February 2018 - 30 April 2018; Executive Director of Finance, Estates & Digital wef 1 May 2018; and Executive Lead for Workforce and Organisational Development 1 February 2018 - 4 November 2018	0-2.5	0-2.5	45-50	105-110	759	0	0-2.5
Mrs Alison Smith, Executive Director of Nursing wef 9 July 2018 until 5 January 2020	0-2.5	5-7.5	45-50	145-150	858	41	1,062
Mrs Judith Toland, Executive Director of Workforce & Organisational Development wef 5 November 2018 until 16 October 2019	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Wef = With effect from

Notes to the Pension Benefits table

Total accrued pension, lump sum at pension age and the latest Cash Equivalent Transfer Value figures are as at 31 March 2020 as the NHS Pension scheme do not make the figures available mid-year. However, the real increases in pension,

pension lump sum and Cash Equivalent Transfer Value reflect the increases for the 6 month reporting period to 30 September.

As Non-Executive members are not eligible to be members of the NHS Pension scheme there are no entries in respect of pensions for Non-Executive members. Only those Executive Directors who are members of the NHS Pension Scheme are included in the table above.

The real increases noted above only reflect the increase for the proportion of the year that the member of staff has been in the stated post and the proportion of their pensionable pay that has been paid for by North Cumbria University Hospitals NHS Trust.

Mrs Toland left the Trust on 16 October 2019 and as she had been a member of the NHS Pension scheme for less than 2 years at 31 March 2020 there are no benefits payable.

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 (or other allowable beneficiary's) pension payable from the scheme. CETVs are calculated in accordance with SI 2008 No.1050 Occupational Pension Schemes (Transfer Values) Regulations 2008.

Real Increase in CETV - This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement).

Cash Equivalent Transfer Factors ("CETVs") are calculated by the Government Actuary Department ("GAD") based on the assumption that benefits are indexed in line with CPI.

Off-Payroll Engagements longer than 6 months

The Trust is required to publish information about any off-payroll engagements that cost more than £245 per day and that last longer than six months.

	Number
Number of existing arrangements as of 30 September 2019	12
Of which, the number that have existed:	
for less than one year at the time of reporting	1
for between one year and two years at the time of reporting	5
for between 2 years and 3 years at the time of reporting	3
for between 3 years and 4 years at the time of reporting	
for 4 or more years at the time of reporting	3

New Off-Payroll Engagements

The Government reformed the Intermediaries legislation, often known as IR35. This updated legislation for the off-payroll working rules within the public sector applied to payments made on or after 6 April 2017. Under the reformed rules the Trust must determine whether the rules apply when engaging a worker through a Personal Service Company (PSC). The Trust is required to provide information on how new engagements have been assessed for tax purposes.

For all new off-payroll engagements between 1 April 2019 and 30 September 2019, for more than £245 per day and that last longer than six months:

	Number
Number of new engagements, or those that reached six months duration, between 1 April 2019 and 30 September 2019	**1**
Of which:	
Number assessed as caught by IR35	1
Number assessed as not caught by IR35	
Number engaged directly (via PSC contracted to the entity) and are on the departmental payroll	1
No of engagements reassessed for consistency / assurance purposes during the year	
No of engagements that saw a change to IR35 status following the consistency review	

Board Member/Senior Management engagements

The Trust had no Board Members or senior managers with significant financial responsibility who were off-payroll engagements between 1 April 2019 and 30 September 2019.

Exit Packages

There were three redundancies with a value of £247k agreed by the Trust and HM Treasury during the six month period to 30 September 2019 (2018/19: nil). Two further exit packages falling under the heading of “Other Departures” with a total value of £80k were also approved as part of a Mutually Agreed Redundancy Scheme (MARS) with associated payments in lieu of notice (2018/19:nil).
This disclosure reports the number and value of exit packages agreed in the year. Note: the expense associated with these departures may have been recognised in part or in full in a previous period. Ill-health retirement costs are met by the NHS Pension Scheme and are not included above.

Consultancy

Consultancy costs during the six months to 30 September 2019 were £116k with the Trust's share of the cost of work undertaken by Deloitte in respect of the merger with Cumbria Partnership accounting for £73k of this.

2c Parliamentary Accountability and Audit Report

Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Trust

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.

Signed L. Simpson..... Date: 23rd June 2020

Lyn Simpson
Chief Executive

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 Trust's performance, business model and strategy

By order of the Board

Signed .....L. Simpson..... Date: 23rd June 2020

Lyn Simpson
Chief Executive

Signed .....M Smillie..... Date: 23rd June 2020

Michael Smillie
Executive Director of Finance and Estates

Independent auditor's report to the Directors of North Cumbria Integrated Care NHS Foundation Trust in respect of North Cumbria University Hospitals NHS Trust

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of North Cumbria University Hospitals NHS Trust (the 'Trust') for the year ended 30 September 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2019 to 2020.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Trust as at 30 September 2019 and of its expenditure and income for the period then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2019 to 2020; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an entity associated with these particular events.

Material uncertainty relating to going concern

We draw attention to note 1.2 in the financial statements, which indicates that the Trust incurred a deficit of £13.3 million during the period ended 30 September 20190 and at that date, had borrowings from the Department of Health and Social Care of £256.5 million.

On 1 October 2019, the Trust was acquired by Cumbria Partnership NHS Foundation Trust. The merged Trust, which was renamed North Cumbria Integrated Care NHS Foundation

Trust, submitted a draft financial plan for 2020/21 to deliver a deficit of £50.1m which included the delivery of a £24.7m CIP programme. The plan also included revenue and capital support loans of £17.4m.

The Trust's 2020/21 contracting and financial planning processes was suspended in March and a Covid-19 financial framework put in place to cover the period to 31 July 2020. It is unclear what the contracting arrangements will be beyond July 2021. In the event that current arrangements are discontinued, the Trust has an expectation that any shortfall in earned income over expenditure for the remainder of the year will be met in the form of revenue support from the Department of Health and Social Care, but this additional support has not been confirmed.

These events or conditions, along with the other matters as set forth in note 1.2 indicate that a material uncertainty exists that may cast significant doubt about the Trust's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter – Demise of the organisation

In forming our opinion on the financial statements, which is not modified, we draw attention to note 30 to the financial statements, which indicates that North Cumbria University Hospitals NHS Trust merged with Cumbria Partnership NHS Foundation Trust to become North Cumbria Integrated Care NHS Foundation Trust on 1st October 2019. All the assets and liabilities of North Cumbria University Hospitals NHS Trust transferred to North Cumbria Integrated Care NHS Foundation Trust.

Other information

The Directors are 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2015 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the guidance issued by NHS Improvement or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion:

- the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2019 to 2020 and the requirements of the National Health Service Act 2006; and
- based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Trust gained through our work in relation to the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we issue a report in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- 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 make a written recommendation to the Trust under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Directors and Those Charged with Governance for the financial statements

The Directors are responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions, for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 they have been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity.

The Audit and Risk Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Trust's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of the financial statements of North Cumbria University Hospitals NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the Directors of North Cumbria Integrated Care NHS Foundation Trust, as a body, in respect of North Cumbria University Hospitals NHS Trust in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Directors of North Cumbria Integrated Care NHS Foundation Trust those matters we are required to state to them in an auditor's report in respect of North Cumbria University Hospitals NHS Trust, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors of North Cumbria Integrated Care NHS Foundation Trust, as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Smith

Andrew Smith, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

25 June 2020

North Cumbria University Hospitals NHS Trust

Annual accounts for the period ended 30 September 2019

North Cumbria University Hospitals NHS Trust

Statement of the Chief Executive's responsibilities as the accountable officer of the Trust

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.

Signed  Chief Executive

Date 23/06/2020

North Cumbria University Hospitals NHS Trust

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 Trust's performance, business model and strategy

By order of the Board

Date 23/06/2020 Chief Executive

Date 23/06/2020 Finance Director

Statement of Comprehensive Income for period ended 30 September 2019

	Note	Period to 30 Sept 2019 £000	2018/19 £000
Operating income from patient care activities	3	133,184	239,175
Other operating income	4	20,479	44,529
Operating expenses	6	(155,972)	(306,567)
Operating surplus/(deficit) from continuing operations		**(2,309)**	(22,863)
Finance income	10	53	74
Finance expenses	11.1	(5,111)	(10,208)
Net finance costs		**(5,058)**	(10,134)
Other gains / (losses)	12	0	(73)
Surplus / (deficit) for the year		**(7,367)**	(33,070)
Other comprehensive income			
Impairments	13	(188)	(854)
Revaluations	15	1,149	328
Other reserve movements		0	0
Total comprehensive income / (expense) for the period		**(6,406)**	(33,596)
Adjusted financial performance			
Surplus / (deficit) for the period		(7,367)	(33,070)
Remove impact of prior year Provider Sustainability Fund post accounts reallocation		(672)	0
Remove net impairments not scoring to the Departmental Expenditure Limit (a)	13	(5,910)	3,157
Remove I&E impact of capital grants and donations (b)		5	(138)
Adjusted financial performance surplus / (deficit)		**(13,944)**	(30,051)

Note a: An impairment charge is not considered part of the Trust's operating position.

Note b: Where grants and donations are received in year they are accounted for as income receipts. Any difference between this income and the government grant and donated expenditure charged in the year is excluded from the Trust's operating position.

Statement of Financial Position as at 30 September 2019

	Note	30 September 2019 £000	31 March 2019 £000
Non-current assets			
Intangible assets	14	2,278	2,652
Property, plant and equipment	15	200,619	193,176
Receivables	17	13,238	11,570
Total non-current assets		**216,135**	207,398
Current assets			
Inventories	16	6,099	6,503
Receivables	17	49,661	45,445
Non-current assets held for sale / assets in disposal groups	18	46	0
Cash and cash equivalents	19	1,852	6,492
Total current assets		**57,658**	58,440
Current liabilities			
Trade and other payables	20	(24,973)	(21,096)
Borrowings	22	(256,001)	(133,193)
Provisions	24.1	(418)	(435)
Other liabilities	21	(2,552)	(1,371)
Total current liabilities		**(283,944)**	(156,095)
Total assets less current liabilities		**(10,151)**	109,743
Non-current liabilities			
Borrowings	22	(46,738)	(160,174)
Provisions	24.1	(1,973)	(2,025)
Total non-current liabilities		**(48,711)**	(162,199)
Total assets employed		**(58,862)**	(52,456)
Financed by			
Public dividend capital		201,975	201,975
Revaluation reserve		10,611	9,650
Income and expenditure reserve		(271,448)	(264,081)
Total taxpayers' equity		**(58,862)**	(52,456)

The financial statements on pages 1 to 31 were approved by the Board on 23 June 2020 and signed on its behalf by

Chief Executive: L. Simpson **Date: 23/06/2020**

Statement of Changes in Equity for the period ended 30 September 2019

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2019 - brought forward	**201,975**	**9,650**	**(264,081)**	**(52,456)**
Surplus/(deficit) for the year	0	0	(7,367)	**(7,367)**
Impairments	0	(188)	0	**(188)**
Revaluations	0	1,149	0	**1,149**
Public dividend capital received	0	0	0	**0**
Public dividend capital repaid	0	0	0	**0**
Taxpayers' equity at 30 September 2019	**201,975**	**10,611**	**(271,448)**	**(58,862)**

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

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2018 - brought forward	200,867	10,176	(230,986)	(19,943)
Impact of implementing IFRS 9 on 1 April 2018	0	0	(25)	(25)
Surplus/(deficit) for the year	0	0	(33,070)	(33,070)
Impairments	0	(854)	0	(854)
Revaluations	0	328	0	328
Public dividend capital repaid	1,264	0	0	1,264
Public dividend capital written off	(156)	0	0	(156)
Taxpayers' equity at 31 March 2019	201,975	9,650	(264,081)	(52,456)

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 NHS trusts by the Department of Health and Social Care. A charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health as the public dividend capital dividend.

Revaluation reserve

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

Income and expenditure reserve

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

Statement of Cash Flows for the period ended 30 September 2019

	Note	Period to 30 Sept 2019 £000	2018/19 £000
Cash flows from operating activities			
Operating surplus / (deficit)		(2,309)	(22,863)
Non-cash income and expense:			
Depreciation and amortisation	6	5,099	9,414
Net impairments	13	(5,910)	3,157
Income recognised in respect of capital donations	4	(100)	(355)
(Increase) / decrease in receivables and other assets		(3,979)	(17,280)
(Increase) / decrease in inventories		404	(636)
Increase / (decrease) in payables and other liabilities		6,724	(4,245)
Increase / (decrease) in provisions		(75)	(97)
Other movements in operating cash flows		0	0
Net cash generated from / (used in) operating activities		**(146)**	(32,905)
Cash flows from investing activities			
Interest received		56	70
Purchase of intangible assets		(63)	(325)
Purchase of property, plant, equipment and investment property		(8,716)	(13,986)
Sales of property, plant, equipment and investment property		0	0
Net cash generated from / (used in) investing activities		**(8,723)**	(14,241)
Cash flows from financing activities			
Public dividend capital received		0	1,264
Public dividend capital repaid		0	(156)
Receipt of loans from the Department of Health and Social Care		21,603	66,623
Repayment of loans from the Department of Health and Social Care		(12,348)	(5,764)
Capital element of PFI, LIFT and other service concession payments		0	(1,984)
Interest on loans		(1,870)	(3,106)
Other interest		0	(1)
Interest paid on PFI, LIFT and other service concession obligations		(3,156)	(6,873)
PDC dividend (paid) / refunded		0	0
Net cash generated from / (used in) financing activities		**4,229**	50,003
Increase / (decrease) in cash and cash equivalents		**(4,640)**	2,857
Cash and cash equivalents at 1 April - brought forward		**6,492**	3,635
Cash and cash equivalents at 30 September	19	**1,852**	6,492

During the period to 30 September 2019 the Trust accessed loans totalling £20,603k to support its revenue position and £1,000k to support capital projects. It repaid a total of £12,348k (including £341k capital loan repayment) before 30 September 2019 giving a net movement of £9,255k.

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 1.2 Going concern

These accounts have been prepared on a going concern basis.

IAS1 Presentation of Financial Statements requires management to assess, as part of the accounts preparation process, whether the financial accounts should be prepared on a going concern basis. During the period 1 April 2019 to 30 September 2019 the Trust delivered a deficit of £13.3m and increased borrowing from the Department of Health & Social Care by £9.6m to £256.5m. The Trust has no formal letter guaranteeing ongoing cash support. However, non-trading entities in the public sector are assumed to be going concerns where the continued provision of a service in the future is anticipated, as evidenced by inclusion of financial provision for that service in published documents. In September 2019 NHS Improvement approved the proposed merger of the Trust and Cumbria Partnership NHS Foundation Trust. The business case included a long term financial model and had the support of the main commissioners of the two Trusts, NHS North Cumbria Clinical Commissioning Group, as well as the NHS North Cumbria System Leadership Board. Merger took place on 1 October 2019 via a technical acquisition of the Trust by Cumbria Partnership NHS Foundation Trust which was renamed to North Cumbria Integrated Care NHS Foundation Trust (NCIC) on the same date. The new organisation has submitted a revised financial plan for 2019/20.

NCIC submitted a draft financial plan for 2020/21 to NHS Improvement to deliver a deficit of £50.1m which included the delivery of a £24.7m CIP programme. The plan also included revenue and capital support loans of £17.4m. Due to the need for the NHS to focus on responding to the COVID-19 pandemic the 2020/21 contracting and financial planning processes were suspended in March and a COVD-19 financial framework put in place to cover the period to 31 July 2020 in the first instance. This framework ensures that providers receive block payments in advance to reduce the need for invoicing between NHS bodies and to support cashflow. In addition, providers are receiving "top up" income to achieve financial breakeven for this period. However, it is unclear what the contracting arrangements will be for 2020/21 and beyond. In the event that current arrangements are discontinued, the Trust has an expectation that any shortfall in earned income over expenditure for the remainder of the year will be met in the form of revenue support from the Department of Health and Social Care, but this additional support has not been confirmed. This represents a material uncertainty that may cast significant doubt about the Trust's ability to continue as a going concern.

The Government has issued a mandate to NHS England for the continued provision of services in England in 2020/21 and Clinical Commissioning Group (CCG) allocations have been set for the remainder of 2020/21. While these allocations may be subject to minor revision as a result of the COVID-19 financial framework, the guidance has been clarified to inform CCGs that they will be provided with sufficient funding for the year. Providers can therefore continue to expect NHS funding to flow at similar levels to that previously provided where services are still expected to be commissioned. DHSC has also confirmed that temporary revenue support arrangements will continue in order to support providers who are demonstrating cash needs.

Taking this information into account therefore, and in accordance with the GAM 2019/20 and the Treasury FReM, the Trust's accounts have been prepared by the directors on a going concern basis. The Trust has not included the adjustments that would result if it was unable to continue as a going concern.

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 loan principal totalling £253.5m is classified as current liabilities within these financial statements. As the repayment of these loans will be funded through the issue of PDC, this does not present a going concern risk for the Trust.

Note 1.3 Transfer of functions

As public sector bodies are deemed to operate under common control, business reconfigurations within the DHSC group are outside the scope of IFRS 3 Business Combinations. Where functions transfer between two public sector bodies, the GAM requires the application of 'absorption accounting'. Absorption accounting requires that entities account for their transactions in the period in which they took place. Where assets and liabilities transfer, the gain or loss resulting is recognised in the Statement of Comprehensive Income, and is disclosed separately from operating costs.

Note 1.4 Charitable Funds

Following Treasury's agreement to apply IFRS10 to NHS Charities from 1 April 2013, the Trust has established that as the Trust is the corporate trustee of the North Cumbria University Hospitals NHS Trust Charitable Fund, it effectively has the power to exercise control so as to obtain economic benefits. However, the transactions are immaterial in the context of the whole group and transactions have not been consolidated. Details of the transactions with the Charity are included in the related parties' note (Note 29).

Note 1.5 Operating Segments

Income and expenditure are analysed in the Operating Segments note and are reported in line with management information used within the Trust.

Note 1.6 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.

The majority of the Trust's income is from contracts with other NHS bodies. Under the terms of these contracts the Trust receives income in fixed monthly amounts with adjusting invoices or credit notes issued at quarterly intervals to reflect actual performance.

Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners for health care services including commissioners in the territorial bodies, notably Scotland. 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.

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 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.

In the adoption of IFRS 15 a number of practical expedients offered in the Standard have been employed. These are as follows:

1) As per paragraph 121 of the Standard the Trust will not disclose information regarding performance obligations part of a contract that has an original expected duration of one year or less;

2) The Trust is to similarly not disclose information where revenue is recognised in line with the practical expedient offered in paragraph B16 of the Standard where the right to consideration corresponds directly with value of the performance completed to date.

3) The FReM has mandated the exercise of the practical expedient offered in C7(a) of the Standard that requires the Trust to reflect the aggregate effect of all contracts modified before the date of initial application.

Note 1.6 Revenue from contracts with customers (cont'd)

Other income

The Trust also receives income from a variety of other sources:

Provider Sustainability Fund (for achieving specified objectives such as A&E 4 hour waiting time targets and a financial control total)

Education & Training (>95% from contracts with Health Education England for the delivery of training to junior medical staff, medical students and a range of other staff)

Non patient services to other bodies (eg provision of Pathology and Radiology services to non-Trust patients)

Other fees and charges including car parking, catering and accommodation

Revenue in respect of services provided is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer, and is measured at the amount of the transaction price allocated to that performance obligation.

Where income is received for a specific performance obligation that is to be satisfied in the following year, that income is deferred.

The Trust is also one of a small number that receives central PFI support annually (£6.0m from NHS England and £0.3m from North Cumbria CCG). In this situation the Trust is not transferring any goods or services to the customers in exchange for the amount paid. However, under paragraph 15 of IFRS when an entity has no remaining obligations to transfer goods or services to the customer and all, or substantially all, of the consideration promised by the customer has been received by the entity and is non-refundable the entity can recognise the revenue. As PFI funding is received in full each year before 31 March it is included as revenue in the Trust's accounts.

1.7 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. An estimate for the cost of annual leave entitlement relating to employees on sick and maternity leave which has not been taken by employees at the end of the period is recognised in the financial statements.

Pension costs

Past and present employees are covered by the provisions of the NHS Pension Schemes. These schemes are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. The schemes are 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 of participating in a scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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

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

The schemes are subject to a full actuarial valuation every four years and an accounting valuation every year.

Note 1.8 Other expenses

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

Note 1.9 Property, plant and equipment

Note 1.9.1 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.

The Trust has identified component parts of the estate as individual buildings which are separately identifiable and depreciated over their own useful economic lives.

Note 1.9.2 Measurement

Valuation

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

All assets are measured subsequently at valuation.

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.

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. The Trust has also valued its Carlisle buildings covered by the existing PFI arrangements net of recoverable VAT on the basis that if the buildings required replacement they are currently likely to be replaced by a LIFT arrangement and under current VAT legislation input tax is recoverable.

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

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

An item of property, plant and equipment which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 of IFRS 5.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset, and thereafter to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

Depreciation, amortisation and impairments

Freehold land, assets under construction or development and assets held for sale are not depreciated/amortised.

Otherwise, depreciation or amortisation is charged to write off the costs or valuation of property, plant and equipment and intangible assets, less any residual value, on a straight-line basis over their estimated useful lives. The estimated useful life of an asset is the period over which the Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis.

At each financial year end, the Trust checks whether there is any indication that its property, plant and equipment or intangible assets have suffered an impairment loss. If there is indication of such an impairment, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount.

Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure.

Note 1.9.3 Donated assets

Donated non-current assets are capitalised at current value in existing use, if they will be held for their service potential, or otherwise at fair value on receipt, with a matching credit to income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are treated in the same way as for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

Note 1.9.4 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.

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.

Note 1.9.4 Private Finance Initiative (PFI) transactions (cont'd)

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:
payment for the fair value of services received
repayment of the finance lease liability, including finance costs, and
payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

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

PFI Asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value or, if lower, at the present value of the minimum lease payments, in accordance with the principles of IAS 17. Subsequently, the assets are measured at current value in existing use.
The Trust can recover VAT on payments for certain contracted-out services, including the provision of a fully managed and serviced building under a PFI. The Trust has taken the view that when revaluing the assets arising from the PFI project this should be based on a value excluding recoverable VAT, reflecting the cost at which the service potential would be replaced by the PFI operator.

PFI liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the initial value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.
An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Statement of Comprehensive Income.
The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.
The element of the annual unitary payment increase due to cumulative indexation is treated as contingent rent and is expensed as incurred.

Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Trust's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at cost.
The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term accrual or prepayment is recognised respectively.

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

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

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

Note 1.10 Intangible assets

Note 1.10.1 Recognition

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

The Trust only holds one type of intangible asset which is purchased 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. All purchased software is held at depreciated historic cost as an approximation of fair value and is amortised over a period of between 5 and 7 years.

Note 1.11 Inventories

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

Note 1.12 Cash and cash equivalents

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

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

Note 1.13 Financial assets and financial liabilities

Note 1.13.1 Financial Assets

Financial assets are recognised when the Trust becomes party to the contractual provision of the financial instrument or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or when the asset has been transferred and the Trust has transferred substantially all of the risks and rewards of ownership or has not retained control of the asset.

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

Financial assets and financial liabilities at amortised cost

Financial assets measured at amortised cost are those held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and where the cash flows are solely payments of principal and interest. This includes most trade receivables and cash equivalents.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial asset to the gross carrying amount of the financial asset.

Impairment of financial assets

For all financial assets measured at amortised cost the Trust recognises a loss allowance representing expected credit losses on the financial instrument. The Trust adopts the simplified approach to impairment, in accordance with IFRS 9, and measures the loss allowance for invoiced contract receivables and for Injury Cost Recovery receivables at an amount equal to lifetime expected credit losses.

HM Treasury has ruled that central government bodies may not recognise impairments against other government departments, their executive agencies, the Bank of England, Exchequer Funds, and Exchequer Funds' assets where repayment is ensured by primary legislation. The Trust, therefore, does not recognise loss allowances for impairments against these bodies. Additionally, the DHSC provides a guarantee of last resort against the debts of its arm's length bodies and NHS bodies (excluding NHS charities), and the Trust does not recognise loss allowances for impairments against these bodies.

It determines the credit loss allowance for its remaining invoiced contract receivables and Injury Cost Recovery receivables by grouping these into categories and using its experience of credit losses on these groups of receivables over a number of recent years to calculate a percentage credit loss allowance to apply.

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 1.13.2 Financial Liabilities

Financial liabilities are recognised when the Trust becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been extinguished – that is, the obligation has been discharged or cancelled or has expired.

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. 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.

Note 1.14 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 1.14.1 The Trust as lessee

Finance leases

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Statement of Comprehensive Income.

Note 1.14.1 The Trust as lessee (cont'd)

Operating leases

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

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

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 1.14.2 The Trust as 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 1.15 Provisions

Provisions are recognised when [the entity] has a present legal or constructive obligation as a result of a past event, it is probable that [the entity] will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rates.

Early retirement provisions are discounted using HM Treasury's pension discount rate which at the date of the accounts was positive 0.29% (2018/19: positive 0.29%) in real terms.

Note 1.16 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. The contribution is charged to expenditure. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Trust is disclosed at note 24.2 but is not recognised in the Trust's accounts.

Note 1.17 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 1.18 Public dividend capital

Public dividend capital is a type of public sector equity finance, which represents the Department of Health and Social Care's investment in the trust. HM Treasury has determined that, being issued under statutory authority rather than under contract, PDC is not a financial instrument within the meaning of IAS 32.

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

An annual charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health and Social Care as PDC dividend. The charge is calculated at the real rate set by the Secretary of State with the consent of HM Treasury (currently 3.5%) on the average relevant net assets of the trust. Relevant net assets are calculated as the value of all assets less all liabilities, except for:

(i) donated assets (including lottery funded assets),

(ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and

(iii) any PDC dividend balance receivable or payable.

The average relevant net assets is calculated as a simple average of opening and closing relevant net assets.

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

As the Trust has negative average relevant net assets no dividends are payable for the period to 30 September 2019.

Note 1.19 Value added tax

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

Note 1.20 Third party assets

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

Note 1.21 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had the Trust not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure). See Note 28.

Note 1.22 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 Cumberland Infirmary was constructed under the Private Finance Initiative (PFI) and it is the Trust's judgement that it falls within the scope of IFRIC 12 Service Concession Arrangement. It reaches this judgement for the following reasons:

- the private sector provider provides services to the NHS body;
- the contract involves the use of an asset that is dedicated to the arrangement in providing those services;
- the asset concerned is a hospital which is on the list of infrastructure assets within IFRIC 12;
- the Trust controls/regulates the services being provided by the asset, to whom the services are provided and the price charged for the services;
- the Trust controls the residual interest in the asset at the end of the concession.

The Trust's judgement that it has controls/regulates the services being provided, to whom the services are provided and the price charged for the services is based on the following:

- the Trust's PFI contract specifies the asset to be used (the Cumberland Infirmary) and what services are to be provided to the Trust using the asset;
- the contract specifies the site to be used to build the asset as well as when and to whom the asset should be available and there is very limited/no scope for the private company to make the asset and services available to users of its own choice;
- there is a payment formula in the contract (the unitary payment increases by the movement in RPI) which prevents the private company charging a different price in the event that its cost base suffers unpredictable changes or additional unplanned lifecycle replacement costs. For the purposes of IFRIC this gives the Trust control over the price.

Where a PFI scheme meets the criteria of IFRIC 12 the grantor must recognise an asset and a corresponding finance lease liability in accordance with IAS 17 Leases. See Note 26 for additional information.

HM Treasury adapts IAS 16 Property, Plant & Equipment to state that assets held for their service potential and which are in use must be measured at current value in existing use. For specialised assets current value in existing use should be interpreted as the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. The Trust's judgement is that the cost of replacing the service potential of its operational buildings would exclude VAT. The Trust is a signatory of the Strategic Partnering Agreement with the local eLIFT scheme. The Trust's buildings (excluding dwellings) at Carlisle included in the existing PFI arrangements have been valued on a modern equivalent asset basis and net of recoverable VAT. This is based on the Trust's assessment that if its buildings required replacement the only viable route to facilitate this would be through the eLIFT arrangement. The Trust's judgement is based on the reduced availability of public funding for major capital projects in the NHS currently and the fact that there is currently a PFI arrangement in place at Carlisle. There are tax advantages to using the eLIFT route, particularly around construction costs of buildings and their respective lifecycle replacements. Under current VAT regulations input tax would be recoverable and, therefore, the asset value should be stated net of recoverable VAT. See Note 15 Property, Plant and Equipment.

Note 1.23 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:

Uncertainty	Consequences if actual results differ from assumption
Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying values are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows: • Land and non-specialised buildings – market value for existing use • Specialised buildings – depreciated replacement cost on a modern equivalent asset basis. The Trust seeks professional advice from its valuers annually in determining the value of its land and buildings and the values in the valuer's report have been used to inform the measurement of property assets at valuation in these financial statements. The valuer exercised his professional judgement in providing the valuation and it remains the best information available to the Trust. However, the valuer uses informed assumptions regarding obsolescence, rebuild rates and the area of the sites required to accommodate modern equivalent assets with the same service potential which could change and have a material impact on the valuation.	The net book value at 30 September 2019 of the Trust's Property Plant & Equipment valued by professional valuers and reflected in these financial statements is £175.6m. A reduction in the estimated values would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Statement of Comprehensive Income. If the value of land and buildings were to reduce by 10% this would result in a charge to the Statement of Comprehensive Income of approximately £8.3m and a reduction in the Revaluation Reserve of £2.3m. An increase in estimated valuations would result in an increase to the Revaluation Reserve of approximately £12.3m and reversals of previous negative revaluations to the Statement of Comprehensive Income of approximately £12.1m.

Note 1.24 Standards, amendments and interpretations in issue but not yet effective or adopted

The DHSC GAM does not require the following IFRS Standards and Interpretations to be applied in 2019/20. Some of these Standards are still subject to HM Treasury FReM adoption, with IFRS 16 being for implementation in 20/21 and the government implementation date for IFRS 17 still subject to HM Treasury consideration.

● IFRS 16 Leases – Application in the public sector required for accounting periods beginning on or after 1 April 2021 (delayed from 1 April 2020 due to COVID-19), adopted by the FReM but the opportunity for early adoption is limited.

● 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.

● IFRIC 23 Uncertainty over Income Tax Treatments – Application required for accounting periods beginning on or after 1 January 2019.

Note 2 Operating Segments

The Trust has one operating segment which is Healthcare and it operates in one geographical location, north Cumbria.

The Trust's "Chief Decision Maker" is the Trust Board. Information presented to the Board is not split into segments.

The Trust received income from external organisations for patient care activities amounting to £129,504k (2018/19: £239,175k) as shown in notes 3.1 and 3.2.

£126,760k of the income comes from Clinical Commissioning Groups in England and NHS England which is 98% of the total (2018/19: £230,914k which was 97% of the total).

Note 3 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy Note 1.6.

Note 3.1 Income from patient care activities (by nature)

	Period to 30 Sept 2019	2018/19
	£000	£000
Elective income	14,898	29,428
Non elective income	35,959	74,405
First outpatient income	7,832	15,598
Follow up outpatient income	9,249	19,157
A & E income	7,077	12,571
High cost drugs income from commissioners (excluding pass-through costs)	12,264	24,814
Other NHS clinical income	41,225	59,184
All services		
Private patient income	368	708
Agenda for Change pay award central funding (a)	0	2,544
Additional pension contribution central funding (b)	3,680	0
Other clinical income	632	766
Total income from activities	**133,184**	239,175

Note a: 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.

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

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	**Period to 30 Sept 2019**	2018/19
	£000	£000
NHS England	19,783	30,140
Clinical commissioning groups	110,657	200,774
Department of Health and Social Care	4	2,544
Other NHS providers	105	210
NHS other	0	10
Local authorities	142	278
Non-NHS: private patients	396	677
Non-NHS: overseas patients (chargeable to patient)	(31)	31
Injury cost recovery scheme (a)	372	478
Non NHS: other (b)	1,756	4,033
Total income from activities	**133,184**	239,175

Note a: Injury cost recovery income is subject to a provision for impairment of receivables of 17.62% (2018/19: 17.62%) to reflect the Trust's average experience of withdrawal rates.

Note b: The primary source of income for patient related activities is from Clinical Commissioning Groups and NHS England. In addition the Trust receives income for patient care activities from Health Boards in other parts of the UK, the main one being NHS Dumfries & Galloway £1,515k (2018/19: £3,620k).

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

	Period to 30 Sept 2019 £000	2018/19 £000
Income recognised this year	(31)	31
Cash payments received in-year	3	42
Amounts added to provision for impairment of receivables	(32)	29
Amounts written off in-year	55	20

Note 4 Other operating income

	Period to 30 Sept 2019 £000	2018/19 £000
Other operating income from contracts with customers:		
Research and development (contract)	347	725
Education and training (excluding notional apprenticeship levy income)	3,477	9,576
Non-patient care services to other bodies	1,680	4,017
Provider sustainability Fund and Financial Recovery Fund income (PSF / FRF) (a)	7,921	19,133
Marginal rate emergency tariff funding (MRET)	996	0
Other contract income (b)	5,558	10,084
Other non-contract operating income:		
Research and development (non-contract)	20	0
Education and training - notional income from apprenticeship fund	256	175
Receipt of capital grants and donations	100	355
Charitable and other contributions to expenditure	118	451
Rental revenue from operating leases	6	13
Total other operating income	**20,479**	44,529

Note a: The Provider Sustainability Fund (PSF) and Financial Recovery Fund were established in 2016/17 and 2019/20 respectively to support recovery across the NHS. The Trust's access to its allocated £7.2m share of the funds is dependent on achievement of a deficit reduction (2018/19: £11.6m). During 2019/20 the Trust also received an additional PSF allocation of £0.7m in respect of 2018/19.

Note b: Other income includes £3.2m in support for the PFI scheme at the Cumberland Infirmary, Carlisle (2018/19: £6.3m). This funding was agreed by the Department of Health during 2012/13 and is received on an on-going basis. Other income also includes £1m for car parking, catering and accommodation income and external recharges for the Trust's estate totalling £0.7m.

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

Revenue recognised in the reporting period that was included within contract liabilities at the previous period end totalled £1,089k (2018/19: £1,147k).

Note 6 Operating Expenses

	30 Sept 2019 £000	2018/19 £000
Purchase of healthcare from non-NHS and non-DHSC bodies	715	731
Staff and executive directors costs (see Note 8)	100,166	186,286
Remuneration of non-executive directors	30	72
Supplies and services - clinical (excluding drugs costs)	15,255	28,494
Supplies and services - general	1,192	2,456
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	16,758	33,044
Inventories written down	94	223
Consultancy costs	116	37
Establishment	1,285	2,583
Premises	6,000	11,386
Transport (including patient travel)	1,070	2,106
Depreciation on property, plant and equipment	4,662	8,569
Amortisation on intangible assets	437	845
Net impairments (see Note 13)	(5,910)	3,157
Movement in credit loss allowance: contract receivables / contract assets	(16)	16
Increase/(decrease) in other provisions	35	254
Change in provisions discount rate (a)	0	(45)
Audit fees payable to the external auditor (b)		
- audit services- statutory audit	65	65
- other auditor remuneration (external auditor only) (see Note 7.1)	0	12
Internal audit costs	88	140
Clinical negligence	5,052	9,766
Legal fees	69	210
Insurance	80	183
Education and training (c)	651	947
Rentals under operating leases (see Note 9)	497	970
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)	6,636	12,884
Car parking & security	3	15
Hospitality	12	14
Losses, ex gratia & special payments	19	49
Other services, eg external payroll	617	959
Other	294	139
Total	**155,972**	306,567

Note a: The 2018/19 HM Treasury discount rates were used to calculate the present value of the cashflows associated with provisions. This has resulted in nil change to the Trust's Pension and Personal Injury Benefit provisions (2018/19: a decrease of £45k). (See also Note 24.1).

Note b: Audit fees are inclusive of VAT

Note c: Education & Training includes notional expenditure to match the notional income from the apprenticeship fund (see Note 4).

Note 7.1 Other auditor remuneration

For the period to 30 September 2019 other auditor remuneration was nil (2018/19: £12k for the provision of audit-related assurance services in respect of the Trust's Quality Accounts).

Note 7.2 Limitation on auditor's liability

The auditor's liability for external audit work carried out for the financial year 2019/20 is limited to £2,000,000.

Note 8 Employee Benefits

	Period to 30 Sept 2019 Total £000	2018/19 Total £000
Salaries and wages	75,097	143,948
Social security costs	6,832	12,951
Apprenticeship levy	354	670
Employer's contributions to NHS pensions	8,337	16,295
Pension cost - employer contributions paid by NHSE on provider's behalf (a)	3,680	0
Pension cost - other	43	49
Termination benefits	297	0
Temporary staff (including agency)	5,662	12,688
Total gross staff costs	**100,302**	186,601
Of which		
Costs capitalised as part of assets	136	315
Total staff costs charged to operating expenses	**100,166**	186,286

Note a: 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 8.1 Retirements due to ill-health

During the period to 30 September 2019 there was 1 early retirement from the Trust agreed on the grounds of ill-health (3 in the year ended 31 March 2019). The estimated additional pension liability of this ill-health retirement is £10k (£114k in 2018/19).

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

Note 8.2 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 8.2 Pension costs (cont'd)

The Pensions Act 2008 introduced new duties on employers to provide access to a workplace pension that meets certain legal requirements. As from 1 April 2013 the Trust choose the National Employment Savings Trust (NEST) to fulfil this role for employees who are unable to join the NHS Pension Scheme due to its restrictions. It is a defined contribution pension scheme where the retirement income a member gets depends on how much has been contributed, investment returns and the amount of charges over time. Current combined employee and employer contributions were £101k to the 30 September 2019.

Note 9 Operating Leases

Note 9.1 North Cumbria University Hospitals NHS Trust as lessor

The Trust has one operating lease for which it is lessor which is the hospital shop at West Cumberland Hospital. Revenue to 30 September 2019 was £6k (2018/19: £13k). There is currently a rolling lease arrangement in place and the Trust expects that £13k will be receivable during the 12 months from the date of the accounts.

Note 9.2 North Cumbria University Hospitals NHS Trust as lessee

This note discloses costs and commitments incurred in operating lease arrangements where North Cumbria University Hospitals NHS Trust is the lessee. The Trust has a small number of operating lease arrangements which include land, buildings and equipment. None of the arrangements is material in value.

	Period to 30 Sept 2019	2018/19
	£000	£000
Operating lease expenses charged in year	497	970

	30 September 2019	31 March 2019
Future minimum lease payments due:	**£000**	£000
- not later than one year;	871	939
- later than one year and not later than five years;	2,561	2,851
- later than five years.	1,394	1,642
Total	**4,826**	5,432

Note 10 Finance income

The Trust's only source of finance income is bank interest which amounted to £53k (2018/19: £74k).

Note 11.1 Finance expenditure

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

	Period to 30 Sept 2019	2018/19
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	1,949	3,331
Interest on late payment of commercial debt	0	2
Main finance costs on PFI scheme obligations	2,242	4,609
Contingent finance costs on PFI scheme obligations	914	2,264
Total interest expense	**5,105**	10,206
Unwinding of discount on provisions	6	2
Total finance costs	**5,111**	10,208

Note 11.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015

	Period to 30 Sept 2019	2018/19
	£000	£000
Total liability accruing in year under this legislation as a result of late payments	0	3
Amounts included within interest payable arising from claims made under this legislatior	0	2
Compensation paid to cover debt recovery costs under this legislation	0	1

Note 12 Other gains / (losses)

The Trust made no gains or losses on disposal of Property, Plant and Equipment assets in the six months to 30 September 2019 (2018/19: £73k).

Note 13 Impairment of Assets

	Period to 30 Sept 2019	2018/19
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Changes in market price (a)	(4,539)	5,812
Other (b)	(1,371)	(2,655)
Total net impairments charged to operating surplus / deficit	**(5,910)**	3,157
Impairments charged to the revaluation reserve	188	854
Total net impairments	**(5,722)**	4,011

Note a: The Trust revalued its Land, Buildings and Dwellings on 30 September 2019 where specialised assets were valued on a Modern Equivalent Asset (MEA) basis. Buildings at Carlisle included in the existing PFI arrangement were also valued net of recoverable VAT. Non specialised assets were valued at market value.

Note b: Up to 31 March 2019 the Trust had recognised an overall rectification cost of £2,497k in respect of the fire safety compliance issues at the Cumberland Infirmary in Carlisle. During 2019 work continued to ensure that the building becomes fully compliant with fire regulations and the estimated remaining rectification cost has reduced to £1,126k as at 30 September 2019.

The valuation exercise for the Trust's Land, Buildings and Dwellings was carried out in September and October 2019. The values in the valuer's report issued at that time have been used to inform the measurement of property assets at valuation in these financial statements. It is possible that the uncertainty caused by the COVID-19 pandemic may significantly change the values of assets covered by the valuation.

Note 14 Intangibles

	Software licences £000		Software licences £000
Valuation / gross cost at 1 April 2019 - brought forward	**5,583**	Valuation / gross cost at 1 April 2018 - as previously stated	5,351
Additions	63	Additions	338
Disposals / derecognition	-	Disposals / derecognition	(106)
Valuation / gross cost at 30 September 2019	**5,646**	Valuation / gross cost at 31 March 2019	5,583
Amortisation at 1 April 2019 - brought forward	**2,931**	Amortisation at 1 April 2018 - as previously stated	2,192
Provided during the year	437	Provided during the year	845
Disposals / derecognition	-	Disposals / derecognition	(106)
Amortisation at 30 September 2019	**3,368**	Amortisation at 31 March 2019	2,931
Net book value at 30 September 2019	**2,278**	Net book value at 31 March 2019	2,652
Net book value at 1 April 2019	**2,652**	Net book value at 1 April 2018	3,159

All purchased software is held at depreciated historic cost as an approximation of fair value and is amortised over a period of between 5 and 7 years.

The additions figure does not include any donated assets (2018/19: £13k from North Cumbria University Hospitals NHS Trust Charitable Fund).

Note 15.1 Property, plant and equipment - for the period to 30 September 2019

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation/gross cost at 1 April 2019 - brought forward	**6,695**	**164,063**	**1,022**	**4,669**	**45,295**	**8,636**	**1,303**	**231,683**
Additions	0	1,683	0	3,127	434	36	0	**5,280**
Impairments	0	(777)	(6)	0	0	0	0	**(783)**
Reversals of impairments	0	5,266	13	0	0	0	0	**5,279**
Revaluations	0	267	0	0	0	0	0	**267**
Reclassifications	0	0	0	0	0	0	0	**0**
Transfers to / from assets held for sale	0	0	(46)	0	0	0	0	**(46)**
Disposals / derecognition	0	0	0	0	(384)	(37)	0	**(421)**
Valuation/gross cost at 30 September 2019	**6,695**	**170,502**	**983**	**7,796**	**45,345**	**8,635**	**1,303**	**241,259**
Accumulated depreciation at 1 April 2019 - brought forward	**0**	**889**	**1**	**0**	**29,715**	**6,979**	**923**	**38,507**
Provided during the year	0	2,207	21	0	2,037	348	49	**4,662**
Impairments	0	(444)	(6)	0	0	0	0	**(450)**
Reversals of impairments	0	(761)	(15)	0	0	0	0	**(776)**
Revaluations	0	(882)	0	0	0	0	0	**(882)**
Disposals / derecognition	0	0	0	0	(384)	(37)	0	**(421)**
Accumulated deprec'n at 30 September 2019	**0**	**1,009**	**1**	**0**	**31,368**	**7,290**	**972**	**40,640**
Net book value at 30 September 2019	**6,695**	**169,493**	**982**	**7,796**	**13,977**	**1,345**	**331**	**200,619**
Net book value at 1 April 2019	**6,695**	**163,174**	**1,021**	**4,669**	**15,580**	**1,657**	**380**	**193,176**

Note 15.2 Property, plant and equipment financing - as at 30 September 2019

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 30 September 2019								
Owned - purchased	6,695	113,201	982	7,796	13,340	1,338	322	**143,674**
On-SoFP PFI contracts and other service concession arrangements	0	55,799	0	0	0	0	0	**55,799**
Owned - donated	0	493	0	0	637	7	9	**1,146**
NBV total at 30 September 2019	**6,695**	**169,493**	**982**	**7,796**	**13,977**	**1,345**	**331**	**200,619**

Note 15.3 Revaluations of property, plant and equipment - for the period to 30 September 2019

The Trust revalued its Land, Buildings and Dwellings on 30 September 2019. The revaluation was carried out by Iain Hudson MRICS, RCIS Registered Valuer at Cushman & Wakefield, and is consistent with the requirements of IAS 16. As the Trust has specialised assets for which there is no active market, the valuer has used Modern Equivalent Asset (MEA) valuations as a substitute for fair value. MEA is based on the value of an asset with the same service potential, not a like for like replacement. See Note 15 for further information on revaluation and details of impairments / reversals of impairments.

The Trust is a signatory of the Strategic Partnering Agreement with the Cumbria eLIFT programme and the Trust's buildings at Carlisle included in the existing PFI arrangements are valued net of recoverable VAT. This is based on the Trust's current assessment that if its buildings required replacement the only viable route to facilitate this would be through the eLIFT arrangement.

Asset lives for each class of asset are as follows:
Land - infinite
Buildings - between 1 and 74 years
Dwellings - between 3 and 36 years
Plant & Machinery - between 2 and 17 years
Information Management & Technology - between 5 and 7 years
Fixtures & Fittings - between 5 and 15 years

During the six months to 30 September 2019 the Trust identified assets with an historic cost of £421k that were no longer in use. The accumulated depreciation on these assets was £421k giving a net book value write-off of £0k.

The additions figure includes £100k of donated assets (2018/19: £342k). The donated assets in year came from North Cumbria University Hospitals NHS Trust Charitable Fund.

Note 15.4 Property, plant and equipment - 2018/19

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation/gross cost at 1 April 2018 - brought forward	**6,695**	**164,122**	**1,033**	**1,083**	**46,284**	**12,273**	**1,433**	**232,923**
Additions	0	6,066	0	4,290	2,527	624	2	**13,509**
Impairments	0	(9,760)	(11)	0	0	0	0	**(9,771)**
Reversals of impairments	0	2,890	0	0	0	0	0	**2,890**
Revaluations	0	63	0	0	0	0	0	**63**
Reclassifications	0	682	0	(704)	22	0	0	**0**
Disposals / derecognition	0	0	0	0	(3,538)	(4,261)	(132)	**(7,931)**
Valuation/gross cost at 31 March 2019	**6,695**	**164,063**	**1,022**	**4,669**	**45,295**	**8,636**	**1,303**	**231,683**
Accumulated depreciation at 1 April 2018 - brought forward	**0**	**650**	**0**	**0**	**28,834**	**10,504**	**943**	**40,931**
Provided during the year	0	3,341	34	0	4,350	734	110	**8,569**
Impairments	0	(2,500)	(11)	0	0	0	0	**(2,511)**
Reversals of impairments	0	(338)	(21)	0	0	0	0	**(359)**
Revaluations	0	(264)	(1)	0	0	0	0	**(265)**
Disposals / derecognition	0	0	0	0	(3,469)	(4,259)	(130)	**(7,858)**
Accumulated deprec'n at 31 March 2019	**0**	**889**	**1**	**0**	**29,715**	**6,979**	**923**	**38,507**
Net book value at 31 March 2019	**6,695**	**163,174**	**1,021**	**4,669**	**15,580**	**1,657**	**380**	**193,176**
Net book value at 1 April 2018	**6,695**	**163,472**	**1,033**	**1,083**	**17,450**	**1,769**	**490**	**191,992**

Note 15.5 Property, plant and equipment financing - as at 31 March 2019

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2019								
Owned - purchased	6,695	111,920	1,021	4,669	14,950	1,649	369	**141,273**
On-SoFP PFI contracts and other service concession arrangements	0	50,768	0	0	0	0	0	**50,768**
Owned - donated	0	486	0	0	630	8	11	**1,135**
NBV total at 31 March 2019	**6,695**	**163,174**	**1,021**	**4,669**	**15,580**	**1,657**	**380**	**193,176**

Note 15.6 Revaluations of property, plant and equipment - 2018/19

The Trust revalued its Land, Buildings and Dwellings on 31 March 2019. The revaluation was carried out by Iain Hudson MRICS, RCIS Registered Valuer at Cushman & Wakefield, and is consistent with the requirements of IAS 16. As the Trust has specialised assets for which there is no active market, the valuer has used Modern Equivalent Asset (MEA) valuations as a substitute for fair value. MEA is based on the value of an asset with the same service potential, not a like for like replacement. See Note 15 for further information on revaluation and details of impairments / reversals of impairments.

The Trust is a signatory of the Strategic Partnering Agreement with the Cumbria eLIFT programme and the Trust's buildings at Carlisle included in the existing PFI arrangements are valued net of recoverable VAT. This is based on the Trust's current assessment that if its buildings required replacement the only viable route to facilitate this would be through the eLIFT arrangement.

Asset lives for each class of asset are as follows:
Land - infinite
Buildings - between 1 and 86 years
Dwellings - between 4 and 52 years
Plant & Machinery - between 5 and 17 years
Information Management & Technology - between 5 and 10 years
Fixtures & Fittings - between 5 and 15 years

During 2018/19 the Trust identified assets with an historic cost of £7,931k that were no longer in use. The accumulated depreciation on these assets was £7,858k giving a net book value write-off of £73k.

The additions figure includes £342k of donated assets (2017/18: £221k). The donated assets in year came from North Cumbria University Hospitals NHS Trust Charitable Fund.

Note 16 Inventories

	30 September 2019 £000	31 March 2019 £000
Drugs	2,162	2,264
Consumables	3,727	4,037
Energy	56	57
Other	154	145
Total inventories	**6,099**	6,503

Inventories recognised in expenses for the period to 30 September 2019 were £31,111k (2018/19: £61,604k). Write-down of inventories recognised as expenses for the year were £94k (2018/19: £223k).

Note 17 Receivables

Note 17.1 Trade receivables and other receivables

	30 September 2019 £000	31 March 2019 £000
Current		
Contract receivables (a)	44,485	42,509
Allowance for impaired contract receivables / assets	(222)	(241)
Prepayments (non-PFI)	4,119	2,035
PFI lifecycle prepayments	1,264	1,048
Interest receivable	7	10
Other receivables	8	84
Total current trade and other receivables	**49,661**	45,445
Non-current		
Contract receivables (a)	699	682
Allowance for impaired contract receivables / assets	(123)	(120)
PFI lifecycle prepayments	12,662	11,008
Total non-current trade and other receivables	**13,238**	11,570
Of which receivables from NHS and DHSC group bodies:		
Current	36,400	35,012

Note a: Included in current receivables at 30 September 2019 is £823k (31 March 2019: £794k) for the Injury Cost Recovery Scheme and in non-current £699k (31 March 2019: £682k). Credit scoring is not appropriate for the Scheme as it only includes person(s) who have been found to be, or accept, responsibility for injury caused. A provision of 17.62% has been applied for any potential non recovery costs based on the Trust's average withdrawal rates (2018/19: 17.62%).

Note 17.2 Allowances for credit losses

	30 September 2019 £000	2018/19 £000
Allowances as at 1 April 2019 - brought forward	**361**	345
Changes in existing allowances	(16)	16
Allowances as at 30 September 2019	**345**	361

These allowances relate to contract receivables and contract assets.

Note 18 Non-current assets held for sale and assets in disposal groups

During the year the Trust transferred Crozier Lodge with a NBV of £46k from PPE to asset held for sale. Crozier Lodge is a building used by the Trust as office space but is no longer suitable for this purpose. The property is being actively marketed and the Trust anticipates sale during 2019/20.

Note 19 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.

	30 September 2019	2018/19
	£000	£000
At 1 April	**6,492**	3,635
Net change in year	(4,640)	2,857
At 30 September	**1,852**	6,492
Broken down into:		
Cash at commercial banks and in hand	6	5
Cash with the Government Banking Service	1,846	6,487
Total cash and cash equivalents as in SoFP	**1,852**	6,492
Total cash and cash equivalents as in SoCF	**1,852**	6,492

Note 19.1 Third party assets held by the Trust

The Trust held cash and cash equivalents which relate to monies held by the Trust on behalf of patients or other parties of £3k at 30 September 2019 (31 March 2019: £4k).

Note 20 Trade and other payables

	30 September 2019	31 March 2019
	£000	£000
Trade payables	6,363	5,113
Capital payables	1,016	2,682
Accruals	9,934	6,781
Social security costs	2,147	1,915
VAT payables	837	541
Other taxes payable	1,864	1,610
Other payables	2,812	2,454
Total current trade and other payables	**24,973**	21,096
Of which payables from NHS and DHSC group bodies:		
Current	3,920	3,272
Included above:		
Outstanding pension contributions	2,423	2,190

Please note that following adoption of IFRS 9 on 1 April 2018, loans are measured at amortised cost. Any accrued interest is now included in the carrying value of the loan within Note 22.

Note 21 Other liabilities

At 30 September 2019 the Trust had deferred income of £2,552k (31 March 2019: £1,371k).

Note 22 Borrowings

	30 September 2019 £000	31 March 2019 £000
Current		
Loans from the Department of Health and Social Care*	255,240	133,054
Obligations under PFI, LIFT or other service concession contracts (excl. lifecycle)	761	139
Total current borrowings	**256,001**	133,193
Non-current		
Loans from the Department of Health and Social Care	1,286	114,138
Obligations under PFI, LIFT or other service concession contracts	45,452	46,036
Total non-current borrowings	**46,738**	160,174

Please note that following adoption of IFRS 9 on 1 April 2018, loans are measured at amortised cost. Any accrued interest is now included in the carrying value of the loan instead of in payables (Note 20).

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 £253,546k are classified as current liabilities within these financial statements.

The loans from the Department of Health & Social Care total £256,526k at 30 September 2019 (31 March 2019: £247,192k) and consist of 42 separate fixed interest rate loans ranging from 3 to 15 years (31 March 2019: 37). Included in the value of current loans is £838k of accrued interest as at 30 September 2019.

The Trust makes principal repayments on 6 of the loans twice annually. Interest is also paid twice annually. The details of these loans and the principal remaining at 30 September 2019 are as follows:

£2,000k at 5.20% - 15 year loan commencing 22/03/07
£64k at 5.10% - 14.5 year loan commencing 15/09/07
£78k at 4.34% - 14 year loan commencing 15/03/08
£3,421k at 1.32% - 10 year loan commencing 14/12/15
£1,482k at 1.16% - 10 year loan commencing 04/02/19
£4,000k at £1.08% - 10 year loan commencing 18/03/19 (£1,000k accessed in 2018/19)

The principal remaining on the other 36 loans totals is £245,481k. They all have terms of 3 years and a fixed interest rate of 1.5%. Principal is not repaid until the end of the term and interest on each loan is payable twice annually. During the period 1 April - 30 September 2019 the Trust took out 5 of these loans totalling £20,603k. It also repaid £11,579k related to borrowing accessed in 2018/19 in advance of receiving STF monies which were not received until July 2019.

As loan principal totalling £253,546k as at 30 September 2019 (99% of total loan principal) was classified as current and due to be replaced with PDC within 12 months the fair value of loans is considered to be their carrying value i.e. £253,546k (31 March 2019: £246,619k).

The fair value of the outstanding PFI liabilities at 30 September 2019 is £69,506k (31 March 2019: £69,754k).

The fair value of these liabilities has been obtained with reference to the current fixed interest rates offered by the Department of Health & Social Care for similar loans for period matching the remaining life of the existing loans/liabilities.

As at 30 September 2019 one Interim Revenue Support Loan of £50,746k and 2 Uncommitted Loans with a remaining balance of £5,388k had passed their original repayment dates. The Trust received new repayment dates for each loan in advance from the Department of Health & Social Care.

The PFI liability is discussed further in Note 26.

Note 23 Reconciliation of liabilities arising from financing activities

	Loans from DHSC £000	PFI and LIFT schemes £000	Total £000
Carrying value at 1 April 2019	**247,192**	**46,175**	**293,367**
Cash movements:			
Financing cash flows - payments and receipts of principal	9,255	0	**9,255**
Financing cash flows - payments of interest	(1,870)	(2,242)	**(4,112)**
Non-cash movements:			
Additions	0	38	**38**
Application of effective interest rate	1,949	2,242	**4,191**
Carrying value at 30 September 2019	**256,526**	**46,213**	**302,739**

Note 24.1 Provisions for liabilities and charges analysis

	Pensions: early departure costs £000	Pensions: injury benefits £000	Legal claims £000	Total £000
At 1 April 2019	**257**	**1,946**	**257**	**2,460**
Change in the discount rate (a)	0	0	0	**0**
Arising during the year	3	35	10	**48**
Utilised during the year	(32)	(58)	(20)	**(110)**
Reversed unused	(13)	0	0	**(13)**
Unwinding of discount	1	5	0	**6**
At 30 September 2019	**216**	**1,928**	**247**	**2,391**
Expected timing of cash flows:				
- not later than one year;	55	116	247	**418**
- later than one year and not later than five years;	119	445	0	**564**
- later than five years.	42	1,367	0	**1,409**
Total	**216**	**1,928**	**247**	**2,391**

Note a: The discount rate used in the calculation of the Pensions and Personal Injury Benefit provisions remains at the 2018/19 rate of 0.29%.

Pensions: Early departure costs
The Pensions provision is based on an estimate of the number of years individual pensions will continue to be paid and is considered a realistic assessment of future pension costs.

Pensions: Injury benefits
The Injury Benefits provision is based on an estimate of the number of years individual pensions will continue to be paid and is considered a realistic assessment of future pension costs.

Legal Claims
Provisions for legal claims includes claims made through NHS Resolution. This includes on-going cases where the date of conclusion and settlement figures are not certain. The total value of the provision made for the Trust through NHS Resolution has been retained at £257k for 30 September 2019 (31 March 2019: £257k) as an updated value for provisions is not available from NHS Resolution mid year.

Note 24.2 Clinical negligence liabilities

At 30 September 2019, £156,418k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of North Cumbria University Hospitals NHS Trust (31 March 2019: £158,021k).

Note 25 Contractual capital commitments

The Trust has capital commitments totalling £0.8m as at 30 September 2019; £0.4m relating to the ongoing redevelopment at the West Cumberland Hospital and the remainder for medical equipment. At 31 March 2019 capital commitments were £0.6m, mainly relating to redevelopment at West Cumberland Hospital and the A&E GP Streaming project at the Cumberland Infirmary.

Note 26 On-SoFP PFI, LIFT or other service concession arrangements

The PFI scheme is for the provision of a hospital facility, the Cumberland Infirmary. The scheme was completed in 2000 and the contract runs for 45 years with a break clause after 30 years. At the end of the contract period, or at the break clause, the buildings included in the contract will transfer to the Trust.

The scheme is a design, build, finance and operate contract for a 444 bedded hospital which has enabled all services to be centralised on one site in Carlisle. The capital value of the scheme was £67m. Payments made to the consortium in the period 1 April - 30 September 2019 were £12.5m (2018/19: £24.3m) with a recurring annual commitment of £24.5m (at September 2019 prices) subject to changes in inflation, performance of provider, availability of asset, and agreed variations to services provided by PFI operator.

Under IFRIC 12, the asset is treated as an asset of the Trust; the substance of the contract is that the Trust has a finance lease and payments comprise two elements – imputed finance lease charges and service charges – details of the imputed finance lease are shown below. This information is required by the Department of Heath & Social Services for inclusion in national statutory accounts.

Note 26.1 Imputed finance lease obligations

North Cumbria University Hospitals NHS Trust has the following obligations in respect of the finance lease element of on-Statement of Financial Position PFI and LIFT schemes:

	30 September 2019	31 March 2019
	£000	£000
Gross PFI, LIFT or other service concession liabilities	**75,397**	77,601
Of which liabilities are due		
- not later than one year;	5,240	4,625
- later than one year and not later than five years;	30,361	29,506
- later than five years.	39,796	43,470
Finance charges allocated to future periods	(29,184)	(31,426)
Net PFI, LIFT or other service concession arrangement obligation	**46,213**	46,175
- not later than one year;	761	139
- later than one year and not later than five years;	15,081	13,567
- later than five years.	30,371	32,469

Note 26.2 Total on-SoFP PFI, LIFT and other service concession arrangement commitments

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

	30 September 2019	31 March 2019
	£000	£000
Total future payments committed in respect of the PFI, LIFT or other service concession arrangements	**307,048**	316,727
Of which liabilities are due:		
- not later than one year;	25,520	25,017
- later than one year and not later than five years;	109,803	107,534
- later than five years.	171,725	184,176

Note 26.3 Analysis of amounts payable to service concession operator

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

	Period to 30 Sept 2019	2018/19
	£000	£000
Unitary payment payable to service concession operator	**12,541**	24,337
Consisting of:		
- Interest charge	2,242	4,609
- Repayment of finance lease liability	0	1,984
- Service element and other charges to operating expenditure	6,636	12,884
- Capital lifecycle maintenance	879	2,596
- Contingent rent	914	2,264
- Addition to lifecycle prepayment	1,870	0
Total amount paid to service concession operator	**12,541**	24,337

Note 27 Financial instruments

Note 27.1 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 its activities. Because of the continuing service provider relationship that the Trust has with Clinical Commissioning Groups (CCGs) and NHS England (NHSE) and the way these 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 and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's standing financial instructions and policies agreed by the board of directors. Trust treasury activity is subject to review by the 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 & Social Care (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 30 September 2019 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk
The Trust's operating costs are incurred under contracts with CCGs and NHS England, 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 27.2 Carrying values of financial assets

Carrying values of financial assets as at 30 September 2019	**Total £000**	Carrying values of financial assets as at 31 March 2019	Total £000
Trade and other receivables excluding non financial assets	44,847	Trade and other receivables excluding non financial assets	42,841
Cash and cash equivalents at bank and in	1,852	Cash and cash equivalents at bank and in	6,492
Total at 30 September 2019	**46,699**	Total at 31 March 2019	49,333

Note 27.3 Carrying value of financial liabilities

Carrying values of financial liabilities as at 30 September 2019	**Total £000**	Carrying values of financial liabilities as at 31 March 2019	Total £000
Loans from the Department of Health and Social Care	256,526	Loans from the Department of Health and Social Care	247,192
Obligations under PFI, LIFT and other service concession contracts	46,213	Obligations under PFI, LIFT and other service concession contracts	46,175
Trade and other payables excluding non financial liabilities	17,544	Trade and other payables excluding non financial liabilities	14,770
Total at 30 September 2019	**320,283**		308,137

Note 27.4 Fair values of financial assets and liabilities

The financial instruments above are shown at carrying (book) value. DH loans and the PFI finance lease creditors are considered to have fair values that are not the same as their carrying values. These values are £255,618k and £69,506k respectively. (See also Note 22)

Note 27.5 Maturity of financial liabilities

	30 September 2019 £000	31 March 2018 £000
In one year or less	273,545	147,963
In more than one year but not more than two years	3,694	50,884
In more than two years but not more than five years	12,673	73,336
In more than five years	30,371	35,954
Total	**320,283**	308,137

Note 28 Losses and special payments

	Period to 30 Sept 2019		2018/19	
	Total number of cases Number	**Total value of cases £000**	Total number of cases Number	Total value of cases £000
Losses				
Cash losses	0	0	3	0
Bad debts and claims abandoned	19	57	290	65
Stores losses and damage to property	2	94	4	223
Total losses	**21**	**151**	297	288
Special payments				
Ex-gratia payments	26	19	25	11
Special severance payments	0	0	0	0
Total special payments	**26**	**19**	25	11
Total losses and special payments	**47**	**170**	322	299

Note 29 Related parties

During the period to 30 September 2019 none of the members of the key management staff, or parties related to any of them, have undertaken material transactions with North Cumbria University Hospitals NHS Trust.

The Department of Health & Social Care is regarded as a related party. During the year North Cumbria University Hospitals has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These include:

NHS England
NHS North Cumbria Clinical Commissioning Group
Health Education England
Cumbria Partnership NHS Foundation Trust
NHS Resolution

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with the NHS Pensions Agency, HM Revenue & Customs, the Scottish Office (in respect of Scottish Health Boards), and local councils.

For the period to 30 September 2019, North Cumbria University Hospitals NHS Trust Charitable Fund spent £218k (2018/19: £806k) on medical and education equipment, salaries and training courses from which the Trust benefitted. North Cumbria University Hospitals NHS Trust is the sole corporate trustee for the Charity.

Note 30 Events after the reporting date

a On 1 October 2019 North Cumbria University Hospitals NHS Trust ceased to exist. It was acquired by Cumbria Partnership NHS Foundation Trust as part of approved plans to merge the two organisations. Cumbria Partnership NHS Foundation Trust was also renamed on 1 October as North Cumbria Integrated Care Foundation Trust (NCIC). All the assets and liabilities of North Cumbria University Hospitals NHS Trust transferred to the new organisation as detailed below.

Analysis of balances transferred to North Cumbria Integrated Care NHS Foundation Trust (NCIC)
Summarised final Statement of Position

	Transferred from NCUH £'000	Transferred to NCIC £'000
Non Current Assets	216,135	216,135
Current Assets	57,658	57,658
Current Liabilities	(283,944)	(283,944)
Non Current liabilities	(48,711)	(48,711)
Net assets/ (liabilities)	**(58,862)**	**(58,862)**

b 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. DHSC has updated its Group Accounting Manual to advise this is considered an adjusting event after the reporting period for providers. The indications are that the transactions will take place in September 2020. Therefore, outstanding interim loans totalling £253,546k as at 30 September 2019 in these financial statements have been classified as current as they will be repayable within 12 months.

c The valuation exercise for the Trust's Land, Buildings and Dwellings was carried out in September and October 2019. The values in the valuer's report issued at that time have been used to inform the measurement of property assets at valuation in these financial statements. It is possible that the uncertainty caused by the COVID-19 pandemic may significantly change the values of assets covered by the valuation.

Note 30 Events after the reporting date (cont'd)

d Due to the need for the NHS to focus on responding to the COVID-19 pandemic the 2020/21 contracting and financial planning processes were suspended in March and a COVD-19 financial framework put in place to cover the period to 31 July 2020 in the first instance. This framework ensures that providers receive block payments in advance to reduce the need for invoicing between NHS bodies and to support cashflow. In addition, providers are receiving "top up" income to achieve financial breakeven for this period. At the date these financial statements have been signed the new North Cumbria Integrated Care NHS Foundation Trust does not have final signed contracts with its commissioners for 2020/21 and it is unclear what the contracting arrangements will be for 2020/21 and beyond.

However, Trusts and other NHS providers have been advised by NHS England & NHS Improvement that they can continue to expect NHS funding to flow at similar levels to that previously provided where services are still expected to be commissioned. DHSC has also confirmed that temporary revenue support arrangements will continue in order to support providers who are demonstrating cash needs.

Taking these factors into account therefore, and in accordance with the GAM 2019/20 and the Treasury FReM, the Trust's directors are satisfied that the accounts have been prepared appropriately on a going concern basis.

Note 31 Better Payment Practice Code

	Period to 30 Sept 2019 Number	**Period to 30 Sept 2019 £000**	2018/19 Number	2018/19 £000
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	38,387	64,949	75,430	135,787
Total non-NHS trade invoices paid within target	9,954	33,592	7,069	52,104
Percentage of non-NHS trade invoices paid within target	**25.93%**	**51.72%**	9.37%	38.37%
NHS Payables				
Total NHS trade invoices paid in the year	1,534	16,945	3,113	34,213
Total NHS trade invoices paid within target	246	12,821	245	18,138
Percentage of NHS trade invoices paid within target	**16.04%**	**75.66%**	7.87%	53.01%

The Better Payment Practice Code target is to pay all NHS and non NHS trade payables within 30 calendar days of receipt of goods or a valid invoice (whichever is later) unless other payment terms have been agreed.

Note 32 External financing

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

	Period to 30 Sept 2019 £000	2018/19 £000
External financing limit (EFL)	**13,895**	62,718
Cash flow financing (from SoCF) (a)	13,895	57,126
Other capital receipts	0	0
External financing requirement	**13,895**	57,126
Under / (over) spend against EFL	**0**	5,592

Note (a): This is defined as net cash flows before financing, following the derivation set out in the NHS Improvement provider finance in year monitoring return.

Note 33 Capital Resource Limit

	Period to 30 Sept 2019 £000	2018/19 £000
Gross capital expenditure	5,343	13,847
Less: Disposals	0	(73)
Less: Donated and granted capital additions	(100)	(355)
Plus: Loss on disposal from capital grants in kind	0	0
Charge against Capital Resource Limit	**5,243**	13,419
Capital Resource Limit	5,243	13,437
Under / (over) spend against CRL	**0**	18

Note 34 Breakeven duty financial performance

	Period to 30 Sept 2019 £000	2018/19 £000
Adjusted financial performance surplus / (deficit) (control total basis)	(13,944)	(30,051)
IFRIC 12 breakeven adjustment	-	
Breakeven duty financial performance surplus / (deficit)	**(13,944)**	(30,051)

Note 35 Breakeven duty rolling assessment

	1997/98 to 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Period to 30 Sept 2019
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		327	1,356	1,095	203	(27,133)	(16,442)	(62,997)	(47,328)	(40,258)	(30,051)	**(13,272)**
Breakeven duty cumulative position	(5,214)	(4,887)	(3,531)	(2,436)	(2,233)	(29,366)	(45,808)	(108,805)	(156,133)	(196,391)	(226,442)	**(239,714)**
Operating income		216,098	223,132	227,483	235,295	230,580	262,174	234,067	251,224	258,872	283,704	**153,663**
Cumulative breakeven position as a percentage of operating income		(2.26%)	(1.58%)	(1.07%)	(0.95%)	(12.74%)	(17.47%)	(46.48%)	(62.15%)	(75.86%)	(79.82%)	**(156.00%)**

The Trust has delivered a deficit of £13.9m in the period 1 April 2019 - 30 September 2019. The £0.7m additional 2018/19 PSF funding received in year improves the breakeven duty performance to £13.3m which takes the cumulative deficit to £239.7m. Strategic revenue support funding has not been available since the abolition of Strategic Health Authorities in March 2013 and the Trust has posted significant deficits in each subsequent financial year.

The north Cumbria local health economy has continued to develop and integrate its leadership with the goal of creating a sustainable integrated health and social care service model. In particular, North Cumbria University Hospitals NHS Trust and Cumbria Partnership NHS Foundation Trust have continued working closely together with a joint board of directors and executive director team in place. In September 2019 NHS Improvement approved the proposed merger of the Trust and Cumbria Partnership NHS Foundation Trust. The business case included a long term financial model and had the support of the main commissioners of the two Trusts, NHS North Cumbria Clinical Commissioning Group, as well as the NHS North Cumbria System Leadership Board. Merger took place on 1 October 2019 via a technical acquisition of the Trust by Cumbria Partnership NHS Foundation Trust which was renamed to North Cumbria Integrated Care NHS Foundation Trust on the same date. The new organisation has submitted a revised financial plan for 2019/20.