NHS

Northumbria Healthcare

NHS Foundation Trust

2019/20 ANNUAL REPORT

building a caring future

HOSPITAL | COMMUNITY | HOME

www.northumbria.nhs.uk

Northumbria Healthcare NHS Foundation Trust

Annual Report 2019/20

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

©2020 Northumbria Healthcare NHS Foundation Trust

Contents

Part 1 – Performance Report

Overview of performance..... 1

- Statement from Trust Chair..... 1
- Statement from Trust Chief Executive..... 4
- About us..... 6
- Performance analysis..... 15

Part 2 - Accountability Report

Directors' report..... 34

Remuneration report..... 60

Staff report..... 68

NHS Foundation Trust Code of Governance Disclosures..... 81

NHS England and NHS Improvement's Single Oversight Framework..... 84

Statement of Accounting Officer's Responsibilities..... 85

Annual Governance Statement..... 87

Appendix A – Annual Accounts 2019/20

Appendix B – Annual Audit Letters

Page left intentionally blank for printing

Part 1: Performance Report

Overview of performance: *Statement from Trust Chair*

Alan Richardson, Trust Chair

Martin Knowles, Acting Trust Chair

It has been another extremely successful year for Northumbria Healthcare. Recognised nationally for our commitment to prioritising patient safety and quality and given the highest possible 'Outstanding' rating for the second time by the Care Quality Commission, it could be classed as a 'normal' year for us – until we, like the whole NHS, were hit by coronavirus.

From the outset we faced this pandemic head on – taking early, and difficult, decisions such as suspending visiting, postponing non-urgent activity and modifying clinical areas to ensure we could be as prepared as possible for the increased numbers of patients who needed our care. It is with great sadness that we lost many of our patients to the virus, however we are confident that, without our quick actions and the first-class efforts of our staff, we would have lost many more.

There have been countless examples of our staff going the extra mile, specifically with relatives not being able to visit loved ones in person, doing all they can to connect them virtually and involve them as much as possible in decisions, in the same way as they would usually.

While this virus has taken its toll on our teams, we are proud of the steps we have taken to support staff's health and wellbeing at this time with advice on staying well, physically and mentally, greatly appreciated.

It is important, however, to highlight that we did not tackle coronavirus alone but as a whole health and care system, thanks to the strong partnerships we have built up over many years. We are indebted to our colleagues in neighbouring Trusts, Local Authorities, Clinical Commissioning Groups and in primary care for their support during this time and throughout the year. We must also pay tribute to the strong leadership from our Chief Executive and the senior team which has been invaluable and has guided us through this extremely challenging period with clear direction.

2019/20 has seen a few changes among our Non-Executive Directors. In the autumn Alison Marshall left us to become Chair of Gateshead Health NHS Foundation Trust. Long-standing Non-Executive Director Peter Sanderson stepped-down after his second three-year term at the end of November, however he continues as Chair of subsidiaries Northumbria Primary

Care Ltd and Northumbria Healthcare Facilities Management Ltd. We would like to place on record our thanks to them both for their excellent contributions over the years and our best wishes for their respective new position and well-earned retirement.

From December to January we welcomed three new Non-Executive Directors to the team: Andrew Besford, Professor Roger Barton and Ruth Connorton. All bring with them a wealth of experience in their fields which is proving to be invaluable and helping us ensure the Board acts in the best interests of our patients and the public.

We highlighted in this statement last year that Marion Dickson had become our Interim Executive Director of Nursing and Midwifery and we're delighted that this has become permanent, with Allied Health Professionals also come under her management umbrella.

We're pleased to say that in 2019/20 we've made substantial progress with our plans to significantly improve healthcare in two of our most isolated rural communities, both with considerable engagement with local people.

In Berwick, we are preparing to submit a planning application to build a £25million hospital on the site of our existing infirmary which will transform how care is delivered in our northern-most outpost for generations to come. Of course, developing new facilities while continuing to provide services will be a challenge, however, the layout of the site allows this to happen, and we are committed to doing so in order to save local people from travelling unnecessarily.

In Rothbury, we worked in partnership with the local community on the 'Art of the Possible', a bespoke solution to enable patients to once again be cared for in the community hospital as part of a flexible beds model. While the start of this has been affected by coronavirus, we will have the service up and running as soon as we can.

Our governors, too, have played a major role in these projects, bringing thoughts from the local community through their well-established links. Their contribution to the engagement we carried out regarding the future location of the Whalton Unit also needs to be noted, alongside the important work of the whole Council of Governors throughout the year.

One of our governors - Tony Stapleton – sadly passed away on New Year's Day and we would like to extend our sympathies to his family and friends and thank him for his input.

We are proud to say that our ever-present focus on quality improvement – what we call 'The Northumbria Way' – has continued to gain national exposure this year. In July, we were named Patient Safety Organisation of the year at the Health Service Journal Patient Safety Awards.

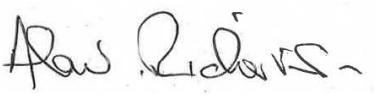
We also won two other awards for national projects we are leading making it a superb hat-trick for our teams. Our work to drive forward improvements for patients having hip and knee replacements was named infection prevention and control initiative of the year and we won

the perioperative and surgical care award for improving care for older people across the NHS who have had a hip fracture.

The latter – known as 'Hip Qip' – was mentioned in this statement last year because the number of lives it has been able to save are quite staggering and we are delighted that it has the further national recognition it deserves.

Everything we have highlighted here would not have been possible without the unfaltering efforts of our staff across Northumberland and North Tyneside and we are continually taken aback by what they do on a daily basis. On behalf of ourselves, the Board and the Council of Governors – thank you and together we can go even higher in 2020/21.

Alan Richardson



Chair, Northumbria Healthcare NHS Foundation Trust
(to 7th October 2019)

26th June 2020

Martin Knowles

Acting Chair, Northumbria Healthcare NHS Foundation Trust
(from 8th October 2019)

26th June 2020

PART 1: Performance Report *(continued)*

Overview of performance: *Statement from Trust Chief Executive*

2019/20 has undoubtedly been a momentous year for our Trust. We were rated 'Outstanding' by the Care Quality Commission for the second successive time and rated joint best place to work in the national NHS Staff Survey.

I was ecstatic with our 'Outstanding' rating - it is testament not only to our staff but also to our ethos of placing the experience of care for our patients right at the heart of our organisation.

The NHS has undoubtedly become more challenging since our last inspection in 2015. It is credit to everyone's hard work that we have remained at the pinnacle of healthcare in this country, and indeed the world, whilst uniquely maintaining strong performance and financial resilience.

In addition, and of equal importance, we are immensely proud of our results in the National Staff Survey because it comes directly from our workforce. It tells us how our staff feel about working and training here and how we are doing as their employer - there can be no higher accolade.

To be rated the best place to work in the NHS alongside three other Trusts is truly phenomenal and reflects the equal emphasis we place on both the experience of our patients and our staff.

Despite an incredibly tough winter, we consistently out-performed most other Trusts with our A&E waiting times, maintained our strong financial position and, thanks to the amazing efforts of our staff, dealt with the greatest challenge to affect the NHS in its history – coronavirus. I have been humbled by the dedication and response from our staff during this time.

I am proud to lead Northumbria and it's the dedication, professionalism, enthusiasm and compassion our staff display – day in, day out – that sets us apart from others and makes us a great place to work.

I am in no doubt that it is these strong foundations that continue to get us through these current extraordinary times.

As I knew we would, we have pulled together with our usual skill, compassion and spirit and are working incredibly hard, alongside our partners in primary care, local authorities, social care and nursing homes, as well as those caring for people in their own homes, to go above and beyond the call of duty to deal with the increasing demands on our services.

The strength and depth of our teams have really come to the fore and every one of our Northumbria family can take pride in how we have responded.

I would like to say thank you to each and every one of them for the passion and commitment they continue to show for our patients. They are all heroes and credit to the NHS. All of this is made possible by the support of other key workers in schools and the local supply chain and we will be forever grateful for their support.

Not only am I proud at how the NHS and the broader health and care system have worked together, I have been blown away at the wealth of support we've received from our local communities.

We have also had an unbelievable response from local businesses, schools, other organisations and volunteers with regards ensuring the continuous supply of personal protective equipment for our teams. The factory we have set up is a result of everyone's involvement and means we can play our part in helping to regenerate the local economy and provide jobs, not just in the short-term but into the future.

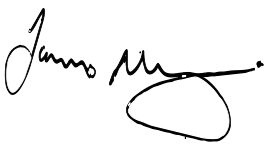
Our volunteers have carried out a major role in our work – from those sewing the gowns to those at hospital entrances providing a friendly welcome at this anxious time. We are indebted to everyone who has come forward and helped us fill the void left when our existing volunteers had to stand down due to government restrictions and fulfil new positions.

Despite this year's successes, we will never rest up on our vision to continuous improvement, what we call 'The Northumbria Way'. We know we must always do more to ensure every single one of our patients, and their families, has an even better experience of our care and our staff have the support they need to deliver this.

As we look to the future and a new 'normal' for the NHS and our day-to-day lives, that will never be more important.

My sincere thanks to everyone involved – our staff, volunteers and partners – in making Northumbria the outstanding organisation that it is and their part in providing the unrivalled care to our communities across Northumberland and North Tyneside.

Sir James Mackey, Chief Executive Officer



Northumbria Healthcare NHS Foundation Trust

26th June 2020

Overview of performance: *About us*

The purpose of the overview section is to provide brief information on the organisation, its purpose, key risks and performance:

Key facts

- We provide health and care services to support the more than 500,000 people living in Northumberland and North Tyneside.
- Our staff work in hospitals, in the community and in people's own homes. Our services include:
  - Emergency and urgent care services including emergency surgery
  - Planned and on-going care and rehabilitation
  - Outpatient clinics in a range of conditions
  - Elective surgery
  - Diagnostic services
  - Maternity services
  - Children's services
  - End of life care
  - Therapies including physio, occupational and speech and language
  - Community services such as district nursing and health promotion
  - Adult social care in Northumberland.
- We deliver care from multiple sites including an emergency care hospital, general and community hospitals, an outpatient and diagnostic centre, an integrated health and social care facility and many community venues.
- We were rated 'outstanding' overall by the Care Quality Commission for the second successive time.
- We are one of the North East's largest employers with more than 12,000 dedicated members of staff.
- We were rated the joint best place to work in the NHS by our staff.
- We have a Council of Governors which represents the public, staff and some of our external partners.

Our history

Northumbria Healthcare was established on 1st April 1998 and became a Foundation Trust on 1st August 2006. Regulated by NHS Improvement, we are a membership-based, public benefit corporation.

Our Council of Governors has a statutory duty to hold the non-executive directors, individually and collectively, to account for the performance of the Board of Directors. The majority of its members are elected by our public members, the remainder are elected by our staff and nominated to represent the interests of local public sector organisations.

Our geography

Geographically we are one of the largest Trusts in the country. Services are delivered across Northumberland and North Tyneside in hospitals, in the community - such as GP practices and health centres - and in people's own homes including:

- A specialist emergency care hospital – The Northumbria
- General hospitals at Hexham, North Tyneside and Wansbeck
- Community hospitals at Alnwick, Berwick, Rothbury and Blyth
- An integrated health and social care facility at Haltwhistle
- An elderly care unit in Morpeth (temporarily relocated to Wansbeck General Hospital)
- An outpatient and diagnostic centre at Morpeth
- Sexual health centres in North Tyneside and Northumberland

OUR
HOSPITAL SITES

1. **HEXHAM GENERAL HOSPITAL**
   Corbidge Road, Hexham, NE46 1QJ
2. **NORTH TYNESIDE GENERAL HOSPITAL**
   Rake Lane, North Shields, NE29 8NH
3. **WANSBECK GENERAL HOSPITAL**
   Woodhorn Lane, Ashington, NE63 9JJ
4. **THE NORTHUMBRIA HOSPITAL**
   Northumbria Way, Cramlington, NE23 6NZ
5. **ALNWICK INFIRMARY**
   South Road, Alnwick, NE66 2NS
6. **BERWICK INFIRMARY**
   Infirmary Square, Berwick-upon-Tweed, TD15 1LT
7. **BLYTH COMMUNITY HOSPITAL**
   Thoroton Street, Blyth, NE24 1DX
8. **HALTWHISTLE WAR MEMORIAL HOSPITAL**
   Westgate, Haltwhistle, NE49 9AJ
9. **MORPETH NHS CENTRE**
   The Mount, Morpeth, NE61 1JY
10. **ROTHBURY COMMUNITY HOSPITAL**
    Whitton Bank Road, Rothbury, NE65 7RW

Our principal activities

Our ethos of continuous improvement – what we call 'The Northumbria Way' – means that we are constantly striving to provide the very best care to each and every one of our patients.

The experience of care for our patients is at the heart of this and we are recognised nationally for providing the highest quality of services – demonstrated by us being rated 'outstanding' by the Care Quality Commission in October 2019, for the second time since 2016.

Integration is also a major part of our Trust. In Northumberland, we manage adult social care services on behalf of Northumberland County Council, for patients in some of the most rural parts of the country. This long-standing partnership helps to ensure patients experience a seamless transition between hospital and home and the support they need for them to manage independently, and avoid hospital admission where possible, is in place.

We are committed to improving the health and wellbeing of our local populations in Northumberland and North Tyneside and work closely with partners to encourage communities to take positive steps to improve their health and prevent illness.

Our purpose

Our 'Five Year Strategy' outlines our vision until 2023 and reflects our commitment to ensure that every one of our patients and service users has an exceptional experience.

Patient and staff experience

Patient experience

We are passionate about ensuring that every one of our patients has the best experience possible whilst with us, and that they feel valued and listened to. We want families to feel well supported too and appropriately involved in decisions about care and treatment where necessary.

With this in mind, we have developed our approach over a number of years – our patient experience improvement programme is now recognised to be one of the most comprehensive programmes in the NHS. Our aim is to ensure that the feedback of thousands of patients is listened to and acted upon every year. In 2019 we took important steps to spread real time measurement and improvement across the NHS as part of our Patient Experience Collaborative.

We believe that this commitment to real time measurement continues to pay real dividends enabling us to respond swiftly to the needs of individuals and families and deliver care of the highest standard.

Staff experience

Linked to our successful real time patient experience programme, in 2018 the Trust took important steps to develop a similar programme to understand staff experience and what could be done to improve it. This also included the launch of the first real time staff experience surveys in December 2018. This programme has been further developed over the 2019/20 year in order to recognise the views of an engaged workforce that is committed to the aims and objectives of the Trust.

Engaging with stakeholders

Our continued success would not be possible without the support and collaboration of our key stakeholders. Engaging with our wide range of stakeholders is a priority for us to further build strong partnerships and trusted relationships – the foundation of our vision and strategy. Stakeholders' contributions help shape our strategic direction and we have a robust programme of engagement in place.

Further information

Awards 2019/20:

- Named among the country's 40 best performing organisations in CHKS Top Hospitals 2019 for the 12th consecutive year
- Named patient safety organisation of the year at the HSJ Patient Safety Awards 2019
- Named infection prevention and control initiative of the year for driving forward improvements for patients having hip and knee replacements across the NHS at the HSJ Patient Safety Awards 2019
- Won the perioperative and surgical care award for work to improve care for older people who have had a hip fracture across the country at the HSJ Patient Safety Awards 2019
- Highly commended in the mental health initiative of the year for work to enable women to reflect on their birth experience *and to receive specialist psychological support where needed* at the HSJ Patient Safety Awards 2019
- Financial management team named public services finance team of the year at the North East Accountancy Awards 2019
- Rated 'outstanding' by the Care Quality Commission for the second successive time
- Received the Skills for Health Quality Mark for delivery of apprenticeship programmes
- Awarded an Employer Recognition Scheme Gold Award for supporting the Armed Forces community
- Won the patient safety award for scaling up clinical interventions to improve care for patients with mild anaemia in the Health Business Awards 2019
- Highly commended for the transport and logistics award for electric vehicle charging points in the Health Business Awards 2019
- Awarded the continuing excellence+ level of the Better Health at Work Award, a regional scheme recognising workplaces' efforts to improve staff health and wellbeing
- For work with the Trust to provide MRI services, InHealth won Best Healthcare Provider Partnership with the NHS Award at the HSJ Partnership Awards 2020
- For work to enable lawyers to volunteer at The Northumbria hospital, DAC Beachcroft was named legal services provider of the year in the Health Service Journal's Partnership Awards 2020
- Won the travel award at the NHS Sustainability Awards 2020 for ongoing work to develop an electric vehicle infrastructure and promote the use of electric vehicles

Subsidiary Undertakings

Northumbria Healthcare Facilities Management Ltd (NHFML)

NHFML was established on 17 January 2012, and is a wholly-owned subsidiary of the Trust. It provides specialist project management services for large and small capital developments, estates maintenance services and a full range of facilities services.

NHFML helps clients through the capital development process from concept through to final occupation. This includes developing initial briefings and options, securing appropriate sites and planning consents, appointing consultant designers and advisors, managing the detailed design process, appointing contractors, managing the construction process and getting clients into fully operational buildings. It also provides maintenance services to ensure that premises are safe, comfortable and correctly meet the business needs of the client and comply with all statutory and/or mandatory requirements. Once the asset has been created, a complete range of facilities services can also be provided to support the on-going operational needs of any client.

The highlights of the last year for NHFML include:

- Providing on-going consultancy support to a number of NHS Trusts to assist them in developing their individual plans for managing their estates.
- Completion of the new Ambulatory Care facility at The Northumbria which opened in July.
- Ongoing support on a number of strategic capital developments including the new Sterilisation Centre (CSSD) at The Northumbria, development of the new Berwick Community Hospital, provision of additional car parking facilities at both North Tyneside and Wansbeck Hospitals and a range of sustainability projects including additional EV charging points.
- Developing our existing LLP relationships
- Provision of Total Facilities Management services at The Rutherford Centre, in Northumberland which is a new multi-million-pound cancer treatment centre.

Northumbria Primary Care (NPC) Ltd

In 2018/19 our pioneering partnership with local GPs through NPC has gone from strength to strength. NPC now manages seven GP practices – listed below – across 12 sites with around 42,000 registered patients in Northumberland and North Tyneside:

- Ponteland Medical Group (+2 branch surgeries)
- Cramlington Medical Group
- Spring Terrace Health Centre

- 49 Marine Avenue
- The Rothbury Practice (+ 2 branch surgeries)
- Haydon Bridge and Allendale surgeries
- Elsdon Avenue Surgery

NPC also manages a Clinical Support Unit (CSU) delivering:

- Pharmacy and medicines technicians services
- Clinical coding services.

2019/20 has been a successful year for NPC, with a number of important initiatives being delivered, and achievements in line with our 6 strategic goals a performance, regulatory, workforce and strategy perspective.

Some of our key achievements include:

- CQC – all practices rated 'good' (with Cramlington outstanding for well led)
- CSU – centralised pharmacy, medicines technicians and clinical coding – improved clinical safety and quality and work life balance for clinicians
- Increased appointment / access options for patients
- Improved patient experience scores
- Excellent staff feedback following extensive staff engagement programme
- 100% recruitment of GPs
- Member of 5 local Primary Care Networks (PCNs)
- Joint working with NHCFT – for example Howden Intermediate Care beds
- Growth – new practices and PCNs who have formally joined the Northumbria Partnership Cost Share Group through commercial expansion.

Northumbria Primary Care Ltd also had full control of a further subsidiary company, The Northumbria Partnership Cost Sharing Group, which was previously dormant however has started trading again during the year.

Other subsidiaries

The Trust has a further two subsidiary undertakings; Northumbria Digital Solutions Ltd ('NDSL') and Northumbria Academy Trust, the latter of which was dormant throughout 2019/20. The Trust established NDSL in July 2017 to look at IT solutions. However a subsequent decision was taken by the Board of Directors to keep IT services within the Trust in order to support the delivery of an ambitious five-year strategy for IT. NDSL has not conducted any business within the year, with its contract being terminated with the parent Trust in the 2017/18 financial year. It has continued to process a small number of transactions during the year during a period where contracts are being transferred.

Key issues, opportunities and risks

In order to maintain a strong system of governance, the Board of Directors and senior managers regularly review the key issues and risks that may undermine the achievement of the Trust's strategic objectives along with the opportunities that can support the Trust's future success and sustainability.

Moving forward the Trust has further developed its risk appetite matrix and reviewed its Board Assurance Framework in light of this matrix. The new style framework, including the risk appetite, was presented to the Trust board in May 2020 and will continue to be refined over the coming year.

During the middle of March 2020 the Trust started to see the presence of Covid-19 within its local population. Whilst this report focuses predominantly on the year 2019/20, the impact of Covid-19 on the organisation, even in the last 2 weeks of March 2020, has been significant. Under national instruction, the Trust ceased all elective activity, other than urgent and/or cancer treatments, and at the same time reconfigured a number of its services so that it could manage the predicted patient volumes for its acute and critical care services.

Whilst the Trust is now in the restore and recovery phase, there is a significant number of patients that will need to be seen, before full performance across all the constitutional standards are achieved. The Trust is focussing on ensuring that these plans restore activity as quickly as possible whilst also ensuring that social distancing and safe infection control practices are applied for both staff and patients entering the Trust.

The matters outlined below are those that the Board of Directors considers to be of particular significance to the Trust:

Access targets

If demand continues to grow rapidly, we may be under significant pressure to meet targets including the four-hour A&E, Cancer GP referral to treatment and bowel cancer screening targets and 18-week referral to treatment target. We manage this risk primarily via the Joint Operational Team and there are also regular reviews by the Executive Management Team and Board of Directors. Demand management initiatives and close partnership working with primary care as well as local providers including the ambulance Trust, are some of the key mechanisms deployed by us to address this risk.

Quality targets

It is imperative that the Trust maintains its strong reputation for safe and high-quality care. All services that the Trust provides are reviewed using our well-established 'quality panel' process to ensure that there is consistently high-quality care provided across the Trust. The Board of Directors, the Safety & Quality Committee and Council of Governors monitor a range

of metrics, from sepsis compliance, learning from deaths mortality data, to information relating to incidents in order to ensure that quality is maintained throughout the Trust.

Financial sustainability

The Trust's financial context, both regionally and nationally, is becoming increasingly challenging. The Trust's role in creating a more sustainable financial landscape was a top priority for the Board of Directors during 2019/20 and will continue into 2020/21. The Annual Governance Statement, from page 87, outlines in further detail how we manage risk.

Going concern disclosure

After making enquiries, the Directors have a reasonable expectation that the NHS Foundation Trust has adequate resources to continue in operational existence for the foreseeable future. The group generated net cash from operating activities of £44.2 million and holds cash and cash equivalents of £66.5 million alongside net current assets of £51.3million. For this reason, they continue to adopt the going concern basis in preparing the accounts. Please see note 2 of the Annual Accounts at Appendix A for more detail.

Performance analysis

How the Trust measures performance

We measure performance according to the delivery of objectives as outlined in our Annual Operational Plan. The Trust refreshed its five-year strategy in 2018 and the operational plan for 2020/21 sets out the vision for the coming year and the key objectives that we are committed to delivering within this plan are closely aligned to the five-year strategy.

The Operational Plan for 2019/20 was split between four core areas: **activity – quality – operations – finance.**

Activity

The Trust adopts an evidence-based approach to forecasting demand and understanding its capacity needs. We monitor activity against our expectations for the year and continually adapt our model to reflect changes in the configuration of services across the Trust. We continue to closely follow the impact of The Northumbria after three and a half years in operation, as well as the change in function of the associated 'base' hospitals sites in Hexham, Wansbeck and North Tyneside.

Quality

One of the key ways in which we monitor the quality of care we provide and the extent to which we are continually improving as a Trust is via the annual priorities for quality improvement. Other sources of information which inform how we are performing from a quality perspective include:

- *Patient experience data*
- *Complaints and patient feedback*
- *Clinical audit*

Further detail on how we monitor quality will be outlined in the Quality Account which will be published later in the year.

Operations

We consider a wide range of national, regulatory, and internal measures in order to assess operational performance. This includes, for example, analysis of performance against the national target for 95% of A&E patients to be seen, treated, admitted or discharged within four hours.

Finance

Each year we commit to a financial plan which includes a cost improvement target to be achieved, a capital plan, and a forecast outturn for the year end. Further detail regarding the Trust's financial performance against the plan is outlined from page 24.

Quality

Safety and quality priorities

Our safety and quality priorities for 2019/20 are highlighted in the table below. These priorities were identified in collaboration with members of the public, staff, Governors and key stakeholders. We take pride in using patient and service user feedback to support the quality improvements we wish to focus on. We also worked with clinicians who made recommendations to the Board of Directors and Council of Governors in order to develop our priorities.

Safety & Quality Priorities
1. Flow
2. Patient and Staff experience
3. Deteriorating Patient Programme
4. Frailty
5. Cancer
6. Bereavement
7. Maternity
8. Making Every Contact Count

Performance against the priorities above has been monitored by the Board of Directors, Safety & Quality Committee, and Council of Governors. Further detail in relation to the safety & quality priorities will be detailed in the Quality Account which will be published later this year.

Clinical audit

During 2019/20, 63 quality account national clinical audits and 4 national confidential enquiries covered relevant health services that we provide. During that period we participated in 97% national clinical audits and 100% national confidential enquiries of the national clinical audits and national confidential enquiries we were eligible to participate in.

The Quality Account, which will be published later in the year, will further outline the clinical audit activity during 2019/20.

Complaints and patient feedback

We place significant emphasis on the feedback we receive from patients, whether positive or negative. To ensure that we continue to improve the quality of care and patient experience provided in our hospitals, we thoroughly track, review and monitor the complaints, concerns and compliments we receive and our response to these. We have a Patient Feedback Sub-Committee which reports to the Board of Director's Safety and Quality Committee and is predominantly concerned with the identification of themes and issues arising from patient feedback gathered via formal complaints, informal concerns, and comments about the Trust on social media.

The table below summarises the 2019/20 performance against complaints key performance indicators:

Measure	Target	2019/20 Outturn	2018/19 Outturn	2017/18 Outturn	2016/17 Outturn
New complaints received	no target	413	334	391	440
Acknowledge all complaints within 3 days of receipt	100%	100%	100%	99%	100%
Complaints closed	no target	456	414	403	486
Complaints closed within timescale agreed with complainant	95%	98%	94%	90%	81%
Percentage of well – founded complaints	no target	68%	70%	69%	68%

Further information relating to complaints, including the themes and trends identified, will be provided in the Quality Account which will be published later in the year.

Patient experience

Northumbria continues to attract national recognition for having one of the most comprehensive patient experience programmes in the NHS. We use a variety of methods to seek honest, and reflective accounts of care from those who use our services, and draw on this wealth of data to maintain high standards of care. There are several ways in which we gather, analyse and react to patient experience feedback.

Real-time programme

The data for 2019 highlights a very strong overall standard by our ward teams, with our findings remaining reliably outstanding throughout the year. Realtime continues to be held as a quality assurance marker for Governors and Trust Board. The transparency and frequency of information sharing enables us to continue to adapt our services to meet the needs of our population. Patient feedback also provides a welcome opportunity to give recognition to individuals and teams who have gone above and beyond.

The learning over the last year would not have been possible without the willingness of patients and their families to share their experiences, and for this we are very grateful. Our patients rated care against a core set of evidenced based domains and gave the following scores for our care:

- 94% for **Consistency & Coordination**
- 99% for **Respect & dignity**
- 96% for **Involvement** in decisions about care
- 98% for the quality of relationships with our **Doctors**
- 99% for the quality of relationships with our **Nurses**
- 99% for the **Cleanliness** of our wards and bathrooms
- 98% for the way the team managed **Pain**
- 83% for **Communicating about medicines** and side effects
- 93% for Noise at Night
- 99% for Kindness & Compassion

As well as capturing people's experiences on the day of discharge, we survey thousands of patients once they leave hospital to enable us to have a very balanced view of their experience of our care. We have used this feedback to target and improve essential aspects of our care that we know matter most.

Patient perspective 2019

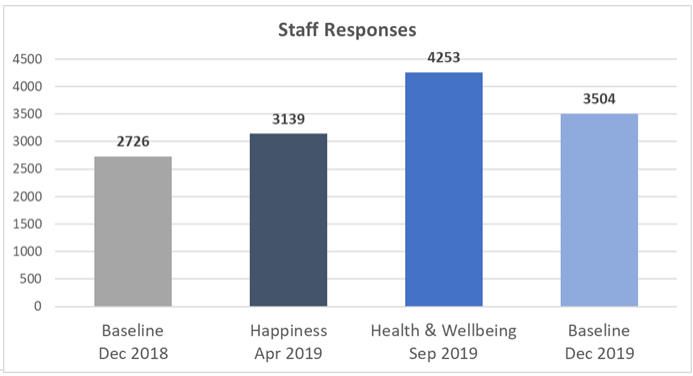
Overall, the inpatient results for 2019 continue to be very good. The inpatient score for the Trust is 87.2% which is in the top 20% of Trusts – with a threshold at 84%. Overall, 98% of patients rated their care as good, very good or excellent. Results for day-case patients are better still, averaging 92.7%.

The outpatient results continue to be extremely good. All sites have an overall score in the national top 20%. All specialties are in the national top 20% with the exception of Pain Management. The overall score is 89%, with the score for the top 20% in England standing at 85%. 98% of patients rate the Trust as good, very good or excellent.

The patient experience in emergency care was also very positive in 2019. The average score is 84.1%, with the top 20% score for England at 78% and above.

Staff Experience

Northumbria has developed a well-recognised and awarding winning patient experience improvement programme that spans a decade. In 2018, the organisation took important steps to



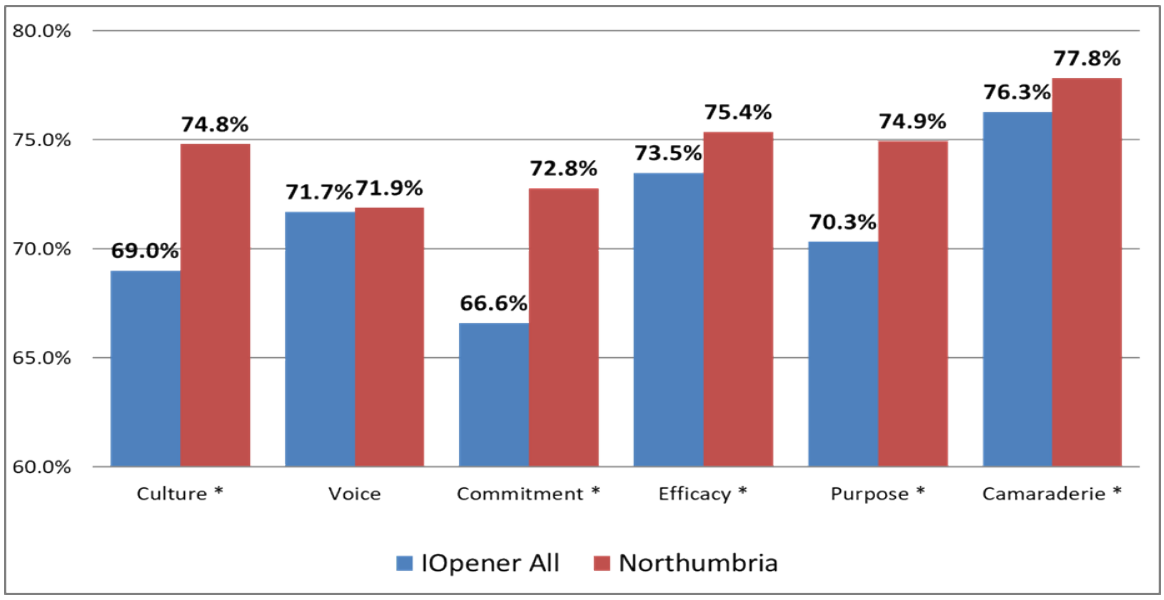
invest in the health and wellbeing of its staff, by developing a similar, integrated staff experience programme.

Northumbria the first 12 months we have completed a baseline survey and 3 additional pulse surveys: Happiness at work (April) Staff Health and Well-being (September) and Team work and Productivity (December) We've been very encouraged by the returns over time.
We're also showing more agility when turning information around. In September we managed to analyse qualitative and quantitative data from 4,253 staff responses and publish local site-based results and infographics across 10 hospitals in just 10 days.

Early results

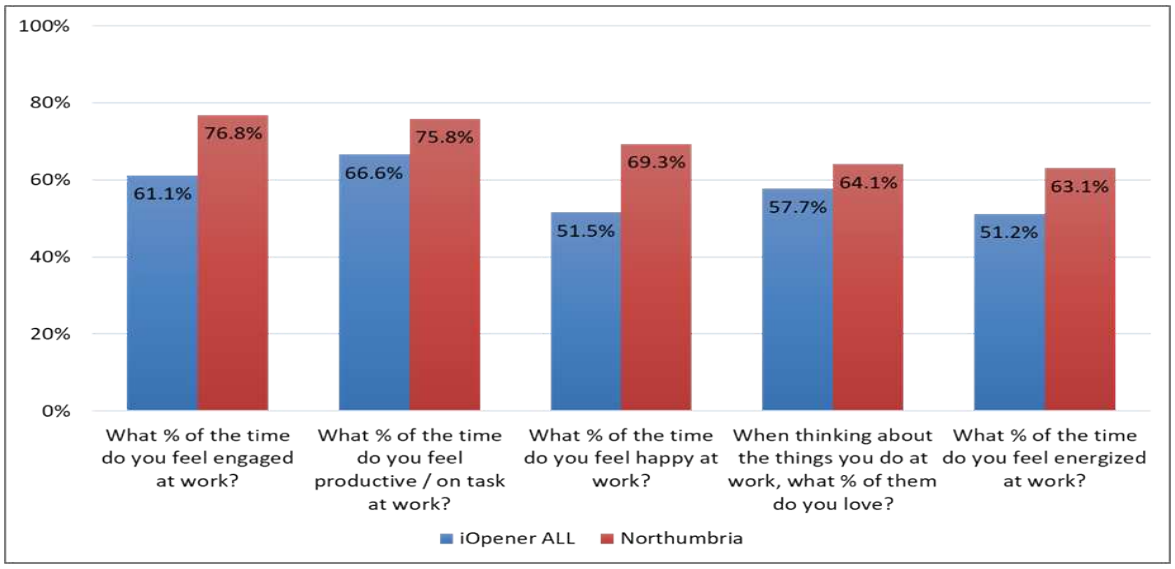
In April, our collaboration with the i-Opener institute enabled all staff who responded to the online survey (iPPQ) to receive their own personal report of happiness at work and how this might be optimised. A 33.4% response rate was achieved with 3,139 respondents from the 9,404 staff surveyed. Northumbria was able to understand how positively the Trust results compared with the other 65,000 respondents of the iPPQ to date.

Comparison to all iPPQ respondents



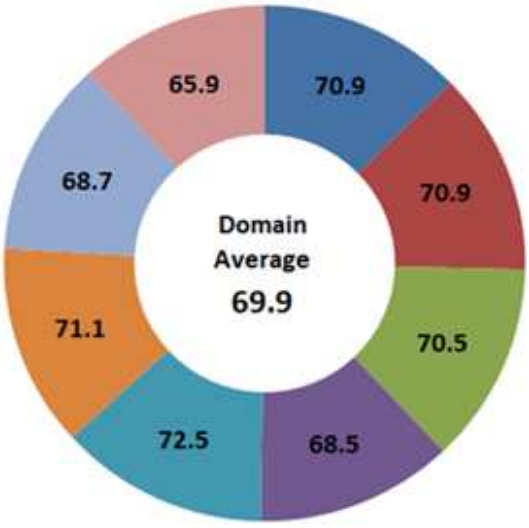
Northumbria staff were shown to be more engaged, more productive, happier, more likely to love the work they do, and more energized than iOpener respondents worldwide. The same holds for comparators within the health sector worldwide and the health sector in UK.

ENERGY, ENGAGED, PRODUCTIVE; Comparison of all iPPQ respondents

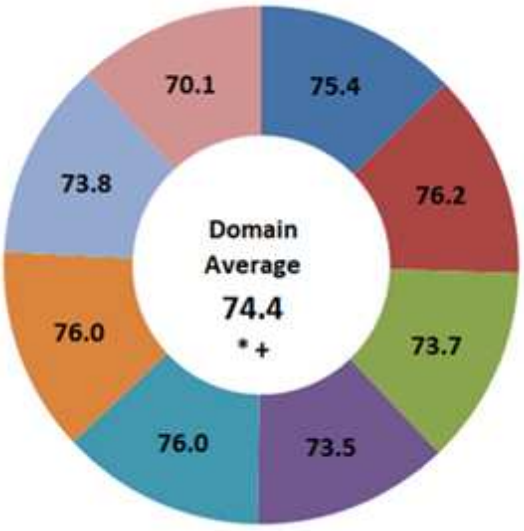


In December 2019, we chose to repeat the Trust wide baseline survey to see if there had been any gains compared to staff feedback that had been received at the same time last year. We received responses from 3500 staff over 3 weeks. The results for a first year of implementation are encouraging – all 8 domains of staff experience have statistically improved. See summary results below: -

2018 baseline (2726 returns)



2019 baseline (3500 returns)

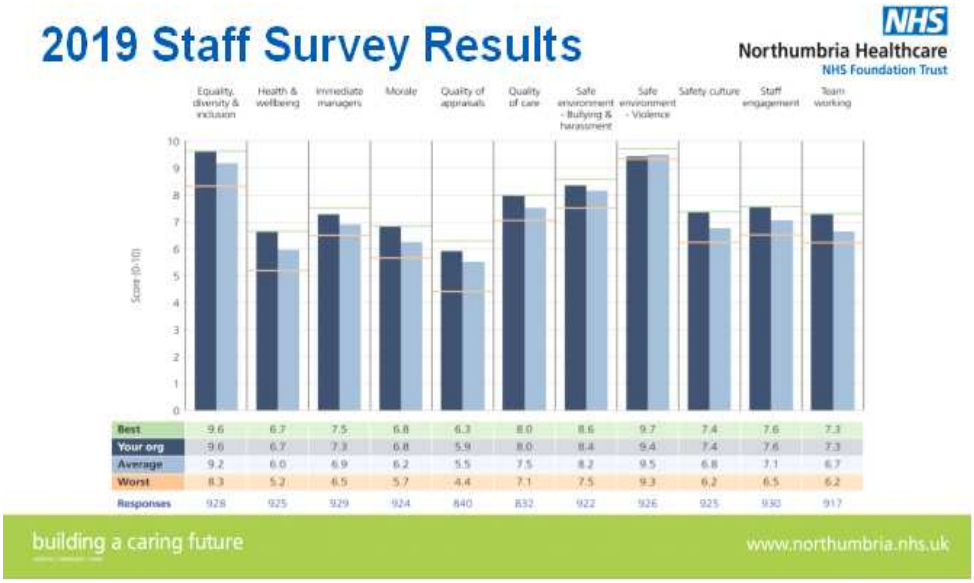


Our core metric of sustainable engagement was also statistically better, with a new December 2019 score of 77.9 %

Northumbria improvements in national staff survey results in 2019

It was reassuring to see the improvements that have been apparent locally, replicated in Northumbria's national staff experience results. The NHS Staff Survey is one of the largest workforce surveys in the world. Completed by all 229 NHS provider Trusts in England, the survey focusses on eleven key themes and provides essential insight into how staff feel about culture, their wellbeing, levels of engagement and motivation, equality, diversity and inclusion, safety and quality of care.

Northumbria ranked highest of all acute and acute and community Trusts - sharing the leading performance with one acute specialist organisation and two community Trusts. Scores for staff morale, equality and diversity and health and well-being were the highest in the country, with best in 7 out of 11 staff experience domains.



Freedom to Speak Up Guardian

Staff within the Trust can speak up to their Freedom To Speak Up (FTSU) Guardian about any concern that they have. Staff can text, email or telephone the Guardian confidentially to seek independent, impartial support and advice on raising their concerns.

The Freedom to Speak Up process is adhered to by the Guardian, which provides structure and consistency when managing each speak up case. It is the role of the Guardian to ensure that concerns raised are managed, escalated and provide feedback to ensure patient safety, staff experience improved and learning achieved.

The table below shows that there has been an increase in the number of Speak Up cases received each Quarter with an extra 108 Speak Ups being received in 2019/20 compared to 2018/19. The number of anonymous Speak Ups remains low across the past two years as Staff are encouraged to speak up within the organisation without the need for anonymity.

The Speak Up case numbers are higher at Northumbria in comparison to many other organisations nationally. Northumbria is the only organisation in the North East who provides their Guardian with a permanent contract, protected time with opportunity to work flexibly over 30 hours per week and does not hold any other role within the organisation. The Guardian reports the data quarterly to the National Guardian Office and engages with the Regional Network regularly.

The high numbers reflect the strategic approach taken early into role, competencies and skills matched at recruitment process, working both reactive and proactively to embed the Speaking Up culture across the organisation, with the support and direction from all Speak Up cases, Staff and Services within.

	2019/20				TOTAL	2018/19				TOTAL
	Q1	Q2	Q3	Q4	19/20	Q1	Q2	Q3	Q4	18/19
Number of Speak Ups	42	39	40	41	**162**	75	57	77	61	**270**
Number of Speak Ups raised anonymously	1	0	0	3	**4**	0	3	4	1	**8**

Operational

The Trust measures a range of key performance indicators ('KPIs') in order to ensure the services it provides to patients are the best they possibly can be. Examples of the KPIs that are monitored by the Board of Directors and also reported to the Council of Governors on a monthly basis are:

- Cases of MRSA
- Cases of C. difficile
- 18 weeks Referral to Treatment (incomplete pathways)
- Four-hour A&E target
- Elective operations not cancelled
- Cancer – two 62 day referral to treatment NHS England and NHS Improvement's Single Oversight Framework targets
- Sickness
- CQC overall rating
- Learning disability standards
- Improving access to psychological therapies (IAPT)

Our performance for the year versus these targets is shown in the table below:

KPI	Target	Performance for 2019/20
MRSA	0	4
C difficile	No more than 39 cases in the year	51
18 weeks referral to treatment (incomplete pathways)	92%	Achieved 10 out of 12 months
A&E 4 hour wait	95%	94.2%
Cancer: 62 day RTT from urgent GP referrals	85%	Achieved for 7 out of 12 months
Cancer: 62 day RTT from the national screening service	90%	Achieved for 7 out of 12 months
CQC overall rating	Outstanding	Outstanding
Learning disability	Meet learning disability standards	Fully met
IAPT - treated within 6 weeks of referral	75%	Achieved at end of each quarter
IAPT - treated within 6 weeks of referral	95%	Achieved at end of each quarter
IAPT - completing treatment and moved to recovery	50%	Achieved at end of each quarter

The impact of Covid-19 on operational performance was limited in 2019/20 given that the impact of the pandemic preparations was not until mid-March 2020 when elective activity

was suspended. Delivery of the constitutional standards for 2020/21 remain challenging, given that the restoration of activity has not fully materialised and is unlikely to reach pre Covid-19 levels for some time. This is predominantly a consequence of having to maintain social distancing and the need for stringent infection control practices both within the elective and non-elective streams of activity.

The Trust has robust plans to safely increase the amount of elective activity over the coming months – for both operative and diagnostic work. Similarly, the Trust is developing its non-face to face outpatient clinics to support social distancing and ensure that patients continue to been seen and spoken to in a timely manner. The Board continue to have full oversight of this activity and any changes in model that support delivery of these standards and ensure patient safety.

Financial

We recorded a surplus for the year of £13.5 million (£9.2 million in 2018/19). The surplus is after an impairment of fixed assets of £1.0 million.

This reflects the strength of financial management and efficiency in the Trust and enables us to continue to have an excellent rating for financial risk. Our well-established commercial activity has been one of the key factors in enabling us to maintain a strong financial position with other operating income of £125.4 million (£132.6 million 18/19).

Patient activity (by payment by results only)	Plan 2019-20	Outturn 2019-20	Outturn 2018-19
Non-elective inpatient spells	43,565	42,690	42,599
Elective inpatient and day case spells	46,479	45,986	45,191
Outpatient new	167,170	150,638	159,247
Outpatient follow-up	331,334	287,469	321,214
Outpatient radiology	49,354	52,966	47,626
Outpatient procedures	36,121	36,254	35,819
Diagnostic tests (direct access only)	2,562,424	2,473,727	2,498,932
A&E attendances	195,583	224,198	215,869

There are a number of financial challenges facing the Trust and wider NHS and public sector. Included within these challenges are issues such as:

- As with most large building projects, there are a number of post completion defects in The Northumbria building. The Trust has engaged with its contractor Lend Lease to ensure that these are remediated in full to the correct standards
- The general economic climate and impact on healthcare and our supply chain

Better payment practice code

The code provides that all payments due to our non-NHS suppliers and contractors are made within 30 days of the receipt of the goods or services unless other terms have been agreed. We are working towards full compliance with the code and, in particular, make payments to small and local businesses within 10 days. No payments of interest have been paid under the Late Payment of Commercial Debts (interest) Act 1998.

Environmental Matters (including sustainability)

The Trust continues to focus on sustainable healthcare and is committed to perpetuate the reduction of the environmental impact of its activities.

Our Commitment

The Sustainability Management Strategy continues to set out our aims for reducing carbon emissions by 2021 and also identifies those actions that will support sustainable healthcare within our local areas of Northumberland & North Tyneside.

The Trust accepts its sustainable responsibility to manage finite resource and the requirements to adapt to continue to provide a sustainable healthcare solution for future generations. It will do this by managing its activities in the following streams:

- Energy & Utilities
- Waste
- Travel &Transport
- Information Management & Technologies
- Procurement

It also considers the impact of climate change on its service provision and the adaptation required to be able to continue to provide its services under changeable environmental conditions.

Sustainability Management Plan II (2016-2021)

The Trust has just completed its penultimate year of its second Sustainability Management Plan and has significantly exceeded the targets set for both energy & waste.

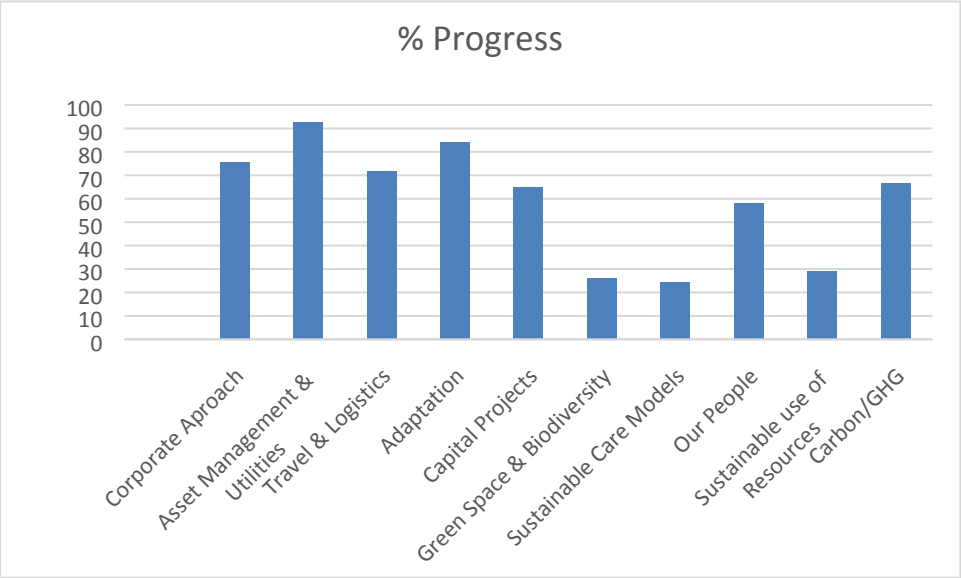
The plan is reviewed quarterly and an annual report is provided by the Sustainability Management and Implementation Group on its achievement's against targets as well as reaffirming the following years plan.

Sustainable Development Assessment Tool

In line with reporting for the current plan and providing guidance for the Trust 3rd plan we have started using the Sustainable Development Assessment Tool (SDAT) which will provide focus for our next plan, provide measurement of our sustainable journey and show how the Trust is supporting the UN Sustainable Development Goals (SDG's).

In our 1st use of the tool we have achieved an assessment score of 61% and our progress in the individual modules can be seen in table 1 below.

Table 1 – Progress in Individual Modules



United Nations Sustainable Development Goals

Northumbria Healthcare is clearly contributing to the following SDG's at a local level.

Northumbria Healthcare has started to contribute to the following SDG's at a local level.

Energy and Carbon

The Trust continues to invest in carbon reduction schemes and is still significantly ahead of its five-year plans. The reduction target of 34% was set against a baseline of 2007/08 and the current reduction in energy related carbon emissions is in the order of 52%.

The main highlights are renewing a significant part of the lighting within the Trust buildings. The Trust has invested significantly in LED lighting in several our hospitals. This not only provided a large reduction in carbon emissions and the associated reduction in energy consumed but it also provided a large financial benefit in terms of both cost reduction and costs associated with both maintenance and repairs.

Sustainable Waste

We as a Trust promote the good management of resource, by reuse, recycling and disposal of waste as per the definition of the waste hierarchy produced by DEFRA.

This provides the following benefits to the Trust:

- Legislative compliance
- Implementation of internal policy and strategy commitments
- Cost minimisation
- Reduced environmental impact.

Despite a significant increase in patient activity the Trust continues to improve on its waste management goals by continuing to reduce waste to landfill and high temperature treatment. Offensive waste is now rolled out through all areas of the Trust, recycling has seen a large improvement, especially in clinical and surgical areas and focus has now moved to include hard to recycle plastics which are now removed from the waste stream and sent as a resource via a re-manufacturing process.

Sustainable Commuting

Travel and transport play a vital role when it comes to climate change, carbon emissions and sustainability. Our efforts were focused on promoting a shift towards more environmentally friendly forms of transport in 2019-2020. Cycle to work scheme, car sharing projects & Increasing EV infrastructure Trust wide were the key projects looked at in detail in 2019-2020.

Highlights from 2019/2020

- We are continuing to promote cycling as a part of the green travel plan.
- Discounted public transport tickets were promoted to encourage staff to use as an alternative mode transport for commuting.
- The Trust now has 53 EV charging spaces with at least 2 on each Trust site, with an additional 24 currently being installed.
- Electric Vehicle Charging sessions across the Trust increased to 48,741 charging sessions. The estimated carbon savings were 240.29 tonnes.
- The Trust has now 15 Zero emission fully electric vans which operate from 5 different sites

- Video Conferencing facilities were improved in order to reduce the staff travelling between sites for meetings.

Procurement (Shared Procurement Service)

The Trust continues to utilise a shared procurement service with Northumberland County Council. New projects undergo a Sustainability Impact Assessment (SIA), the score of this will help inform how environmental, social and economic factors are included within the specification and evaluation of procurement activity.

The Trust continues to consider actions to help the environment and reducing the amount of products that should be recycled going into the general waste. We have sourced the following products that go into the general waste and degrade over time.

The Trust has introduced reusable cups for hot takeaway drinks. Biodegradable products are used as far as is practicable and improved recycling systems are now in place in all site restaurants.

Communications

Internal communications continue via the Trust newsletter, quarterly magazine and the Trust Facebook page is now heavily used to convey messages and actions regarding sustainability.

Other Sustainable Matters

The Trust has had its sustainable credentials acknowledged during the past year:

- Health Business Award for Transport and innovation – Commended
- NHS Sustainability Day Award for work carried out to promote the use of electric vehicles.
- Investors In the Environment – Accredited Green Standard

Social, community and human rights issues

The Trust recognises the need to forge strong links with the communities it serves and prides itself on having a nationally-recognised communications and engagement department. The work of the communications and engagement department is far reaching and covers public research, community engagement, event organisation, media and social media management, internal and external marketing and communication, GP liaison and patient information.

The Department of Health produced a guide in 2013/14 on "Human Rights and Healthcare" setting out scenarios where the Human Rights Act might apply and we are committed to meeting our obligations in respect of the human rights of our staff and patients, which is closely aligned both to the NHS constitution and our values. NHS Trusts are public bodies, and so it is unlawful to act in any way incompatible with the European Convention on Human Rights unless required by primary legislation. The Trust has an Equality, Diversity and Human Rights Policy which guides our approach to managing social, community and human rights issues. The policy is kept under regular review by the Policy Assurance Group in July 2015 to ensure its effectiveness and, in particular, that the Trust's stance on Equal Opportunities is compliant with legal and best practice standards and that Trust practice in this field is exemplary.

International philanthropic programme

Over the past twenty years we have developed strong international links. Since 1999 our charity has supported a ground-breaking partnership which sees our employees working with Kilimanjaro Christian Medical Centre (KCMC) in Northern Tanzania. During this time, our teams have volunteered their time to travel to Tanzania to exchange knowledge and skills with their African counterparts and work together to provide a vastly improved healthcare service for patients in the country.

Our international link continues to gain momentum with a new orthopaedic project underway and plans to work with the anaesthesia and maternal health departments.

Over the years we have introduced a range of new health services to KCMC (including day case surgery, laparoscopic surgery, burns management, ultrasound and physiotherapy as well as non-clinical services like clinical coding and domestics). We also host medical students from Tanzania and have supported numerous Commonwealth fellowship opportunities for Tanzanian consultants to be able to travel to the UK for professional development as well as undertaken ground-breaking medical research in to some of the world's leading causes of disease and mortality.

Since 2016 we have worked with Health Education England North East to provide a unique opportunity for doctors in training. Every year six junior doctors join the project team for resilience training. The doctors provide teaching in the hospital and to community health workers in rural villages.

In 2019, we celebrated twenty years of our partnership with KCMC and our annual burns team's trip was broadcast on regional television, ITV news, as part of a four-piece documentary. The multi-disciplinary team carried out a number of complex and life-saving surgeries and delivered training to healthcare professionals in the hospital as well as people in the local community, including basic burns first aid to local school children and emergency response training to motorcyclists. The project is having a significant impact; resulting in improved healthcare for burns patients and reductions in the number of fatalities and critical burns injuries.

(caption: ITV new crew filming at Kibosho Hospital)

(caption: Peter Smith, Critical Care Practitioner, delivering training to motorcyclists)

2019 also saw us embark on a new project to study the use of antibiotics in Northern Tanzania, following an award of funding from the Commonwealth Partnerships for Antimicrobial Stewardship (CwPAMS). Project activity covered a broad range of areas including our teams rolling out training on Anti-Microbial Resistance at KCMC and nearby district hospitals, launching a public health campaign to raise awareness around antibiotic use and improving the use of infection control processes. The project has led to improved leadership and established protocols around infection prevention and control.

Audit and financial statement risks

During 2019/20, the significant issues that the Board of Directors and Audit Committee have considered in relation to the Trust's financial statements, operations and compliance included: the valuation and impairment of assets; VAT treatment; revenue recognition; cyber security; and the on-going negotiations with the contractor who delivered The Northumbria. The impact of these issues has been discussed by the Board of Directors and the Audit Committee and advice considered from external audit and external advisors.

Preparation of report

The annual report has been prepared on the same group basis as the Annual Accounts, Appendix A. Where the Trust is judged to control one or more entities under accounting standards for the purposes of its accounts, those entities have been included in the annual report disclosures where relevant.

Post-year end events

A post-year end event is any event after the year end (31st March 2020) but before the date the annual report and annual accounts are signed which would materially impact upon the content of the annual report and annual accounts. Please see the 2019/20 Annual Accounts at Appendix A for information on the post-year end events.

Sir James Mackey

Accountable Officer

26th June 2020

PART 2: Accountability Report

Directors' Report

The Board of Directors – Role and responsibilities

Our Board of Directors ('the Board') functions according to corporate governance best practice. The Board operates as a unitary Board with collective accountability for all aspects of Trust performance, from clinical quality to financial performance and sustainability. Key responsibilities of the Board are:

- Engaging with the Council of Governors to set the strategic direction for the Trust;
- Overseeing the delivery of our Annual Plan;
- Ensuring that the services we provide to patients are high quality, safe and caring;
- Ensuring that we are governed by a robust system of internal control and risk management;
- Ensuring that we are compliant with the conditions of our Foundation Trust licence;
- Overseeing our performance and ensuring that all organisational, local and national performance targets are met;
- Continuously seeking further improvement and innovation.

The Board is led by the Chair, Alan Richardson and the Executive Team is led by Sir James Mackey, Chief Executive Officer. During the year, Martin Knowles acted as Trust Chair due to Alan Richardson taking an extended period of absence.

The Board sets the strategic direction within the context of NHS priorities, allocates resources, monitors performance against organisational objectives, ensures that clinical services are safe, of a high quality, patient-focused and effective, ensures high standards of clinical and corporate governance and, along with the Council of Governors, engages members and stakeholders to ensure effective dialogue with the communities we serve.

The Board of Directors is responsible for exercising all of the powers of the Trust; however, has the option to delegate these powers to senior management and other committees. The Board has several committees which support the seeking of assurance in relation to quality, performance, and risk management throughout the Trust. These committees are: Audit Committee; Safety & Quality Committee; Finance, Investment & Performance Committee; Remuneration Committee; Workforce Committee and Assurance Committee. An Information Management & Technology Committee was established in 2017 in order to seek assurance that mitigations were put in place to address risks to cyber security following the WannaCry attack. This Committee continues to operate in order to support the delivery of an ambitious five-year IT strategy.

The Trust has a Scheme of Delegation which outlines when approval for a decision is required from the Board or one of its committees, such as for a high-value business case, and decisions which the Executive team are permitted to make without further approval.

The Board of Directors is jointly and severally responsible for scrutinising and constructively challenging the performance of the Trust to ensure we deliver our strategy, continuously improve, and deliver high quality care.

Board composition

The Board is comprised of eight Executive Directors and nine Non-Executive Directors, including a Non-Executive Chair. The size of the Board is considered to be sufficient and the balance of skills and experience appropriate for the current requirements of the business.

All Board members undergo an appraisal process which includes consideration of how an individual's contribution is aligned to our values: Respect; Everyone's contribution counts; Responsibility and accountability; Patients first; Safe and high-quality care.

The Chief Executive leads the annual evaluation of each Executive Director and Director, and the results of evaluations are summarised and reported to the Non-Executive Directors at the Remuneration Committee.

A revised Non-Executive Director appraisal process was implemented during 2016 with the Chair leading the appraisal of each Non-Executive Director and the results of evaluations are considered by Governors at the Nominations, Remuneration and Development Committee ('NRD'). This appraisal process was further developed during the year following a review by Deloitte. This included the addition of a target setting meeting with the Non-Executive Directors at the start of the year with an appraisal, based on these objectives, being completed at the end of the year.

The Chair and Non-Executive Directors are appointed by the NRD Committee, which is comprised solely of Governors, for terms of office of up to three years and may seek reappointment in line with the provisions set out in the NHS Foundation Trust Code of Governance ('the Code'). All of the Non-Executive Directors are considered to be independent in character and in judgement. Additional assurance of independence and commitment for those Non-Executive Directors serving longer than six years is achieved via a rigorous annual appraisal and review process in line with the recommendations outlined in the Code. A report of the Nomination, Remuneration and Development Committee is detailed further from page 55.

The Executive Directors and Directors are appointed by the Remuneration Committee on behalf of the Board of Directors. All Directors are appointed on permanent contracts and undertake an annual appraisal process to ensure that the focus of the Board remains on the

patient and delivering safe, high quality, patient-centred care. A report of the Remuneration Committee is detailed further on page 60.

The composition of the Board over the year is set out on the following page and includes details of background, committee membership and attendance.

The performance of the Board as a whole is reviewed on an annual basis by undertaking a self-assessment of the effectiveness of the Board of Directors, subsidiary Boards, and Board of Directors' committees.

Executive Directors		Attendance at Board of Director meetings	
Name & position	Background	Total number attended	% attendance
Sir James Mackey - Chief Executive Officer	Sir James Mackey, known as Jim, returned to his substantive role as Chief Executive of the Trust in November 2017, a post he previously held for ten years. He was welcomed back after completing a two-year secondment in a national role as Chief Executive of the NHS Improvement. Jim successfully oversaw the creation of NHS Improvement who are responsible for overseeing NHS Trusts. NHS Improvement supports providers to ensure patients are given consistently safe, high quality, compassionate care within local health systems that are financially sustainable. Previous to his time at Northumbria Healthcare, Jim held a number of senior roles within the NHS and the Regional Health Authority in the North East.	12/12	100%
Daljit Lally – Executive Director of System Leadership and Social care	Daljit Lally is the Executive Director of System Leadership and Community employed in a formal joint role between Northumbria Healthcare NHS Foundation Trust and Northumberland County Council. In this role Daljit is responsible to the Chief Executive of Northumbria Healthcare NHS Foundation Trust, as well as being the Chief Executive of Northumberland County Council. She is a qualified Registered General Nurse (RGN), holds a BA(Hons) Business and Finance and an MBA (2002) from Durham University. Daljit has held a number of clinical and management roles in the private and public sectors	8/12	67%
Birju Bartoli – Executive Director of Performance & Development	Birju Bartoli was named as Executive Director of Performance & Improvement in 2018 having previously been Executive Director of Systems Strategy & Transformation. She was the project director for The Northumbria Specialist Emergency Care Hospital which opened in June 2015, the first hospital of its kind in the UK.	10/12	83%

Executive Directors		Attendance at Board of Director meetings	
Name & position	Background	Total number attended	% attendance
	Birju has worked for the Trust since 2003 when she joined as an NHS management trainee and over the years has worked in a number of operational areas from manager to deputy director level. She holds a number of healthcare qualifications including an applied biochemistry degree and a PhD in cancer research.		
Paul Dunn – Executive Director of Finance	Paul Dunn has been Executive Director of Finance since 2004. He is a qualified accountant with over 30 years' experience of working in the health service. Paul helped develop the Trust's successful application for foundation status and long-term financial strategy.	12/12	100%
Ann Stringer – Executive Director of Human Resources & Organisational Development	Ann Stringer has been Executive Director of Human Resources and Organisational Development for the Trust since 2005. After graduating from Newcastle University in sociology and social administration, she joined a large supermarket retailer on their graduate scheme as an HR trainee, before progressing to working for Rowntree Mackintosh. She then moved to Findus as the site HR manager and became the UK HR director responsible for manufacturing, sales and marketing as well as the European head office. Ann then moved to Northumbria Healthcare in 2005 and since then has worked hard to build a strong and proactive HR function, with constructive and open employee relations contributing to a steady improvement in staff survey results.	11/12	92%
Jeremy Rushmer – Executive Medical Director	Dr Jeremy Rushmer was appointed Executive Medical Director in March 2016, providing clinical leadership on all aspects of patient safety, quality of care and clinical strategy. Jeremy has been a consultant with the Trust for over 18 years in intensive care medicine and anaesthesia. He will continue to care for seriously ill patients at Northumbria Specialist Emergency Care Hospital in Cramlington where he has also been site medical director since September 2015. Between 2012 and 2015 Jeremy spent time as medical director at North Cumbria University Hospitals NHS Trust where he successfully led vital quality improvements, resulting in safer and more effective care for patients.	9/12	75%
Marion Dickson – Executive Director of Nursing, Midwifery and	Marion is our Executive Director of Nursing, Midwifery & Allied Health Professionals. After many years with the Trust, Marion was appointed as Interim Executive Director of Nursing,	11/12	92%

Executive Directors		Attendance at Board of Director meetings	
Name & position	Background	Total number attended	% attendance
Allied Health Professionals	Midwifery & Allied Health Professionals whilst Ellie Monkhouse was on secondment. She was substantively appointed to the post in June 2019.		
Claire Riley – Executive Director of Communications & Corporate Affairs (from 21/10/2019)	Claire Riley joined the Trust as Director of Communications and Corporate Affairs in 2010 and was appointed to the Trust Board as a voting director in October 2019. She brings with her extensive experience in business, marketing and communications across both the public and private sectors. She was named as a 'North East marketing great' in 2017 after being included in the list of the 50 leading marketing professionals published by the Chartered Institute of Marketing (CIM). Claire joined the Trust from her role as Director of Communications for the North East Strategic Health Authority.	4/5	80%
Non-Executive Directors		**Attendance at Board of Director meetings**	
Name & position	**Background**	**Total number attended**	**% attendance**
Professor Alan Richardson – Trust Chair (Absent from 8/10/2019 to the end of the year)	Alan Richardson was appointed as Chair in January 2016, officially taking up the post in March. A chartered engineer by background, Alan has a wealth of experience running large and successful organisations. He has served on several boards, most notably Scottish Power Plc, Reyrolle Ltd and Glasgow Development Agency. Most recently Alan served as chair of Coventry University for the past six years before recently moving back to his native North East.	7/7	100%
Martin Knowles – Non-Executive Director (from 1/4/2019 to 7/10/2019) Acting Trust Chair – from 8/10/2019 to the end of the year)	Martin Knowles joined the Trust as a Non-Executive Director in January 2016. He brings extensive experience at Board level in the public sector, having been chief executive of South Tyneside Homes and Four Housing Group, as well as finance director at North Tyneside General Hospital in the 1990s. More recently, Martin moved from Executive to Non-Executive roles, including Vice-Chair of Audit at Sunderland Council and Tyne and Wear Fire Service, as well as being a Board member at New College Durham. Martin was also Chair of the Trust's Audit Committee until May 2017 when Malcolm Page took up the position. Since then Martin has been Chair of the Trust's Finance, Investment and Performance Committee.	12/12	100%
Peter Sanderson – Non-Executive	Peter Sanderson joined the Trust as a Non-Executive Director in 2014. Peter, a retired GP, worked as a	9/9	100%

Executive Directors		Attendance at Board of Director meetings	
Name & position	Background	Total number attended	% attendance
Director (to 29/11/2019)	family doctor in Guide Post, south east Northumberland, for 31 years. Before becoming a GP, Peter spent five years as an RAF medical officer. He was secretary of the Northumberland Local Medical Committee for 16 years and previously held a part-time role as GP clinical advisor with Northumbria Healthcare. Peter was Chair of the Remuneration Committee until he retired after his second three-year term in November 2019.		
Alison Marshall – Non-Executive Director (to 30/09/2019)	Alison joined the Trust in January 2017 and brought with her a wealth of legal experience. Alison was Chair of the Trust's Safety & Quality Committee as well as the Trust's Charitable Funds Committee until she left the Trust in September 2019 to take up the role of Chair of Gateshead Health NHS Foundation Trust.	7/7	100%
Moira Davison – Non-Executive Director	Moira Davison joined as a Non-Executive Director in May 2017 and has considerable experience over many years in NHS management working across the North East and Cumbria. She has held director roles in South of Tyne and Wear PCT and the North of England Cancer Network. Moira retired from the NHS in March 2013 before establishing a consultancy company and undertaking a range of health service projects. Most recently she was the managing director of Northumbria Primary Care. Moira has a keen interest in quality and patient safety and is the designated Non-Executive for the Trust's emergency preparedness. Moira is also Chair of the Trust's Assurance Committee and took up the role of Chair of the Safety & Quality Committee on an interim basis following Alison's departure.	9/12	75%
Malcolm Page – Non-Executive Director	Malcolm joined the Trust as a Non-Executive Director in April 2017 and is currently the Chief Operating Officer at Teesside University. During his career, Malcolm has held numerous Board level positions within large organisations across the region including as Deputy Chief Executive of One North East. He has extensive experience in a number of areas including strategy, resource management and property. Malcolm is a qualified accountant and also holds an MBA. As part of Malcolm's role as Non-Executive director at the Trust, he Chairs the Audit Committee as well	11/12	92%

Executive Directors		Attendance at Board of Director meetings	
Name & position	Background	Total number attended	% attendance
	as the Information Management & Technology Committee.		
Bernard McCardle – Non-Executive Director	Bernard, known as Bernie, joined the Trust in July 2018. Bernie is an experienced HR director whose career has spanned the public sector, including public transport, local government and police. After retiring from his role as corporate service director with Northumbria Police in 2016, Bernie set up his own HR consultancy company and has worked on a variety of projects including social housing, higher education and prison services. Bernie is the Chair of the Trust's Workforce Committee and took on the role of Chair of the Remuneration Committee following Peter's retirement.	11/12	92%
Professor Sir Alan Craft – Non-Executive Director	Alan Craft joined the Trust as a Non-Executive Director in October 2018. Alan has spent his career in the Health Service as a consultant specialising in paediatric oncology and he was also formerly the Head of Child Health at Newcastle University medical school. He began his medical career in 1969 before specialising first in paediatric medicine and then in paediatric oncology. He held the presidency of the Royal College of Paediatrics between 2003 and 2006 and that of the International Paediatric Oncology Society for over six years between 1999 and 2005. Alan is a Northumberland resident and author of over 350 papers, review articles and books. A pioneer of treatment, research and patient care Professor Craft has led studies into the management of bone tumours and the evaluation of screening for neuroblastoma; to name but two. Following Alison's departure, Alan took on the role as Chair of the Charitable Funds Committee and has recently added Chair of the Safety & Quality Committee to his portfolio.	8/12	67%
Andrew Besford – Non-Executive Director (from 3/12/2019)	Andrew joined the Trust as a Non-Executive Director in December 2019 following a career in the private sector and central government leading a range of digital transformations. Andrew has joined the Information Management & Technology Committee and is active in supporting the Trust's five-year IT strategy.	3/3	100%

Executive Directors		Attendance at Board of Director meetings	
Name & position	Background	Total number attended	% attendance
Professor John Roger Barton – Non-Executive Director (from 16/12/2019)	Roger joined the Trust a Non-Executive Director in December 2019. He has considerable experience working as a Consultant Physician in the NHS with a major interest in Medical Education. He was previously the Director of Medical Education for Northumbria. Professor Barton has become a key member of the Trust's Safety & Quality Committee.	1/3	33%
Ruth Connorton – Non-Executive Director (from 13/01/2020)	Ruth joined the Trust as a Non-Executive Director in January 2020 following a career spent as a Commercial Lawyer, she was previously a Partner in two large law firms in Newcastle. Ruth has joined the Trust's Finance, Investment & Performance Committee and the Assurance Committee.	3/3	100%

Directors' responsibility for Equality & Diversity

To assist in the development of our equality and diversity understanding each Director, both Executive and Non-Executive, has been assigned responsibility for the consideration of a protected characteristic when decisions are taken in relation to staff or services. To improve Board members understanding we are currently developing a reverse mentoring scheme to provide the opportunity for Board members to learn from lived experience. It is likely that these mentors will come from our thriving network groups.

The Board recently participated in a scheme to improve the readiness of candidates with protected characteristics to apply for Non-Executive Director roles. In addition Board members supported a Leadership Academy "Stepping Up" programme for NHS staff from a BAME background.

Directors' and Governors' interests

Details of company directorships and other significant interests held by Directors or Governors which may conflict with their management responsibilities are registered and reviewed on an annual basis.

Registers are available from the Company Secretary, North Tyneside General Hospital, Rake Lane, North Tyneside, NE29 8NH or via the website at www.northumbria.nhs.uk. No political donations have been made during the year.

Audit Committee

The Audit Committee has been chaired by Malcolm Page since May 2017. In compliance with the Code, we have ensured that the committee is chaired by a Non-Executive Director with recent and relevant financial experience.

The Audit Committee met eight times during the year. Standing attendees to the Committee include: Executive Director of Finance; Deputy Director of Finance; representatives of internal and external audit; and others where required.

Meeting attendance for 2019/20 is shown in the table below:

Member attendance	23/4/19	22/5/19	9/7/19	13/9/19	8/11/19	28/11/19	17/1/20	13/3/20	Total	%
Malcolm Page	✓	✓	✓	✓	✓	✓	✓	✓	8/8	100%
Peter Sanderson (to 29/11/2019)	✓	✓	-	✓	✓	✓			5/6	83%
Alison Marshall (to 30/09/2019)	✓	✓	-	✓					3/4	75%
Moira Davison	✓	✓	✓	✓	✓	✓	✓	✓	8/8	100%
Bernard McCardle	✓	✓	✓	-	✓	✓	✓	✓	7/8	88%
Alan Craft	-	-	-	-	-	-	-	-	0/8	0%
Andrew Besford							✓	✓	2/2	100%
Roger Barton							-	-	0/2	0%
Ruth Connorton							-	-	0/2	0%

The Committee is responsible for providing the Board with advice and recommendations on matters which include the effectiveness of the framework of controls in the Trust, the adequacy of the arrangements for managing risk and how they are implemented, the adequacy of the plans of our auditors and how they perform against them, the impact of changes in accounting policy and the Committee's review of the Annual Accounts. The Chair of the Audit Committee is also a member of the Trust's Assurance Committee in order to triangulate issues, risks and management of key internal controls.

The Committee met its responsibilities during 2019/20 by:

- Reviewing our Assurance Framework;
- Reviewing any risk and internal control-related disclosures, such as the Annual Governance Statement;
- Reviewing the work and findings of Internal Audit, including the Internal Audit annual plan;
- Reviewing the work and findings of External Audit;
- Reviewing the work and findings of the Local Counter Fraud Officer;
- Reviewing the process by which clinical audit is undertaken in the organisation;
- Monitoring the extent to which our external auditors undertake non-audit work having reference to the Auditors Guidance Note 1 (AGN01) "General Guidance Supporting Local Audit"

- Reviewing the 2019/20 Financial Statements and Annual Report, prior to submission to the Board and NHS Improvement;
- Seeking assurance that the financial statements have been appropriately compiled on a going concern basis;
- Reviewing and approving the Trust's Standing Financial Instructions and Scheme of Delegation
- Receiving assurance regarding Cyber Security, IT Strategy and IT projects
- Reviewing Trust policies such as; the Fraud, Bribery and Corruption policy and the Standards of Business Conduct policy
- Approving the Register of Interests for the Trust Board of Directors
- Seeking assurance in relation to the Trust's compliance with regulatory changes
- Reviewing the Trust's policies and procedures following the introduction of the General Data Protection Regulations.

During the year, the external auditors undertook work in addition to the statutory financial statements audit, as follows:

- IT services to the North East Patches consortium
- Certification to National Audit Office (NAO) of balances for Whole of Governments Accounts

The Committee is content that the objectivity and independence of the auditor was not compromised by any of these additional assignments and that these services are allowed services under AGN01.

The duty to appoint the External Auditors lies with the Council of Governors. A panel of Governors, supported by Trust officers and the Chair of the Audit Committee is established to oversee the procurement of external audit services regarding the appointment and retention of the external auditor. Following a tendering exercise, the Council of Governors approved the reappointment of the Trust's external auditor, KPMG LLP, for a period of three years, effective from 1st April 2017 with an option of an extension for a further two years.

The Governors External Audit Panel met on two occasions during 2019/20 and received information and reports on the role, remit and responsibility of the Audit Committee along with a statement of assurance from the Audit Committee Chair. The panel also sought assurance as to the activities of Internal and External Audit and the Local Counter Fraud Service.

Statement of compliance with cost allocation and charging requirements

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

Income disclosures

In 2019/20, we met the requirement that income from the provision of goods and services for the purposes of the Health Service in England must be greater than its income from the provision of goods and services for any other purposes as defined under section 43(2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012).

All net income from the provision of goods and services for other purposes has been reinvested back into frontline healthcare for the benefit of patients.

Modern Slavery and Human Trafficking Act 2015 - Annual Statement 2019/20

This statement is made pursuant to s54 of the Modern Slavery Act 2015 and sets out the steps that Northumbria Healthcare NHS Foundation Trust has taken, and is continuing to take, to make sure that modern slavery or human trafficking is not taking place within our business or supply chain during the year ending 31 March 2021.

Modern slavery encompasses slavery, servitude, human trafficking and forced labour. Northumbria Healthcare has a zero tolerance approach to any form of modern slavery. We are committed to acting ethically and with integrity and transparency in all business dealings and to putting effective systems and controls in place to safeguard against any form of modern slavery taking place within the business or our supply chain.

About the organisation

Northumbria Healthcare NHS Foundation Trust provides hospital and community health services in North Tyneside and hospital, community health and adult social care services in Northumberland to approximately half a million people. We provide care from three general hospitals – Hexham, Wansbeck and North Tyneside, community hospitals in Alnwick, Berwick, Rothbury and Blyth, an integrated health and social care facility at Haltwhistle, an elderly care unit in Morpeth and outpatients and diagnostic centres at Sir GB Hunter in Wallsend and Morpeth NHS Centre.

In June 2015 we opened The Northumbria Specialist Emergency Care Hospital (The Northumbria) in Cramlington. This is the first purpose-built hospital of its kind in the country, with emergency care consultants working 24 hours a day, seven days a week and specialists in a broad range of conditions on site seven days a week.

Our annual turnover is over £612 million and we have a workforce of around 9,500 staff working across our hospitals and in the community.

Our policies on slavery and human trafficking

Northumbria Healthcare NHS Foundation Trust is aware of our responsibilities towards patients, service users, employees and the local community and expects all suppliers to the Trust to adhere to the same ethical principles. We have internal policies and procedures in place that assess supplier risk in relation to the potential for modern slavery or human trafficking.

The Trust considers the likely impact of and any associated criteria with regard to social issues within its supply chain prior to the commencement of a procurement process through its Sustainable Impact Assessment Tool. The Trust has also implemented the Standard Selection Questionnaire (SQ), which includes the requirement for supplier disclosure of any offence under the Mandatory Exclusion Grounds and also requires confirmation of compliance with reporting requirements under Section 54 of the Act 2015.

In addition, we operate a number of internal policies to ensure that we are conducting business in an ethical and transparent manner. These include:

1. Recruitment policy. We operate a robust recruitment policy, including conducting eligibility to work in the UK checks for all directly employed staff, and agencies on approved frameworks are audited to provide assurance that pre-employment clearance has been obtained for agency staff, to safeguard against human trafficking or individuals being forced to work against their will.
2. Equal Opportunities. We have a range of controls to protect staff from poor treatment and/or exploitation, which complies with all respective laws and regulations. These include provision of fair pay rates, fair terms and conditions of employment, and access to training and development opportunities.
3. Safeguarding policies. We adhere to the principles inherent within both our safeguarding children and adults policies. These provide clear guidance so that our employees are clear on how to raise safeguarding concerns.
4. Whistle blowing policy. We operate a whistle blowing policy so that all employees know that they can raise concerns about how colleagues or people receiving our services are being treated, without fear of reprisals.
5. Standards of business conduct. This code explains the manner in which we behave as an organisation and how we expect our employees and suppliers to act.

Training

Advice and training about modern slavery and human trafficking is available to staff through our mandatory safeguarding children and adults training programmes, our safeguarding policies and procedures, and our safeguarding leads. All staff have been made aware via the staff update bulletin of the NHS England YouTube video available at: https://www.youtube.com/watch?v=cRskjqpgSNs

Members of the Procurement senior team are Chartered Institute of Purchasing and Supply (CIPS) qualified and abide by the CIPs code of professional conduct and have undertaken specific training related to modern slavery and human trafficking. The Shared Procurement Service has its own ethical procurement and supply policy and supplier charter.

We are looking at ways to continuously increase awareness within our organisation, and to ensure a high level of understanding of the risks involved with modern slavery and human trafficking in our supply chains and in our business. To assist with this the Trust has undertaken a self- assessment and is working with Hope for Justice, a non-profit organisation which aims to end human trafficking and modern slavery.

Our performance indicators

We will know the effectiveness of the steps that we are taking to ensure that slavery and/or human trafficking is not taking place within our business or supply chain if: no reports are received from our staff, the public, or law enforcement agencies to indicate that modern slavery practices have been identified.

The Board of Directors has considered and approved this statement and will continue to support the requirements of the legislation.

Enhanced quality governance reporting

Our approach to quality governance is summarised in detail in both the performance analysis from page 15 and in the Annual Governance Statement from page 87. Our approach to quality governance is based upon the core principles of NHS England and NHS Improvement's Single Oversight Framework against which we have undergone independent reviews of governance within the last three years. No material inconsistencies have been identified between the Annual Governance Statement, quarterly and annual regulatory submissions from the Board of Directors, or report arising from CQC visits.

Patient care activities

A detailed overview of the patient care activities we have provided is outlined in the performance analysis section from page 15 and will also be detailed in the Quality Account which will be published later in the year.

Directors' declaration on audit information

So far as the Directors are aware, there is no relevant audit information of which the Trust's auditors are unaware and the Directors have taken all steps that they ought to as Directors in order to make themselves aware of any relevant information and to ensure the auditors were aware of that information.

The Council of Governors

Composition

The Council of Governors has 37 positions elected by members of the public constituency (including one position representing the Rest of England), 23 positions elected by the staff constituency and 11 members appointed by local partner organisations.

Governors are elected to office for terms of up to three years and may seek re-election for further terms. During the year, the election to the public constituency of Berwick upon Tweed was contested. Elections to the public constituencies of Blyth Valley, North West Tyneside and Wansbeck and the staff constituencies of Hexham General Hospital, North Tyneside General Hospital (Cobalt) and Northumbria Specialist Emergency Care Hospital were uncontested. We did not receive any nominations for the public constituency of Hexham and Wallsend or any nominations for the staff constituencies of Berwick Infirmary, Morpeth (Whalton Unit and Morpeth NHS Centre) and Blyth (Community Hospital), Wansbeck General Hospital, Northumberland Community and North Tyneside Community.

Details of the number of vacancies for which elections were held during 2019/20 are shown in the table below and totalled. In year, three public governors stood down from their positions (one from Berwick upon Tweed, one from Blyth Valley, one from North West Tyneside) and one staff governor (North Tyneside General Hospital (Cobalt)).

Constituency	No. to elect	Positions filled
Public governor vacancies		
Berwick upon Tweed	1	1
Blyth Valley	4	3
Hexham	2	0
North West Tyneside	2	1
Wansbeck	4	1
Wallsend	1	0
Total public governor vacancies	**14**	**6**
Staff governor vacancies		
Berwick Infirmary	1	0
Morpeth (Whalton unit and Morpeth NHS Centre) and Blyth (Community Hospital)	1	0
Hexham General Hospital	2	2
Wansbeck General Hospital	2	0
Northumbria Specialist Emergency Care Hospital	1	1
North Tyneside General Hospital (including Cobalt)	2	2
North Tyneside Community	1	0
Northumberland community	1	0
Total staff governor vacancies	**11**	**5**

Composition and attendance of the Council of Governors 1 April 2019 – 31 March 2020		
Public governors	**Detail of appointment**	**General meetings attended (6)**
Berwick constituency		
Mick McCarthy	Elected 1/8/18 – 31/7/21	(3 out of 6)
Linda Pepper	Elected 1/8/17 – 31/7/20	(4 out of 6)
Andrew Gray	Elected 1/8/17 – 31/7/20	(4 out of 6)
Barry Allison	Elected 1/8/18 – 31/7/21	(5 out of 6)
Tony Stapleton	Elected 1/8/19 – 1/1/20*	(2 out of 2)
Pauline Wilson	Elected 1/8/17 – 31/7/20	(3 out of 6)
Blyth Valley constituency		
Ken Patterson	Elected 1/8/17 – 31/7/20	(6 out of 6)
Bill Dowse	Elected 1/8/19 – 31/7/22	(5 out of 6)
Sean Fahey - **lead governor 1/10/19**	Elected 1/8/17 – 31/7/20	(6 out of 6)
Mavis Wilkinson-Hamilton	Elected 1/8/17 – 13/5/19*	(0 out of 1)
John Ostle	Elected 1/8/19 - 31/7/22	(6 out of 6)
Karl McLean	Elected 1/8/19 – 31/7/22	(0 out of 4)
Wansbeck constituency		
David Wilkinson	Elected 1/8/18 – 31/7/21	(5 out of 6)
Brian Kipling	Elected 1/8/18 – 31/7/21	(2 out of 6)
Paul Crook	Elected 1/8/19 – 31/7/21	(4 out of 4)
Hexham constituency		
Stephen Prandle	Elected 1/8/18 – 31/7/21	(4 out of 6)
Isobel Johnson	Elected 1/8/17 – 31/7/20	(4 out of 6)
Chris Tolan-Smith	Elected 1/8/17 – 31/7/20	(4 out of 6)
Janet Shucksmith	Elected 1/8/17 – 31/7/20	(2 out of 6)
North Shields constituency		
John Forsyth	Elected 1/8/18 – 31/7/21	(6 out of 6)
Peter Blair	Elected 1/8/18 – 31/7/21	(5 out of 6)
Gill Close	Elected 1/8/17 – 31/7/20	(6 out of 6)
North West Tyneside constituency		
James Kavanagh	Elected 1/8/19 – 31/7/22	(0 out of 4)
Mary Laver	Elected 1/8/18 – 14/11/19*	(1 out of 3)
Wallsend constituency		
Ian McKee	Elected 1/8/17 – 31/7/20	(5 out of 6)
Tony Turnbull	Elected 1/8/18 – 31/7/21	(0 out of 6)
Whitley Bay constituency		
Heather Carr	Elected 1/8/18 – 31/7/21	(5 out of 6)
Adam Chedburn	Elected 1/8/18 – 31/7/21	(5 out of 6)
Pamela Hood	Elected 1/8/18 – 31/7/21	(6 out of 6)

Composition and attendance of the Council of Governors 1 April 2019 – 31 March 2020		
Public governors	**Detail of appointment**	**General meetings attended (6)**
Rest of England		
Tom Millen	Elected 1/8/18 – 31/7/21	(3 out of 6)

Composition and attendance of the Council of Governors 1 April 2019 – 31 March 2020		
Staff governors	**Detail of appointment**	**General meetings attended (6)**
Berwick Infirmary		
Nicola Karolewski	Elected 1/8/16 – 31/7/19	(0 out of 2)
Alnwick Infirmary		
Chris Bell	Elected 1/8/17 – 31/7/20	(0 out of 6)
Hexham General Hospital		
Nichola Hunter	Elected 1/8/19 – 31/7/22	(0 out of 4)
Lucy Thompson	Elected 1/8/19 – 31/7/22	(0 out of 6)
Northumberland community		
Doreen Davidson	Elected 1/8/18 – 31/7/21	(5 out of 6)
Lisa McCluskey	Elected 1/8/17 – 31/7/20	(0 out of 6)
Northumbria Specialist Emergency Care Hospital		
Brian Bennett	Elected 1/8/19 – 31/7/22	(0 out of 4)
Jackie Lackenby	Elected 1/8/18 – 31/7/21	(5 out of 6)
Lorraine Munro	Elected 1/8/17 – 31/7/20	(0 out of 6)
North Tyneside General Hospital/Cobalt		
Angela Moore	Elected 1/8/17 – 31/7/20	(1 out of 6)
Alison Bywater – **lead governor until 30/9/19**	Elected 1/8/17 – 31/7/20	(4 out of 6)
Sarah Nicholson	Elected 1/8/18 – 28/4/19*	(out of 4)
Callum Brown	Elected 1/8/19 – 31/7/22	(2 out of 4)
Laura Hutchinson	Elected 1/8/17 – 31/7/20	(2 out of 6)
Angela Bandeira	Elected 1/8/17 – 31/7/20	(1 out of 6)
Rexie Akwei	Elected 1/8/19 – 31/7/22	(2 out of 4)
North Tyneside community		
Carrie Hughes	Elected 1/8/17 – 31/7/20	(2 out of 6)

*stood down mid-term

Appointed governors	Organisation	General meetings attended (6)
Dianne Ford	Northumbria University	(0 out of 6)
Andrew Fisher	Newcastle University (until 17/01/20)	(0 out of 6)
Chris Price	Newcastle University (from 17/01/20)	(0 out of 6)
Ed Hutton	North East Ambulance Service NHS Foundation Trust (from 25/02/20)	(0 out of 6)
Muriel Green	North Tyneside Council	(4 out of 6)
Margaret Hall	North Tyneside Council	(2 out of 6)
Richard Dodd	Northumberland County Council	(2 out of 6)
Veronica Jones	Northumberland County Council	(2 out of 6)
Abi Conway	VCS	(1 out of 6)

Board of directors	Job title	General meetings attended (6)
Sir James Mackey	Chief Executive	(6 out of 6)
Alan Richardson	Chair	(2 out of 6)
Paul Dunn	Executive Director of Finance	(2 out of 6)
Birju Bartoli	Executive Director of Performance and Improvement	(5 out of 6)
Ann Stringer	Executive Director of Human Resources and Organisational Development	(5 out of 6)
Daljit Lally	Executive Director of System Leadership and Community	(3 out of 6)
Marion Dickson	Executive Director of Nursing, Midwifery and Allied Health Professionals, and Executive Director for Surgery and Community Services	(5 out of 6)
Jeremy Rushmer	Executive Medical Director	(5 out of 6)
Claire Riley	Executive Director of Communications and Corporate Affairs	(6 out of 6)
Helen Ray	Chief Operating Officer (until 15/09/19)	(1 out of 1)
Martin Knowles	Non-Executive Director (Senior Independent Director) Acting Chair (from 7/10/19)	(5 out of 6)
Peter Sanderson	Non-Executive Director (until 31/12/19)	(3 out of 3)
Alison Marshall	Non-Executive Director (until 30/09/19)	(2 out of 2)
Moira Davison	Non-Executive Director	(6 out of 6)
Malcolm Page	Non-Executive Director	(5 out of 6)
Bernie McCardle	Non-Executive Director	(5 out of 6)
Professor Sir Alan Craft	Non-Executive Director	(2 out of 6)
Ruth Connorton	Non-Executive Director (from 13/01/20)	(2 out of 2)
Roger Barton	Non-Executive Director (from 16/12/19)	(0 out of 2)
Andrew Besford	Non-Executive Director (from 2/12/19)	(2 out of 2)

All members of the Council of Governors have to declare any potential conflicts of interest annually; a copy of this register is available from the foundation team foundation@northumbria.nhs.uk

Role and duties

The Council of Governors is responsible for fulfilling its statutory duties, including:

- Appointing, removing and deciding the terms of office and remuneration of the Chair and other Non-Executive Directors
- Appointing or, if appropriate, removing our external auditors
- Approving the appointment of the Chief Executive
- Receiving our annual report and accounts (including the auditor's report)
- Contributing to our strategic plans
- Holding the Non-Executive Directors, individually and collectively, to account for the performance of the Board of Directors
- Represent the interests of the Trust as a whole and the interests of the public

Members of the Council of Governors who served during the year along with details of their appointments and attendance at meetings are shown in the table above.

For further information on membership or becoming a governor, contact the foundation team, Northumbria Healthcare NHS Foundation Trust, Northumbria House, Unit 7/8 Silver Fox Way, Cobalt Business Park, Newcastle upon Tyne, NE27 0QJ, tel: 0191 203 1296 or via e-mail at foundation@northumbria.nhs.uk

The Council of Governors carries out its formal business in a series of general meetings including the annual members' meeting. There were six formal meetings during 2019/20, including two extraordinary general meetings. All general meetings are open to our members and the general public.

During the past year, the council has approved the appointment of three new non-executive directors. Throughout the year, the council has participated in the development of our quality account, safety and quality priorities and the annual plan. These discussions include the feedback of views from public and staff members and local communities that governors have gathered through their local engagement activities.

Examples of agenda items and information updates at governors' meetings over the past 12 months are:

- Overview of the community services business unit;
- Information management and technology strategy;
- Updates from non-executive directors and the committees they chair;
- Overview of the plans for winter; and
- Developing and agreeing the governors' cycle of business.

The Chief Executive provides governors with regular updates on finance and performance and directors are invited to attend all meetings of the Council of Governors. The agenda ensures that governors are given full opportunity to question directors and non-executive directors on the performance of the Trust and to engage on strategic matters. Governors also have allocated representatives from amongst the Council of Governors to sit on some of the board of directors' assurance-seeking committees as one of the many mechanisms in place to enable governors to discharge their statutory duties.

Governors continue to be involved in key redevelopments and any service changes. An example of this engagement is the on-going involvement of governors in the Berwick Hospital redevelopment.

Regular updates on Trust-wide developments and major changes are already provided at Council of Governors' meetings and in addition discussed at monthly constituency meetings with the chair and non-executive directors. Through these mechanisms, governors are kept up-to-date with the latest developments and ensure that they have the opportunity to influence future plans and contribute a patient/public and staff perspective.

In addition, the Chief Executive has regular meetings with staff governors whereby they determine the agenda and items for discussion. Action points from these sessions are fed into the executive team and responses and feedback are provided by the Chief Executive at subsequent sessions. This has helped to develop relationships between the board and staff governors as well as governors and staff members by enabling two-way feedback from board-to-ward.

Any conflicts that may occur between the board of directors and the Council of Governors will be resolved through the Trust's dispute resolution procedure.

Nominations, Remuneration and Development Committee

The Nomination, Remuneration and Development ('NRD') Committee consists of public, staff and co-opted governors. The Committee is chaired by the Trust Chair, with the exception of instances in which the appointment and performance of the Chair are to be discussed. The Committee invites the Trust's Chief Executive, Executive Director of Human Resources and Organisational Development and Company Secretary to attend the Committee meetings to provide advice and support as required.

The Committee is responsible for taking forward recommendations to the Council of Governors concerning the appointment or re-appointment of the Chairman and Non-Executive Directors prior to the conclusion of their terms of office. In making a recommendation, the Committee reviews each individual's annual review documentation to consider how they have performed as a Non-Executive Director and on the knowledge, skills and experience that they contribute to the Board of Directors. As part of this process, the Committee monitors the collective performance of the Board of Directors and considers the balance between the need for continuity, and the need to progressively refresh the Trust Board as advised within the NHS Foundation Trust Code of Governance.

In compliance with the code, the Non-Executive Directors were subject to a formal rigorous review which included the following elements:

- A review of the appraisal documentation for the previous 12 months
- Confirmation from the Chair that he considers the Non-Executive Directors to be independent or the mitigating actions to ensure the effectiveness of the Board is not compromised
- Confirmation from the Chief Executive that he considers the Non-Executive Directors to be independent and confirmation of continuing constructive challenge and scrutiny
- Review of the skills mix of the Board of Directors
- Review of 360-degree information from peers and colleagues.

During the 2019/20 period Alison Marshall left her position as a Non-Executive Director with the Trust to take up the position of Chair of Gateshead Health NHS FT and Peter Sanderson retired at the end of his second three year-term. As such, the Board undertook a review of its composition and skill mix and consequently, three new Non-Executive Directors were appointed; Andrew Besford, Professor John Roger Barton and Ruth Connorton. The Committee recommended these appointments to the Council of Governors which were subsequently approved.

The Committee met on 9 occasions during the period of the 1st April 2019 to the 31st March 2020 to address the performance, appointment and re-appointment of the Non-Executive Directors:

Member attendance	5/6/19	26/6/19	25/9/19	1/10/19	17/10/19	29/10/19	21/11/19	8/1/20	13/2/20	**Total**
Alan Richardson, Chair*	✓	✓	✓	✓						**3/4**
Martin Knowles, Acting Chair/SID*					✓	-	✓	✓	✓	**4/5**
Sean Fahey, Public governor*	✓	✓	✓	✓	✓	✓	✓	✓	✓	**9/9**
Ken Patterson, Public governor	✓	-	-	✓	✓	✓	✓	✓	-	**6/9**
John Ostle, Public governor	✓	✓	-	-	-	✓	✓	✓	✓	**6/9**
Heather Carr, Public governor	✓	-	✓	✓	✓	-	-	-	-	**4/9**
Muriel Green, Co-opted governor	✓	✓	✓	-	-	✓	-	✓	✓	**6/9**
Jackie Lackenby, Staff governor	✓	✓	✓	✓	✓	-	✓	✓	-	**7/9**
Alison Bywater, Staff governor	✓	✓	✓	✓	✓	-	-	✓	-	**6/9**
Bill Dowse, Public governor	✓	✓	-	-	✓	✓	✓	✓	✓	**7/9**
Gill Close, Public governor	✓	✓	✓	-	-	✓	-	✓	-	**5/9**
Isobel Johnson, Public governor	-	✓	-	✓	-	✓	-	-	-	**3/9**
Mary Laver, Public governor	-	✓								**1/2**
John Forsyth, Public governor			✓	✓	✓	✓	✓	✓	✓	**7/7**
Linda Pepper, Public governor						✓	-	✓	-	**2/4**

*Martin Knowles acted as Chair of the Trust during Alan Richardson's period of absence. When present, Martin was Chair of the Committee.

** As Lead Governor, Sean Fahey chaired the meetings on 1st October 2019 and 29th October 2019 in both Alan Richardson and Marin Knowles' absence.

Membership activity

We draw our members from two membership constituencies – the public constituency including the Rest of England constituency and the staff constituency. Membership of the public constituency is open to anyone over the age of 12 living in England.

Public membership

We have eight geographically based constituencies within Northumberland and North Tyneside and a Rest of England constituency for anybody living outside these areas.

As of 31 March 2020, there were 7,356 members in the public constituency as shown in the table below.

Northumbria Healthcare NHS Foundation Trust		
Members of constituency class	**Membership 2018/19**	**Membership 2019/20**
Berwick upon Tweed	698	737
Blyth Valley	1,529	1,512
Hexham	1,332	1,312
Wansbeck	1,115	1,094
Total	**4,674**	**4,655**
North West Tyneside	474	492
Wallsend	556	555
North Shields	621	622
Whitley Bay	978	972
Total	**2,629**	**2,641**
Sub total	7,303	7,296
Rest of England	50	60
Grand total	**7,353**	**7,356**

We have an ongoing membership recruitment campaign across all constituencies in place, which includes:

- proactive PR activity including online and social media
- recruitment roadshows at hospital sites and community venues
- governor activity
- working with our partners and their communication and engagement mechanisms to promote the benefits of being a member
- Member leaflets and TV screens in our hospitals

Throughout the year, the membership data is also regularly cleansed to remove people who are now deceased or have moved out of the area. Members can also choose to opt out whenever they wish.

Staff membership

Staff who are employed directly by us on permanent contracts automatically become members of the staff constituency unless they inform us that they do not wish to do so. At 31st March 2020, there were 8,978 members in the staff constituency as detailed in the table below.

Staff constituency	Membership 2019/20
North Tyneside General Hospital, Cobalt (including CBX)	2869
Wansbeck General Hospital (including the Whalton Unit)	1479
Hexham General Hospital, Haltwhistle War Memorial Hospital	539
Northumbria Specialist Emergency Care Hospital	1478
NHS Centre (Morpeth), Blyth Community Hospital	166
Alnwick Infirmary, Rothbury Community Hospital	180
Berwick Infirmary	111
Northumberland community staff	1252
North Tyneside community staff	394
Other	510
Total	**8,978**

Membership analysis

The diversity of our public membership is broadly in line with that of the general population in the constituency area with 1.5 per cent of the total population being members of the Trust. We keep the position under review via the governors' membership strategy committee to further improve alignment.

The following table shows the public membership by age, ethnicity and gender:

Public and patient membership 2019/20	
Age	**No.**
0 – 16	2
17 – 21	13
22 – 29	112
30 – 39	215
40 – 49	464
50 – 59	999
60 – 74	2848
Over 75	2652
Unknown/unspecified	51
Total	**7356**

Ethnicity	
White	6689
Mixed	5
Asian or Asian British	23
Black or Black British	8
Other	7
Not Stated	624
Total	**7356**

Gender	
Male	2852
Female	4469
Unspecified	35
Total	**7356**

Membership strategy

We review our membership strategy each year to ensure that it is fit for purpose and delivers an effective membership across our operating area.

The Council of Governors has delegated responsibility for leading the development and implementation of our membership strategy which also includes the development of a communications and engagement strategy to ensure two-way communications and involvement between the Trust, governors and members. The membership strategy has three broad overarching objectives, to have:

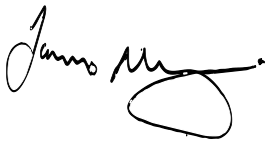
- a membership that is representative and reflective of the communities we serve
- an informed membership by providing appropriate, accurate and timely information to our members and to assist them in making informed contributions
- an involved membership where as many members as possible are actively engaged in the development of the Trust and its activities.

We use a variety of methods to communicate and engage with both governors and members including regular meetings, regular drop in engagement sessions at our hospitals and community venues, the website, dedicated governors' site, governors' bulletin, e-bulletins, a central telephone number and dedicated email addresses.

Future planned activity, subject to compliance with General Data Protection Regulations, includes:

- Regular members' e-bulletin with relevant information using data on members' interests we are collecting on an on-going basis
- Promoting the use of the dedicated email address – governors@northumbria.nhs.uk for members to contact their local governors
- Use of internal communication mechanisms to promote the role of our staff governors
- Regular drop in sessions to enable governors to meet members and people from their local community.

Sir James Mackey



Chief Executive Officer

26th June 2020

Remuneration Report

Annual Statement on Remuneration

I am pleased to present on behalf of the Board of Directors' Remuneration Committee the Trust's Remuneration Report for the financial year ending on 31st March 2020.

The Remuneration Committee is a committee of the Board and is responsible for the recruitment, succession planning and remuneration of the Executive Directors and other senior managers.

In accordance with NHS Improvement's Annual Reporting Manual, the following remuneration report includes:

- Our Senior Managers' Remuneration Policy; and
- Our Annual Report on remuneration.

Senior managers' remuneration: Major decisions and substantial changes

As the consequence of some executive turnover a further amendment to the executive structure took place and the posts of executive director of nursing and a chief operating officer were combined. In addition the other chief operating officer post was combined with the executive director of performance and improvement.

The Remuneration Committee approve applications to NHS Improvement and the Treasury for settlement agreements to resolve employment disputes.

Our Remuneration Committee is committed to ensuring that the remuneration applied to senior managers is appropriately set, considers market conditions, and is aligned to an individual's performance against their objectives which, in turn, are aligned to our strategic objectives.

Peter Sanderson

Chair of Remuneration Committee, Northumbria Healthcare NHS Foundation Trust
(to November 2019)

26th June 2020

Bernie McCardle

Chair of Remuneration Committee, Northumbria healthcare NHS Foundation Trust
(from November 2019)

26th June 2020

Senior managers' remuneration policy

We are committed to ensuring that pay should be considered in line with the Trust's performance, delivery of our Annual Plan and Five-Year Strategy, value-for-money, national context.

Future policy table:

Component of pay	Link to short and long-term strategic goals	How the Trust operates this in practice	Maximum limit	Performance measures
Base salary	To promote the long-term success of the Trust by attracting and retaining high calibre senior managers in a competitive marketplace.	The Committee reviews the following in setting remuneration for senior managers: • Role, responsibilities and accountabilities • Skills, experience and performance • Trust performance • Pay awards across the Trust • Local and national market conditions • Advice from NHSI/Ministerial opinion • Benchmarking The committee reserves the right to approve specific increases in exceptional cases, such as major changes to a senior manager's role.	There is no prescribed maximum limit.	Not applicable.
Taxable benefits		Senior managers' benefits include: • A car allowance or lease car; • Pension-related benefits. Non-Executive Directors do not receive benefits.	There is no prescribed maximum limit.	Not applicable.
Pension		The Trust operates the standard NHS Pension Scheme and NEST scheme for those ineligible to join NHSP. Senior staff can, rather than being a member of the scheme, opt to have an amount equal to the employer contributions that would be payable if there were in a scheme to be paid to themselves so that they can invest in a pension arrangement of their choice. This does not increase the overall cost to the Foundation Trust. this is dependent upon certain criteria being met and this is a discretionary scheme.	As per standard NHS Pension Scheme.	Not applicable.
Bonus	The Trust does not currently have any bonus arrangements in place for senior managers.			

Remuneration equivalent to the Prime Minister's ministerial and parliamentary salary

Some of our senior managers are paid more than £153,907 which is the amount equivalent to the Prime Minister's ministerial and parliamentary salary. In these instances, the Remuneration Committee has taken steps to assure itself that the pay received by these individuals is commensurate with market conditions, the responsibilities and duties of the role, and is regularly reviewed to ensure that the Trust is receiving value-for-money. One of the ways in which the Committee does this is by reviewing independent remuneration benchmarking reports to assess the market rate

Service contract obligations

All senior managers are subject to permanent (substantive) employment contracts which are subject to regular and rigorous review. The notice periods applied to individual contracts range from three to twelve months, depending on the individual contract.

Policy for payment on loss of office

The contracts of employment make no special provisions regarding early termination or termination payments. Executive Directors and senior managers are subject to the Trust's normal disciplinary processes and sanctions. Terminations resulting from redundancy and retirement are in accordance with the provisions of national terms and conditions and the NHS Pension Scheme. Payments for loss of office are as a result of redundancy or voluntary severance.

Diversity and inclusion

NHCFT supports the principle of equal opportunities in employment and believes as part of that principle that staff of different age, race, disability, sexual orientation, gender (including staff who have undergone gender re-assignment) marital or civil partnership status, religion or belief & non-belief regardless of whether or not on maternity leave or pregnant, will receive equal pay for the same or broadly similar work, for work related as equivalent and for work of equal value.

The right to equal pay is a fundamental principle of the Equality Act 2010. It is good practice that pay is awarded fairly and is in direct support of the Trust's policies on equality and diversity.

As an example payments such as clinical excellence awards for consultants are subject to equality monitoring and this information is presented to the Committee at the time that the payments are authorised.

Annual Report on remuneration

The Remuneration Committee deals with the remuneration of the Chief Executive, the Executive Directors, and other senior managers. The definition of 'senior manager' is a person having authority or responsibility for directing or controlling the major activities of the Trust. We have identified those individuals as members of the Board including the Chief Executive, Chair, Executive Directors, Non-Executive Directors, and Directors, however the Council of Governors' Nomination, Remuneration and Development Committee oversees the remuneration and appointment of Non-Executive Directors and the Chair.

The Remuneration Committee was chaired by Peter Sanderson, Non-Executive Director up to November 2019 and as his term of office ended he was replaced by Bernie McCardle (Non-Executive Director) from this date.

Attendance:	Apr 19	May 19	June 19	July 19	Aug 19	Sept 19	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20
Alan Richardson	✓	✓	✓	✓	No meeting	✓		✓	No meeting			No meeting
Alison Marshall	✓	✓		✓		✓	Left Trust					
Moira Davison	✓		✓	✓		✓	✓	✓		✓	✓	
Alan Craft	✓		✓	✓			✓				✓	
Peter Sanderson	✓	✓	✓	✓		✓	✓	✓				
Bernard McCardle	✓	✓	✓	✓		✓	✓	✓		✓	✓	
Martin Knowles	✓		✓	✓				✓			✓	
Andrew Besford										✓	✓	
Ruth Connorton										✓	✓	
Roger Barton											✓	

Ann Stringer, Executive Director of Human Resources and Organisational Development, and the Chief Executive provides advice to the Committee in their consideration of the terms and conditions of senior managers. The Remuneration Committee met its responsibilities and duties during the year, as set out in its terms of reference, by;

- Determining appropriate remuneration and terms of service for senior managers, including the Chief Executive and Executive Directors;
- Ensuring that senior executives/managers are fairly rewarded for their individual contribution to the Trust having proper regard to the Trust's circumstances and performance;
- Ensuring a robust system is in place to monitor and evaluate the performance of senior managers
- Acting as a sounding board for changes to organisational structures proposed by the Chief Executive Officer as required.

Expenses of the Governors and the Directors were mainly related to reimbursement for travel costs reflecting the large geographical spread of the organisation In 2019/20 expenses were

paid to Governors of £6,499 (£9,124 in 2018/19) and Directors of £17,699 (£11,665 in 2019/20). The total number of Governors is 35 and the number who received reimbursements for expenses paid was 20.

Executive Directors	2019-20					2018-19			
Name	Title	Salary and Fees (bands of £5,000)	Benefits in Kind to nearest £100	All Pension Related Benefits (bands of £2,500)	Total (bands of £5,000)	Salary and Fees (bands of £5,000)	Benefits in Kind to nearest £100	All Pension Related Benefits (bands of £2,500)	Total (bands of £5,000)
Sir James Mackey	Chief Executive	255-260	13,700	32.5-35	305-310	245-250	11,100	30-32.5	290-295
Birju Bartoli	Executive Director of Performance and Improvement	180-185	-	22.5 -25	200-205	175-180	-	40-42.5	220-225
Paul Dunn	Executive Director of Finance	175-180	7,400	20-22.5	205-210	175-180	5,000	20-22.5	200-205
Ann Stringer	Executive Director of HR & OD	170-175	300	20-22.5	190-195	160-165	4,300	5-7.5	170-175
Jeremy Rushmer[1]	Executive Medical Director	235-240	4,900	22.5-25	265-270	225-230	4,500	30-32.5	260-265
Marion Dickson[2]	Executive Director of Nursing and Midwifery (from 14/11/18)	155-160	-	77.5-80	235-240	50-55	-	235-237.5	285-290
Daljit Lally	Executive Director of System Leadership and Community	80-85	10,600	12.5-15	105-110	75-80	17,900	10-12.5	105-110
Claire Riley	Executive Director of Communications and Corporate Affairs (Voting Director from 21/10/19)	135 - 140	10,400	15-17.5	160-165	130-135	10,500	40-42.5	185-190
Ellie Monkhouse	Executive Director of Nursing (to 13/11/18)	-	-	-	-	85-90	-	70-72.5	155-160

Note:

[1]£200,000 - £205,000 relates to payment for clinical duties (2018/19 £190,000 - £195,000)

[2]The figure of £235-£237.5 for 2018/19 is a calculation of increased pension value on the year and is not income received in that year.

Other Directors		2019-20				2018-19			
Name	Title	Salary and Fees (bands of £5,000)	Benefits in Kind to nearest £100	All Pension Related Benefits (bands of £2,500)	Total (bands of £5,000)	Salary and Fees (bands of £5,000)	Benefits in Kind to nearest £100	All Pension Related Benefits (bands of £2,500)	Total (bands of £5,000)
Steven Bannister	Director of Facilities (to 20/8/18)	-	-	-	-	60-65	700	215-217.5	275-280
Les Morgan	Interim Director of Estates and Facilities (from 3/9/18)	-	-	-	-	30-35	-	-	35-40
Damon Kent	Director of Facilities (from 3/6/19)	110-115	6,800	-	120-125	-	-	-	-
Annie Laverty	Director of Patient Experience	130-135	8,000	27.5-30	165-170	125-130	5,300	40-42.5	175-180
Helen Ray	Chief Operating Officer (from 15/7/18-15/9/19)	65-70	3,400	42.5-45	110-115	95-100	4,900	47.5-50	150-155
Mark Thomas	Director of Health Informatics (to 30/9/18)	-	-	-	-	55-60	100	20-22.5	75-80
David Elliott	Director of IT (from 1/3/18)	115-120	5,600	25-27.5	150-155	10-15	-	0-2.5	10-15

Non-Executive Directors		2019-20				2018-19			
Name	Title	Salary and Fees (bands of £5,000)	Benefits in Kind to nearest £100	All Pension Related Benefits (bands of £2,500)	Total (bands of £5,000)	Salary and Fees (bands of £5,000)	Benefits in Kind to nearest £100	All Pension Related Benefits (bands of £2,500)	Total (bands of £5,000)
Alan Richardson	Chairman	50-55	-	-	50-55	50-55	200	-	50-55
Peter Sanderson	Non-Executive Director (to 9/2/19)	-	-	-	-	15-20	-	-	15-20
Martin Knowles	Non-Executive Director (Acting Chair 7/10/19 – 31/3/20)	30-35	-	-	30-35	15-20	-	-	15-20
Allan Hepple	Non-Executive Director (to 1/3/19)	-	-	-	-	10-15	-	-	10-15
Alison Marshall	Non-Executive Director (to 30.9.19)	5-10	-	-	5-10	15-20	-	-	15-20
Malcolm Page	Non-Executive Director	15-20	-	-	15-20	15-20	-	-	15-20
Moira Davison	Non-Executive Director	15-20	-	-	15-20	15-20	-	-	15-20
Bernard McCardle	Non-Executive Director (from 16/06/18)	15-20	-	-	15-20	10-15	-	-	10-15
Sir Alan Craft	Non- Executive Director (from 16/10/2018)	15-20	-	-	15-20	5-10	-	-	5-10
Ruth Connorton	Non- Executive Director (from 13/1/2020)	0-5	-	-	0-5	-	-	-	-
Andrew Besford	Non-Executive Director (from 12/12/2019)	5-10	-	-	5-10	-	-	-	-
Roger Barton	Non- Executive Director (from 16/12/2019)	0-5	-	-	0-5	-	-	-	

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 derived does not represent an amount that will be received by the individual. It is a calculation that is intended to provide an estimation of the benefit being a member of the pension scheme could provide.

The pension benefit table, below, provides further information on the pension benefits accruing to the individual.

Name	Real increase / (decrease) in pension at age 60 since 1 April 2019 (bands of £2,500)	Real increase / (decrease) in pension related lump sum at age 60 since 1 April 2019 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2020 (bands of £5,000)	Lump sum at age 60 at 31 March 2020 (bands of £5,000)	Cash equivalent transfer value at 31 March 2020 £000	Real Increase/ (decrease) in cash equivalent transfer value £000	Cash equivalent transfer value at 31 March 2019 £000

Ann Stringer	0 – 2.5	2.5-5	50-55	145-150	-	-	-
Birju Bartoli	0 - 2.5	0	40-45	85-90	656	32	624
Claire Riley	0 - 2.5	(0 – 2.5)	20-25	35-40	360	12	348
Annie Laverty	0 - 2.5	0	10-15	0	198	33	165
David Elliott	0 - 2.5	0	0-5	0	20	18	2
Jeremy Rushmer	(0 – 2.5)	(0.2.5)	65-70	195-200	1,509	32	1477
Marion Dickson	2.5 - 5	10 – 12.5	55-60	175-180	-	-	-
Helen Ray	0	0	55-60	145-150	1,239		1,175

The real increase / decrease in pension and pension lump sum in the year reflect the change in the total pension benefits that will be received by an individual over an average retirement period of 20 years. Any increase or decrease in pension entitlement in the year due to a change in pensionable pay is therefore multiplied by a factor of 20.

The real increase in Cash Equivalent Transfer Value (CETV) is the increase in CETV within the year less any contributions made by the scheme member. The CETV at 1st April 2019 and at 31st March 2020 both include contributions made by the members.

There is no CETV for members of the scheme who have attained the age of 60 years. Also, as Non-Executive Directors do not receive pensionable remuneration, there are no entries in respect of pensions for them.

A CETV is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits in their former scheme, The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies.

The CETV figures include the values of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS Pension Scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines prescribed by the Institute and Faculty Actuaries.

The increase or decrease in CETV reflect the change in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.
In compliance with the NHS Improvement ARM, the Trust can confirm that during 2019/20 there were no senior off-payroll engagements for more than £220 per day.

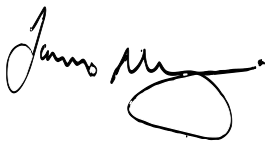
Off-payroll engagements as of 31 March 2019, for more than £220 per day that last longer than six months	
No. of existing engagements as of 31 March 2019	0
Of which...	

No. that have existed for less than one year at time of reporting.	N/A
No. that have existed for between one and two years at time of reporting.	N/A
No. that have existed for between two and three years at time of reporting.	N/A
No. that have existed for between three and four years at time of reporting.	N/A
No. that have existed for four or more years at time of reporting.	N/A

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019, for more than £220 per day and that last longer than six months	
No. of new engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019	0
No. of the above which include contractual clauses giving the Trust the right to request assurance in relation to income tax and National Insurance obligations	N/A
No. for whom assurance has been requested	N/A
Of which...	N/A
No. for whom assurance has been received	N/A
No. for whom assurance has not been received	N/A
No. that have been terminated as a result of assurance not being received.	N/A

Off-payroll engagements of board members, and/or senior officials with significant financial responsibility between 1 April 2018 and 31 March 2019	
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	0
Number of individuals that have been deemed 'board members and/or senior officials with significant financial responsibility' during the financial year. This figure must include both off-payroll and on-payroll engagements.	0

Sir James Mackey



Chief Executive Officer
26th June 2020

Staff report

Staff composition

Analysis of staff numbers

319 Staffing numbers (whole time equivalents)	Year Ended 31 March 2020			Year Ended 31 March 2019 Total
	Total	Permanent	Other	

Add Prof Scientific and Technic	435	414	22	428
Additional Clinical Services	1414	1348	66	1319
Administrative and Clerical	2075	1952	123	2001
Allied Health Professionals	545	535	10	541
Estates and Ancillary	766	755	11	752
Healthcare Scientists	109	109		96
Medical and Dental	489	335	154	472
Nursing and Midwifery Registered	2245	2213	31	2196
Students	10	10		3
Total whole-time equivalents	**8087**	**7670**	**417**	**7809**

NHCT Staffing numbers (whole time equivalents)	**Year Ended 31 March 2020**			**Year Ended 31 March 2019 Total**
	Total	**Permanent**	**Other**	
Add Prof Scientific and Technic	426	404	22	418
Additional Clinical Services	1394	1328	66	1302
Administrative and Clerical	1974	1856	119	1896
Allied Health Professionals	545	535	10	541
Estates and Ancillary	122	121	1	110
Healthcare Scientists	109	109		96
Medical and Dental	465	310	154	450

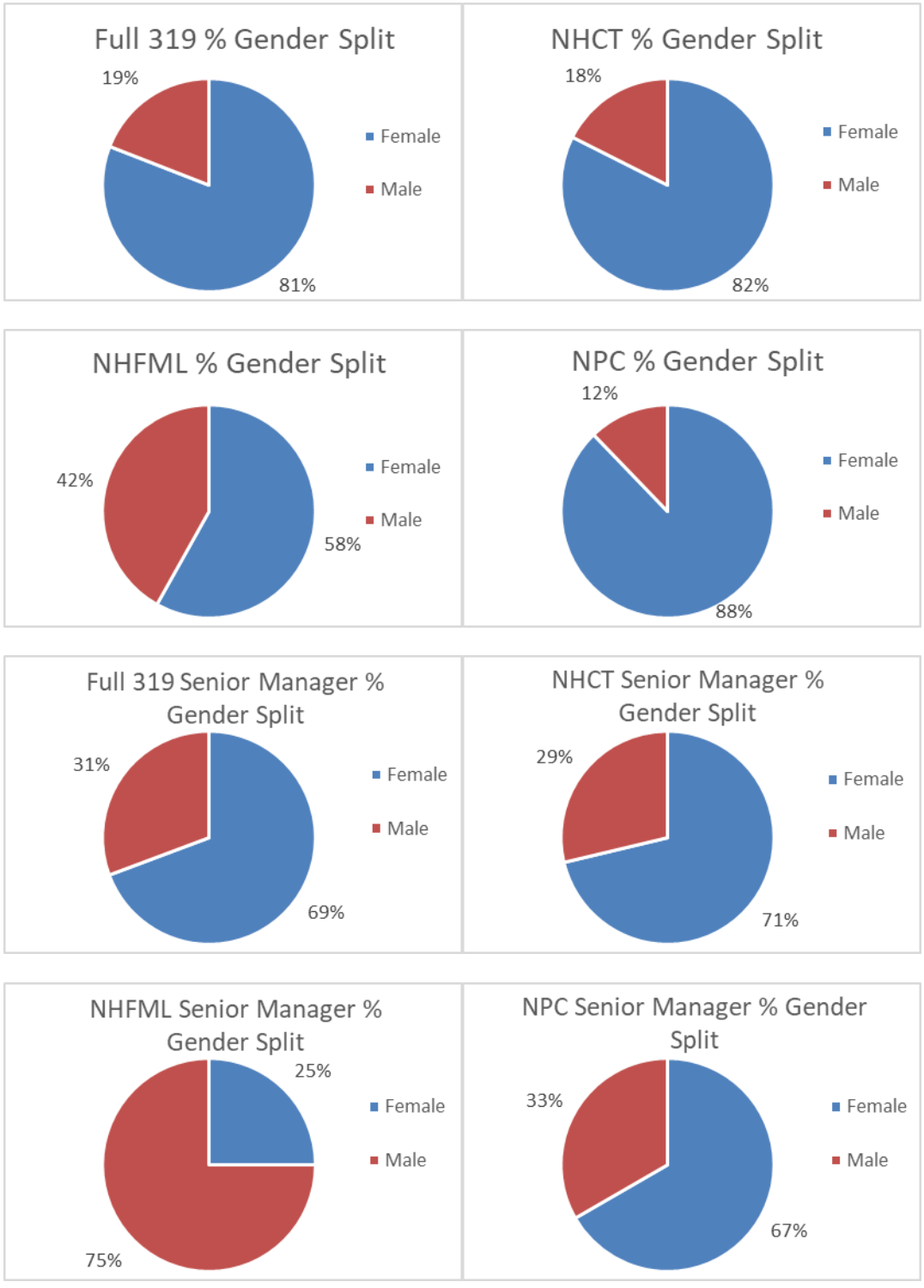
NHFML Staffing numbers (whole time equivalents)	**Year Ended 31 March 2020**			**Year Ended 31 March 2019 Total**
	Total	**Permanent**	**Other**	
Add Prof Scientific and Technic	8	8		9
Additional Clinical Services	1	1		1
Administrative and Clerical	45	43	2	40
Estates and Ancillary	642	633	10	642
Total whole-time equivalents	**697**	**685**	**12**	**691**
Nursing and Midwifery Registered	2225	2199	26	2173
Students	10	10		3
Total whole-time equivalents	**7270**	**6873**	**398**	**6988**

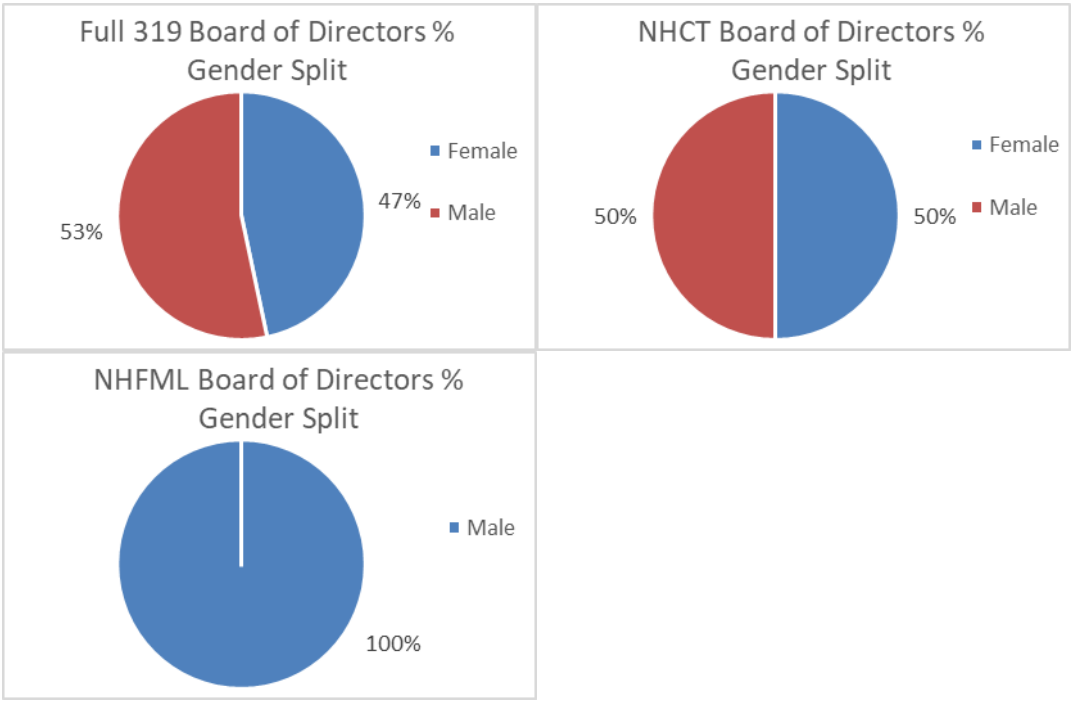
NPC Staffing numbers (whole time equivalents)	**Year Ended 31 March 2020**			**Year Ended 31 March 2019 Total**
	Total	**Permanent**	**Other**	
Add Prof Scientific and Technic	1	1		1
Additional Clinical Services	19	19		17
Administrative and Clerical	55	53	2	65
Estates and Ancillary	1	1		1

Medical and Dental	24	24		23
Nursing and Midwifery Registered	19	14	5	23
Total whole-time equivalents	**119**	**112**	**7**	**129**

Gender breakdown

A breakdown of staff by gender is shown below:

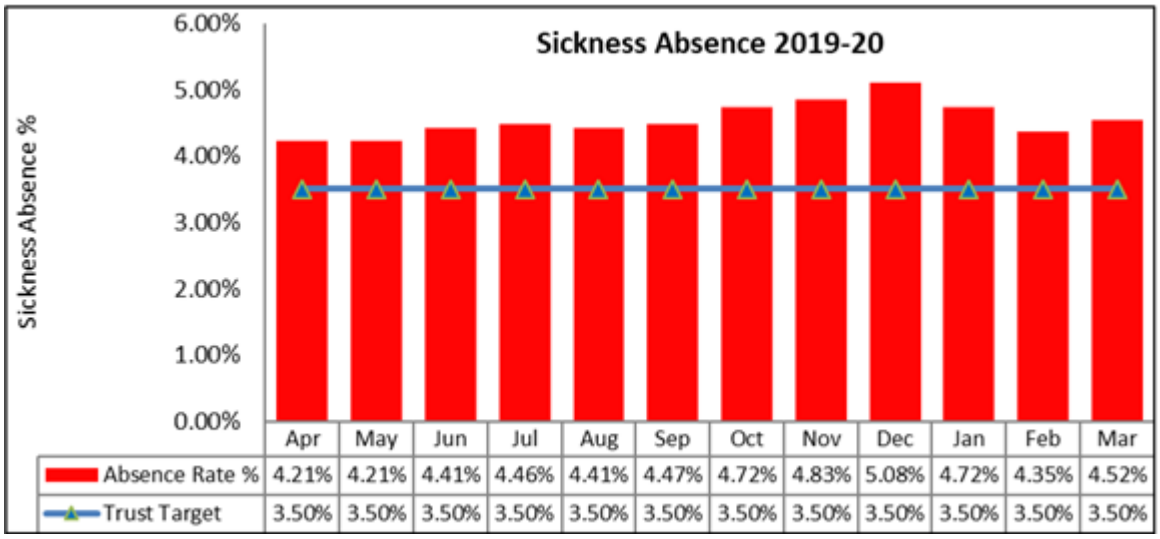




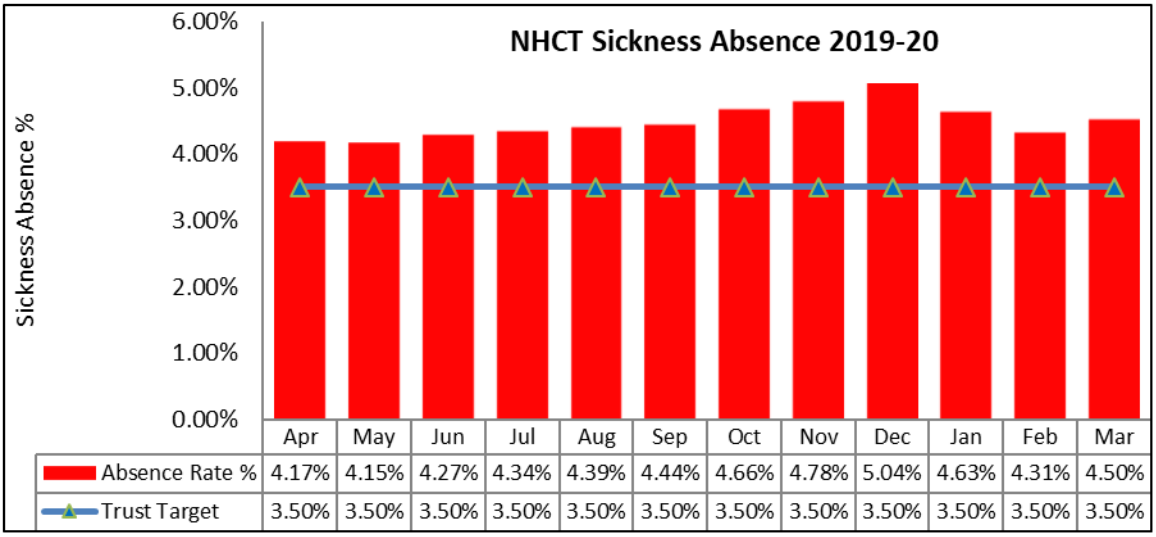
The Trust's gender pay gap report can also be found on the website at www.northumbria.nhs.uk

Sickness absence rate

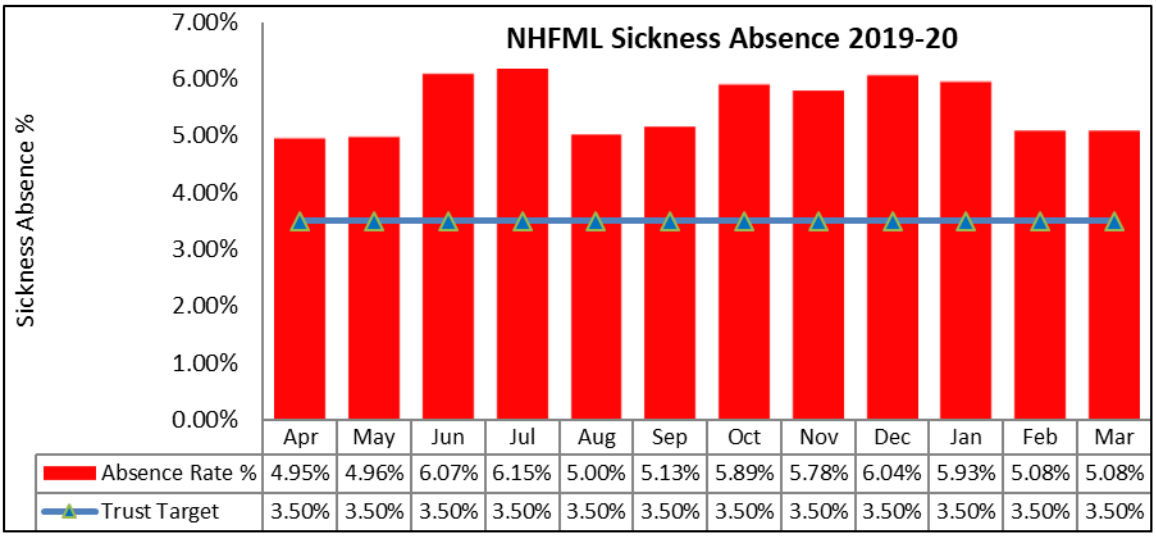
The Trust's sickness absence data for the year ending 31st March 2020 is shown below:



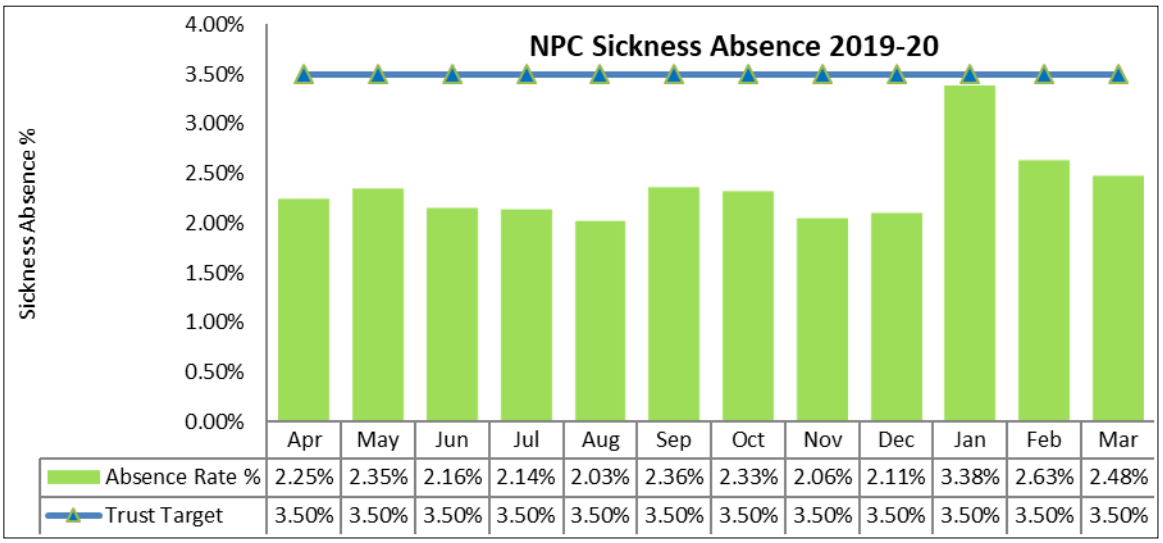
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Absence Rate %	4.21%	4.21%	4.41%	4.46%	4.41%	4.47%	4.72%	4.83%	5.08%	4.72%	4.35%	4.52%
Trust Target	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Absence Rate %	4.17%	4.15%	4.27%	4.34%	4.39%	4.44%	4.66%	4.78%	5.04%	4.63%	4.31%	4.50%
Trust Target	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Absence Rate %	4.95%	4.96%	6.07%	6.15%	5.00%	5.13%	5.89%	5.78%	6.04%	5.93%	5.08%	5.08%
Trust Target	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Absence Rate %	2.25%	2.35%	2.16%	2.14%	2.03%	2.36%	2.33%	2.06%	2.11%	3.38%	2.63%	2.48%
Trust Target	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%

The Trust has shown decline in sickness absence rates from 2018-19, and are still not at the NHS Operating Standard target of 3.5%.

The Trust had the lowest Sickness Absence Rate for the North East Region in Quarter 3 2019-2020 at 4.72 per cent.

Staff Consultation

We make significant efforts to listen to and meaningfully consult with staff from all areas.

This involves senior managers meeting with staff representatives from a broad range of Trade Unions on a bi-monthly basis at a Partnership Meeting.

Issues regularly discussed in the last 12 months include:

- The potential changes involved in moving the delivery of healthcare services closer to home
- Our financial position in a local and national context
- Sickness absence
- Recruitment and retention
- Staff survey results and our staff experience programme
- The Revision of policies and procedures
- Freedom to speak up
- Pension arrangements for subsidiary companies

The topic of engaging and effectively communicating with our staff is at the top of the agenda for partnership meetings and is also a regular area of reflection for the Board of Directors.

Trade Union (Facility Time Publication Requirements) Regulations 2019/20

In accordance with the ARM, the Trade Union (Facility Time Publication Requirements) Regulations and the Cabinet Office, the below disclosures detail the Trust's Trade Union representatives.

Number of employees who were relevant union officials during the relevant period

Number of employees who were relevant union officials during the relevant period	*Full-time equivalent employee number*
28	8088.71

Percentage of employees time spent on facility time

Percentage of time	*Number of employees*
0%	20

Percentage of time	*Number of employees*
1-50%	4
51%-99%	0
100%	4

Percentage of pay bill spent on facility time

	Figures
Provide the total cost of facility time	£87,367.37
Provide the total pay bill	£359,165,000
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	2.43%

Percentage of total paid facility time hours spent by employees who were relevant union officials during the relevant period on paid trade union activities

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

The NHS National Staff Survey

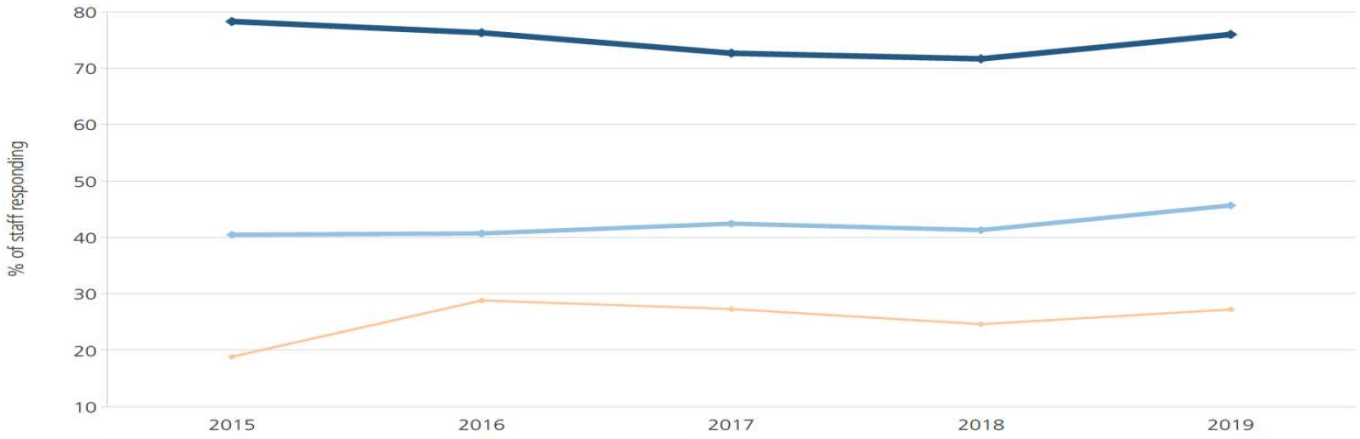
The Trust uses the NHS Staff Survey as one form of measurement in relation to staff engagement. We also seek to correlate and analyse these results alongside all other measurement tools including Staff Friends and Family Test, Leavers Survey, GMC survey and our local Staff Experience Programme. The Trust places great importance on the completion of the national staff survey, which provides valuable insight into what we need to improve. Our results from the 2019 staff survey were very encouraging and are as shown below

The NHS staff survey is conducted annually. From 2019 onwards, the results from questions are grouped to give scores in eleven indicators. A new indicator was introduced in 2019 for Team Working. The indicator scores are based on a score out of 10 for certain questions with the indicator score being the average of those.

The response rate to the 2019 survey among Trust staff was 76% (2018: 72%). Scores for each indicator together with that of the survey benchmarking group (Acute & Community Trusts) are presented below.

Response rate

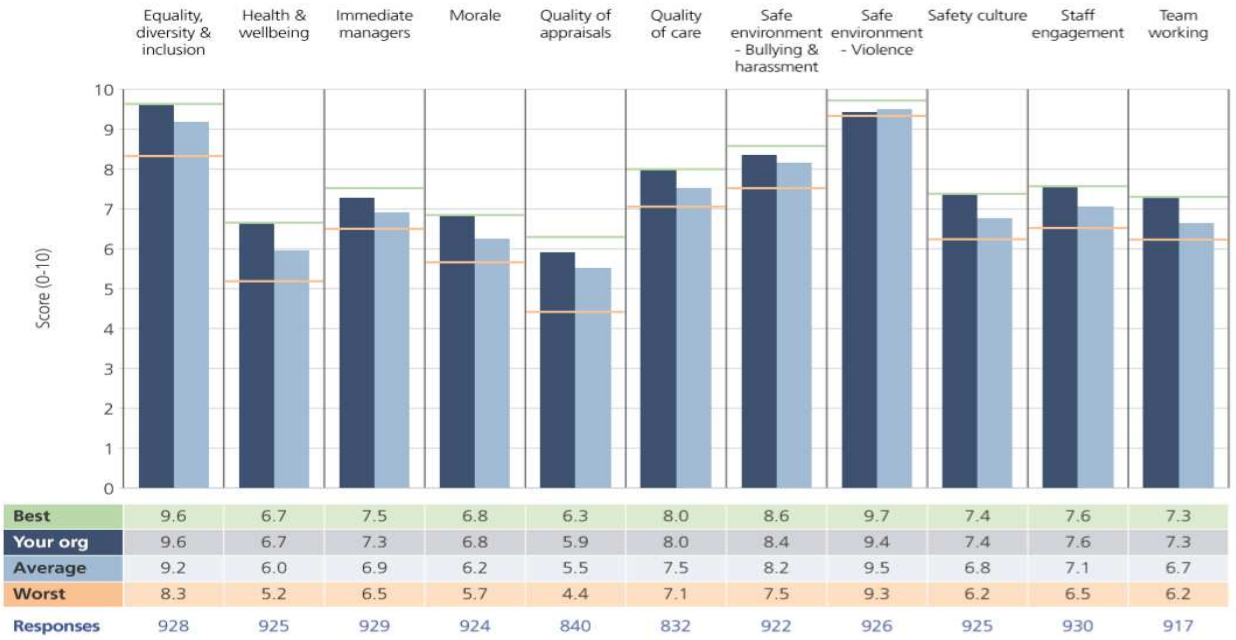
The sample size was consistent with last year, 1250 staff were invited to respond. We achieved the highest response rate for any Acute and Community Trust.



	2015	2016	2017	2018	2019
Best	78.3%	76.3%	72.6%	71.6%	76.0%
Your org	78.3%	76.3%	72.6%	71.6%	76.0%
Median	40.4%	40.7%	42.4%	41.3%	45.6%
Worst	18.8%	28.8%	27.3%	24.6%	27.2%

Performance against 11 themes

The Trusts performance against the 11 key themes from the 2019 staff survey is shown in the graph and table below.



	2019/200			2018/19			2017/18		
	Trust	Benchmarking group		Trust	Benchmarking group		Trust	Benchmarking group	
		Av	Best		Av	Best		Av	Best
Equality, diversity and inclusion	9.6	9.2	9.6	9.6	9.1	9.6	9.4	9.1	9.4
Health and wellbeing	6.7	6.0	6.7	6.6	5.9	6.7	6.6	6.0	6.6
Immediate managers	7.3	6.9	7.5	7.2	6.7	7.3	7.1	6.7	7.2
Morale	6.8	6.2	6.8	6.7	6.1	6.7	N/A	N/A	N/A
Quality of appraisals	5.9	5.5	6.3	5.8	5.4	6.5	5.5	5.3	6.4
Quality of care	8.0	7.5	8.0	7.9	7.4	8.1	7.9	7.5	8.1
Safe environment – bullying and harassment	8.4	8.2	8.6	8.3	7.9	8.5	8.4	8.0	8.4
Safe environment – violence	9.4	9.5	9.7	9.4	9.4	9.6	9.3	9.4	9.6
Safety culture	7.4	6.8	7.4	7.1	6.6	7.2	7.0	6.6	7.0
Staff engagement	7.6	7.1	7.6	7.5	7.0	7.6	7.3	7.0	7.4
Team Working	7.3	6.7	7.3	N/A	N/A	N/A	N/A	N/A	N/A

Overall rankings compared with other Trusts:

- ✓ Ranked 1st among Combined Acute and Community Trusts (out of 48)
- ✓ Ranked 3rd compared to all other Trusts (out of 163)

Top scores

In 7 of the 11 themes the Trust received the highest ranking of any Combined Acute and Community Trust; Equality, diversity & inclusion, Health & Wellbeing, Morale, Quality of Care, Safety Culture, Staff Engagement and Team Working.

Bottom scores

The Trust is 0.1 below the average score in one theme, Safe Environment – Violence and 0.3 from the best combined acute and community score in this theme.

The Trust is above average in Quality of Appraisal but 0.4 from the best acute score in this theme.

Future priorities and targets

The correlation between the national staff survey and the results of the Trust's staff experience programme are reassuring. Both sets of results have been used to devise a staff engagement strategy that clearly defines streams of work underway to address staff experience in the organisation. Progress is being monitored by the Board of Director's Workforce Committee. Examples of actions to be taken as key priorities include a review and refresh of the public communications campaign on the Trust's zero tolerance of physical violence and abuse towards staff, a review of the best performing Trusts on quality of appraisal to see what can be learned in order to re-design the Trust's appraisal process in a way that is meaningful to staff. In addition, the Staff Experience Programme will continue to enhance our ability to measure staff experience in real time and further explore the links between staff and patient experience.

Apprenticeship programmes and Nurse training

Nurse Training

In response to the nursing and medical recruitment challenges facing the healthcare system, we have continued to be active in looking for opportunities to develop new workforce roles.

The second cohort of nurses who have trained in 18 months (through our own Northumbria nurse degree programme in partnership with Northumbria University) qualified in September 2018.

In April 2019 our first 15 Nursing Associates complete their programme and register with the NMC. Our second cohort began in April 2018 and our third cohort will begin their training in March 2019. The Nursing associate is a new NMC registered support role that will bridge the gap between existing health care assistants and fully-qualified registered nurses to deliver hands-on care for patients. We are looking forward to welcoming the first ones into our nursing family.

The development of Health Education England's Multi Professional Advanced Clinical Practice Framework has offered clarity to this senior clinical role. This year 9 trainee Advanced Clinical

Practitioners commenced a brand new 3-year Masters programme in Advanced Clinical Practice developing new skills and expertise in five of our clinical areas.

We continue to innovate in nursing and midwifery education and have recently completed a very successful pilot project, in partnership with Northumbria University, exploring new models of practice learning. The pilot has succeeded in us being able to flexibly increase the number of student nurses on practice placement, implement the new NMC standards for education and develop a new framework for practice learning that is now influencing curriculum design at Northumbria University. Findings of the pilot will be shared at a National conference in the summer of 2019.

Apprenticeships

As an Employer Provider registered with the Education and Skills Funding Agency (ESFA) the Trust continues to deliver highly successful apprenticeship programmes across a range of specialist areas, with a focus on healthcare related apprenticeship programmes and leadership and management. The Trust regularly recruits young apprentices from schools in North Tyneside and Northumberland, creating excellent career opportunities and pathways and much needed employment opportunities and we are very proud of our track record in this area. Apprenticeships are also utilised to provide learning and career progression and development options for existing Trust staff. We use a hybrid model of internal delivery, by Trust staff and subject matter experts and partnership delivery with local colleges and universities.

The Trust works collaboratively with Health Education England, North East and Yorkshire (HEE.NEY) and partner Trusts in the region in a number of ways. The Trust is pro-active in two extremely important areas, levy transfers and end point assessment.

Levy Transfers

The Trust is at the forefront of transferring our apprenticeship levy funds to other organisations providing healthcare services. GP practices, care homes and CCG's. We have committed a proportion of our levy (value c. £300k) to support the wider healthcare system's needs (primarily Nurse Associates and Advanced Clinical Practitioners) and that to date £10k of this has been formally recouped with the remainder over the coming years as per the duration of the respective programmes

End Point Assessment (EPA)

The new Apprenticeship standards have a requirement for independent assessment at the end of the apprenticeship programme. The Trust is one of two NHS Trusts currently working as a consortium with HEE.NEY and Pearsons/Edexcel to deliver end point assessment services

to other Trusts in the region for healthcare related apprenticeships, this arrangement will broaden to include other subject areas and Nurse Associates.

Apprenticeship Trailblazers

Northumbria Healthcare has participated in a number of trailblazer activities, with other organisations and the Institute for Apprenticeships and Technical Education (IfATE) the most recent subject areas are Public Health, Critical care and Community Health and Wellbeing Practitioner.

T Levels

Technical Levels or 'T' Levels were developed as an alternative option to Apprenticeships, the learners are mainly in an educational setting for most of the programme, however a meaningful industry placement is a requirement of a 'T' level qualification, the Trust is planning to offer industry placements as the subject options for 'T' levels are introduced.
IT 'T' levels will be introduced this year and the healthcare related 'T' levels in 2021.

Staff engagement

The engagement of our staff, volunteers, trainees and students is central to the successful delivery of high quality healthcare.

Our sustained focus on a staff engagement strategy as well as advancing staff inclusion in revitalising existing staff network groups and creating new ones in keeping with our diversity ambitions and intentions has continued. During 2019/20 two additional staff network groups have been established jointly with Northumberland County Council; Carers and Mental Health. Our staff engagement score was the highest amongst acute and combined acute and combined acute and community Trusts in the 2019 staff survey.

Our engagement in the national three-year leadership culture programme concluded in 2019/2020 with the delivery of the collective leadership action plan. This was designed to mainstream a number of new or different compassionate and inclusive leadership practices which contribute to enhanced staff experience and engagement. We have also incorporated compassionate and inclusive leadership content into all of our leadership and management development interventions. A leadership development portfolio (and integrated self-diagnostic tool) has been designed and published to enable the accurate identification of leadership development needs whilst both demand and engagement in 360 degree feedback exercises continues to increase.

Policies in relation to disabled employees and equal opportunities

The Trust has a strong equality, diversity & Inclusion (ED&I) programme with a dedicated E&D lead who is supported by a Staff Engagement & Inclusion lead and a number of other colleagues. In addition E&D Champions have been identified at Director and Non-Executive Director level to ensure the profile of this work is supported at the highest level. The Trust has been selected to be part of the NHS Employers Diversity and Inclusion Partners programme 2010 - 21, along with 63 other organisations to build on work that has already taken place to build a more inclusive work culture. The programme is closely aligned to the Equality Delivery System (EDS2), NHS Long Term Plan and Interim People Plan. The Trust continues to act as a mentor to a number of Trusts nationally in relation to E&D work and is supporting Northumberland County Council in their delivery of E&D Initiatives. The Trust has remained a Stonewall Champion and has sponsored or supported the range of PRIDE events in our locality. The Trust participate in the Disability Confident Employer scheme at level two with plans to progress to level three in year. The Trust has built on its active and well-represented staff network groups for BAME, Disabled, Autism Spectrum, Carers in Employment, Menopause, Mental Health and LGBT+ employees. The Trust has an E&D Allies programme with over 80 staff signed up to support E&D initiatives. These staff members actively work in key strategic areas of the Trust to ensure that all staff are well informed about key E&D issues and that positive interventions to support staff within the workplace take place in an accessible way. The results from the staff survey were positive in relation to E&D, with the Trust ranked as the highest scoring Trust in its class. The Trust also saw improvement in 8 out of the 9 metrics in the Workforce Race Equality Standards (WRES) data and completed the Workforce Disability Equality Standard (WDES) for the first time in 2019. Action plans for the WRES and WDES have been developed to continue this journey of improvement for our BAME and Disabled staff.

Policies in relation to countering fraud and corruption

We comply with counter fraud standards for providers as detailed by the NHS Counter Fraud Authority in accordance with section 24 of the NHS Standard Contract and we participate in the National Fraud Initiative led by the Cabinet Office under the Local Audit and Accountability Act 2014. Staff are trained in fraud awareness and we actively promote the mechanism for staff to report any concerns about potential fraud, bribery or corruption. All concerns of fraud, bribery and corruption are investigated by the Counter Fraud Specialist and the outcome of all investigations are reported to the Audit Committee.

Policies in relation to health and safety

The Trust's Health and Safety Steering Group continues to have strong representation from across the Trust led by the Trust Board and Executive team. It had an agreed set of objectives which were delivered during 2019/20.

The objectives were set following a robust review of the Trusts approach to health and safety which focused on compliance, capability, audit and culture within the organisation

Our Trust has recognised the need to embed the principles within all parts of the organisation and continues to invest in the team to manage the topic area, further demonstrating the commitment the Trust has to ensure its staff, patients and visitors are not put in harm's way.

Emergency Preparedness, Resilience & Response

The Trust has undertaken a self-assessment against the NHS England Core Standards for Emergency Preparedness Resilience and Response (EPRR) during 2019/20. Following this self-assessment and line with the definitions of compliance the Trust declares itself as having full assurance.

Expenditure on Professional and Consultancy Fees

During 2019/20, the Trust spent £2.1 million on professional and consultancy fees.

NHS Foundation Trust Code of Governance disclosures

The NHS Foundation Trust Code of Governance contains guidance on good corporate governance. NHS Improvement, as the healthcare sector regulator, is keen to ensure that NHS Foundation Trusts have the autonomy and flexibility to ensure their structures and processes

work well for their individual organisations, whilst making sure they meet overall requirements. For this reason, the Code is designed around a "comply or explain" basis. NHS Improvement recognises that departure from the specific provisions of the Code may be justified in particular circumstances, and reasons for non-compliance with the Code should be explained.

Northumbria Healthcare NHS Foundation Trust has applied the principles of the NHS Foundation Trust Code of Governance on a 'comply or explain' basis. The NHS Foundation Trust Code of Governance, most recently revised in July 2014, is based on the principles of the UK Corporate Governance Code issued in 2012. There are other disclosures and statements (mandatory disclosures) that we are required to make, even where we are fully compliant. The mandatory disclosures have already been made within the main text of the Annual Report and page references are therefore provided below.

NHS Foundation Trusts are required to provide (within their Annual Report) a specific set of disclosures in relation to the provisions within Schedule A of the Code of Governance. We are compliant with these provisions and in compliance with the Code, a supporting explanation for each required provision is provided within the table below. The table also demonstrates how we have complied with the necessary aspects of the Foundation Trust Annual Reporting Manual (FT ARM).

For further information in relation to the way in which the Board of Directors operates, please refer to page 34.

Provision reference	Compliance
A.1.1	The section starting on page 34 outlines the role and responsibilities of the Council of Governors and the Board of Directors.
A.1.2	The Board of Directors' role and responsibilities (page 34), identifies the Chairperson, the Deputy Chairperson, the Chief Executive and Senior Independent Director. The table further details the meetings attended by the Board of Directors and their attendance. Nomination, Remuneration and Development Committee (page 55), details the members and attendance of these meetings. Audit Committee (page 43) details the members and attendance of the Audit Committee
A.5.3	Council of Governors and composition (page 49), details the members of the Council of Governors, including the constituency they represent, election/appointment information, the duration of their appointments and the nominated lead Governor.
FT ARM	The FT ARM requires an additional statement about the number of meetings of the Council of Governors and individual attendance by Governors and Directors. Attendance of Governors is detailed within the Council of Governors and composition (from page 49). Attendance of Directors is detailed within Directors' report (from page 34).
B.1.1	The Board of Directors considers all Non-Executive Directors of the Trust to be independent. Further detail is provided within the Directors' report (from page 34).

Provision reference	Compliance
B.1.4	The skills, expertise and experience of each Director of the Board is detailed within the Directors Report from page 34. A clear statement about the balance, completeness and appropriateness of the Board is available within Board composition.
FT ARM	The FT ARM requires the inclusion of the length of appointments of Non-Executive Directors. This is detailed in Directors' report (page 34).
B.2.10	Nomination, Remuneration and Development Committee (page 55), describes the work of the Nominations Committee, including the process it has used in relation to Board appointments.
FT ARM	The FT ARM requires the Trust to disclose the work of the Nominations Committee in relation to the appointment of the Chair. Nomination, Remuneration and Development Committee (page 55), details the appointment process for Non-Executive Directors during the 2018/19 period.
B.3.1	The Chairman of the Trust had no significant commitments to declare during 2018/19 as detailed in Board composition and balance (from page 34). Any change to commitments would be reported to the Council of Governors as they arise and would be subject to review within the Nomination, Remuneration and Development committee as appropriate.
B.5.6	The Membership strategy (page 59) details the approach of the Trust, as defined by the Council of Governors, to gathering the opinion of the Trust's members, and the public.
FT ARM	The FT ARM requires the Trust to declare where Governors have exercised their power under paragraph 10C of schedule 7 the NHS Act 2006. During the period of 2018/19, Governors have not exercised this power.
B.6.1	The Annual Governance Statement, (page 87), details how the performance of the Board and its committees has been conducted.
B.6.2	KPMG are the external auditors of the Trust and are independent. In order to ensure that the independence and objectivity of the external auditor is not compromised by providing the Trust with additional non-audit services, a policy has been agreed that requires the Audit Committee to approve the arrangements for all proposals to engage the external auditors on non-audit work. The auditors themselves also comply with the ethical standards of the Auditing Practices Board in this matter.
C.1.1	The Director's explanation of responsibility in relation to the preparation of the Annual Report and Accounts is detailed in the statement of the Chief Executive's responsibilities as the Accounting Officer of Northumbria Healthcare NHS Foundation Trust (page 85) The Directors approach to quality governance is detailed in the Annual Governance Statement (page 87)
C.2.1	Annual Governance Statement (page 87) details the review of effectiveness of the Trust's internal controls.
C.2.2	The Annual Governance Statement (page 87) details how the Trust's internal audit function is structured and the role that it performs.
C.3.5	Following a tendering exercise, The Council of Governors approved the reappointment of the Trust's external Auditor, KPMG LLP for a period of three years, effective from 1st April 2017 with an option of an extension for a further two years.
C.3.9	Audit Committee, describes the work of the Audit Committee in discharging its responsibilities (page 43).
D.1.3	Remuneration disclosures within the Annual Report comply with the code relating to the release of an Executive Director to serve elsewhere by including a statement relating to their retention of earnings. Further detail is provided within remuneration report (page 60).

Provision reference	Compliance
E.1.4	Contact procedures for members who wish to communicate with Governors are available to members on the Trust's website. A dedicated email address is provided to support our members and the public to contact Trust Governors. Governors@northumbria.nhs.uk
FT ARM	The FT ARM requires the Annual Report to provide further detail relating to membership including eligibility requirements, number of members and summary of the membership strategy. The information is detailed as required in membership activity and membership strategy (page 59).
FT ARM	The FT ARM (based on the FReM requirement) requires the Trust to disclose details relating to the Governors and Directors declarations of interest. The Trust Constitution and Health and Social Care Act 2012 provide an explanation on how members of the public can gain access to the registers of interest.
E.1.5	Non-Executive Directors, Executive Directors, and Directors of the Board develop an understanding of the views of Governors and members about the NHS Foundation Trust through attendance at Governors' General meetings, Development Meetings and Committees. Board of directors and responsibilities (page 34), provides further detail relating to the relationship between Governors and Board members. Attendance of Board members at Governors General Meetings is provided on page 52. Attendance at Council of Governors General meetings is provided on page 51.
E.1.6	The Board of Directors monitor the representation of the Trust's membership in compliance with the code. This is detailed from page 57.

The Trust is compliant with all provisions.

Trust Constitution and Health and Social Care Act 2012

Our Constitution was amended in April 2013 to incorporate changes required as a result of the Health and Social Care Act 2012 (the Act). The Act, introduced fundamental changes to the way NHS Foundation Trusts are governed and managed. This included Directors having a statutory responsibility to promote the success of the Trust and maximise benefits for members as a whole, and the public. There were also express duties included that requires each Director to avoid conflicts of interest. The annual Declarations of Interest for both the Board of Directors and Council of Governors alongside the Trust's Constitution are available on our website at www.northumbria.nhs.uk.

NHS England and NHS Improvement's Single Oversight Framework

NHS England and NHS Improvement's Single Oversight Framework provides the framework for overseeing providers and identifying potential support needs. The framework looks at five themes:

- Quality of care
- Finance and use of resources
- Operational performance

- Strategic change
- Leadership and improvement capability (Well-led)

Based on information from these themes, providers are segmented from 1 to 4, where '4' reflects providers receiving the most support, and '1' reflects providers with maximum autonomy. A foundation Trust will only be in segments 3 or 4 where it has been found to be in breach or suspected breach of its licence.

Segmentation

The Trust continues to be classified by NHS Improvement as being in segment 1. This is the best rating given by the regulators. Current segmentation information for NHS Trusts and foundation Trusts is published on the NHS Improvement website.

Finance and use of resources

The finance and use of resources rating is based on the scoring of five measures from '1' to '4', where '1' reflects the strongest performance. These scores are then weighted to give an overall score. Given that finance and use of resources is only one of the five themes feeding into the Single Oversight Framework, the segmentation of the Trust disclosed above might not be the same as the overall finance score here.

Area	Metric	2018/19 Score			
		Q1	Q2	Q3	Q4
Financial sustainability	Capital service cover	2	2	2	2
	Liquidity	1	1	1	1
Financial efficiency	I&E margin	1	1	1	1
Financial controls	Distance from financial plan	1	1	1	1
	Agency spend	1	1	1	1
Overall scoring		**1**	**1**	**1**	**1**

Statement of Accounting Officer's Responsibilities

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

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

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

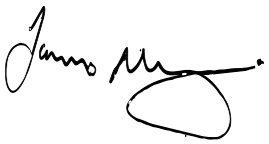
- observe the Accounts Direction issued by NHS Improvement, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the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

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

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 the NHS Foundation Trust Accounting Officer Memorandum.

Sir James Mackey



Chief Executive Officer

26th June 2020

Annual Governance Statement

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of our 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 Trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the *NHS Foundation Trust Accounting Officer Memorandum.*

The purpose of the system of internal control

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

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of our policies, aims and objectives of Northumbria Healthcare NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Trust throughout the year ended 31st March 2020 and up to the date of approval of the Annual Report and Accounts.

Capacity to handle risk

Risk leadership

The Board of Directors has the overall responsibility for risk management within the Trust. Terms of Reference for the Board's assurance-seeking committees also set out the responsibility of key meetings in the oversight of risk management. In addition to the Audit Committee the Trust have an Assurance Committee which reviews Business Unit Risk Registers and associated actions in detail.

The specific responsibilities of each Board member, Business Unit Director, General Manager, Department Head, and Operational Service Manager, are set out in the Trust's Risk Management Strategy and Policy.

We have also appointed a Senior Independent Director, in line with the NHS Foundation Trust Code of Governance.

The role of the Senior Independent Director is to be available to Governors and members (including staff) should they have any concerns that they feel unable to raise via normal channels of communication with the Chair, Chief Executive, or any other Board members, or where such communication remains unresolved or would be inappropriate.

Risk training

We employ appropriately-qualified staff who specialise in risk management. Risk management awareness and health and safety training is delivered to all new members of staff on the first day of employment and to existing staff through mandatory training programmes. There is also the facility for all staff to undertake further training in health and safety using e-learning. The Trust's suite of policies enables staff to understand their specific responsibilities in relation to risk management, depending upon where they work and the nature of their role. All job descriptions include specific reference to requirements regarding risk management, infection control and health and safety.

The risk and control framework

We have a Risk Management Strategy and Policy which was reviewed by the Board during 2019/20. Risks are identified proactively through; risk assessment processes, our quality management system which includes harm review and mortality reviews, reactively through the monitoring of key business objectives and through incidents, complaints and claims. These risks are evaluated through the use of a risk assessment matrix and controlled through a risk register system.

The Board of Directors, as required under NHS Foundation Trust condition 4(8)(b) assures itself of the validity of its Corporate Governance Statement. The Board of Directors review the Corporate Governance Statement every year to ensure that declarations being made can be supported with evidence. It considers the risks and mitigating actions that management provided to support the Statements and determine, both from its own work throughout the year - particularly the testing of the controls set out in the Assurance Framework - and assurances provided from the work of the Trust's internal, external auditors and other external audits or reviews, whether the Statements are valid.

The Trust have developed a detailed workforce strategy which identifies the need to develop new roles and ways of working to meet the needs of the Trust clinical strategy and to alleviate workforce supply shortages in some professions.

We know we have an ageing workforce in critical roles (such as nursing) and struggle to recruit into other specialist roles (e.g. radiographers and radiologists in clinical support) and so will work to develop an alternative workforce where possible to meet our needs.

The Trust is committed to ensuring safe staffing levels and has mitigations in place to ensure robust monitoring through daily staffing overview across seven days so allocation of staff is based on clinical judgement with patient dependency.

The Trust is currently implementing e-rostering and e-job planning in line with the "Developing Workforce Safeguards" recommendations. The Trust constantly monitor vacancy rates, safe staffing levels and agency spend. These key metrics are reported to the Board.

The Trust will include the NHSI safeguards to our reporting and monitoring processes both operationally from ward level to Board. The Trust has a process in line with NQB 2016 guidance which applies triangulation of metrics using an evaluation-based tool, professional judgement and outcomes. The NHSI developing Safeguards will further mitigate safe staffing through applying the Quality Impact Assessments.

The Trust is fully compliant with the registration requirements of the CQC and achieved an overall rating of 'Outstanding' following the CQC inspection in May and June 2019.

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

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

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

Quality governance arrangements

The Board has a dedicated Safety and Quality Committee which is responsible for the oversight of quality governance, including risks to clinical quality, throughout the Trust. The Safety and Quality Committee is chaired by a Non-Executive Director and includes within its

membership the Chief Executive, Executive Medical Director, Executive Director of Nursing, Midwifery & Allied Health Professionals, Executive Director of Performance and Improvement, Head of Quality and Assurance, Chief Matrons, and Business Unit Directors and Deputy Directors. The Committee routinely receives assurance in relation to the Trust's compliance with CQC registration requirements.

In order to operate as a provider of NHS services under licence with the CQC, we must comply with the requirements of NHS Improvement's (NHSI's) Quality Governance Framework. NHSI (previously referred to as Monitor), and the CQC have aligned their definition of a 'well-led' organisation which is reflected in CQC's assessment approach, as well as NHSI's approach to regulatory oversight.

In 2016, the Trust commissioned an independent review of governance arrangements using Monitor's well-led framework, a process which is required at least every three years. There are four domains of the well-led framework which are: strategy and planning; capability and culture; process and structures and measurement. The report identified a number of strengths and good practice within the Trust, although there were areas identified for further development and improvement. An independent follow-up review began in April 2018, the results of which were considered by the Board and a well-led action plan was created and implemented. This action plan has formed the basis of the Board's Development sessions throughout the 2019/20 year.

The Safety and Quality Committee in conjunction with the Board of Directors, has responsibility for producing the strategic safety and quality vision, strategic goals and an implementation plan by horizon scanning and learning from the best evidence available. The Committee reports to the Board of Directors via a regular report on progress with the strategic objectives and produces the draft annual Quality Account for consideration by the Board.

We have arrangements to monitor compliance with the CQC registration requirements through completion of provider compliance assessments for each of the 16 essential safety and quality standards. Each safety and quality standard has an Executive Director lead and evidence of compliance is provided to the Assurance Committee at quarterly intervals.

Incident reporting is openly encouraged and handled across the Trust. We have fully endorsed this principle. All serious untoward incidents and significant learning events are investigated by a senior clinician and manager and reported to the appropriate Business Unit Board to agree on the action plan and monitor implementation.

In addition, the most serious incidents are reviewed by the Trust's safety panel process, which provides independent scrutiny of incident investigations and monitoring of the completion of action plans arising from such investigations. All serious incidents are reported to the Board on a monthly basis.

Trust-wide learning is encouraged at all levels of the organisation. The Clinical Policy Group, a monthly meeting attended by a wide range of clinicians, is a key forum for sharing learning and good practice. Sharing the lessons learnt is by cascade via the Clinical Policy Group via the management teams to the ward management team.

We have worked closely with partner organisations to explore, understand, quantify and minimise potential risks which may impact upon other organisations and public stakeholders. Issues identified through the Trust's risk management process that impact on partner organisations and public stakeholders will be discussed in the appropriate forum so that action can be agreed.

Assurance Framework

The Board's Assurance Framework provides the Trust with a system to identify and monitor risks to meeting its key strategic objectives. Each risk is mapped to corresponding controls and assurances, both internal and external.

The Board of Directors has a well-established process for ensuring that the content of the Assurance Framework is fit-for-purpose. In addition to quarterly formal reviews of the Assurance Framework at formal meetings, the Board has established an Assurance Committee, chaired by a Non-Executive Director, which is responsible for assuring the Board that the risk culture of the Trust is effective. One of the core functions of the Committee is to consider all high risks as identified by Business Units, to assess for their strategic impact, and add to the Board's Assurance Framework, if appropriate.

The risks included on the Board Assurance Framework are separated and individually managed and monitored by the appropriate Board Committee on a monthly or bi-monthly basis in order to ensure the risks are given due consideration at the relevant forum.

The highest scoring risks identified via the Assurance Framework during 2019/20, and associated actions, are summarised below:

Major Risks	In-year or future risk?	Clinical Risk	Mitigating Actions
COVID-19 This risk is classed as very high given the escalation in actions taken by central government and national bodies against the spread of COVID 19 and the increase in prevalence in the North East.	In year and future risk	Yes	The Trust has enacted its major incident protocol including the establishment of a gold, silver and bronze command system. The gold control will be responsible for all key decisions related to clinical and operational requirements to ensure that staff, patients and our local population remain safe whilst the prevalence of the virus remains uncertain and to mitigate any preventable spread of the virus wherever possible and to minimise harm.
NHS Improvement Single Oversight Framework Significant risks has been highlighted during the year in respect of the following measures which form part of the single oversight framework: • Failure to achieve A&E four-hour target of 95% - In common with	In year	Yes	Performance against the four-hour A&E target is closely monitored by the Board and Executive Management Team. An action plan has been developed and continues to be closely monitored by the Trust. The Board receives monthly performance data regarding the number of cases of C-Difficile via its Finance, Investment and Performance Committee and Safety and Quality Committee.

Major Risks	In-year or future risk?	Clinical Risk	Mitigating Actions
the majority of other Trusts there has continued to be unprecedented levels of demand in the emergency department. • Zero tolerance of hospital acquired Clostridium difficile - Failure to achieve a maximum of 39 hospital acquired clostridium difficile infections. • Cancer targets – GP referral to treatment and bowel cancer screening			Weekly tracking meetings are undertaken to try and ensure that all patients are seen within timeframe.
Staffing Ensuring that enough suitably qualified staff are deployed to meet the needs of people using the service. Implementation of the NHS contract reforms for junior doctors has also been identified as a high risk.	In year and future risk	Yes	The Board receives regular reports regarding staffing levels, vacancy levels and turnover rates within the Trust however recruitment of certain staff groups continues to be problematic, with national shortages of some disciplines. Targeted recruitment campaigns together with overseas recruitment continues to be undertaken. A monthly ward nursing and midwifery assurance report which includes review of a monthly quality dashboard metrics for triangulation of actual staffing levels, patient dependency and outcomes is presented to the Safety & Quality Committee and the Trust Board. A number of initiatives have been implemented to address the changes required to meet the requirements of the NHS contract reforms, these are led by the Trust's Workforce Committee.
Healthcare Funding Overall healthcare funding remains a high risk for the Trust, with increased demand for services and demographic changes.	In year and future risk	No	Financial performance is closely monitored by the Board, Executive Management Team and the Finance and Performance Committee.
Premises and equipment The Trust has received expert advice on rectification works that are required in some parts if its estate. CSSD function and capacity, with rising demand and aging equipment a risk for continued service provision has been identified.	In year and future risk	No Yes	Improvement works to address issues raised by external experts has continued during the year and is being monitored closely by the Executive Management Team and the Board of Directors. The CSSD risk is currently being mitigated through a combination of maintenance contracts and in-house maintenance, however significant investment has been allocated to the capital plan to address the risk, planning consent is currently awaited.
IM&T Cybercrime and the continuing emergence of new types of 'attacks' remains a high risk. In addition, there is also a more general IM&T risk related to the Trust's IT legacy infrastructure which is very old and requires a staged refresh . The 'digital literacy' of our workforce has been identified as a risk, the Trust needs to ensure that all staff are equipped with the skills and confidence to adopt and embrace the new technologies being implemented.	In year and future risk	Yes	A significant amount of progress has been made to mitigate the risk associated with cyber security. The first steps of the IT refresh has started with consolidation of the data centres and servers, but more work is required to ensure that this is both robust for business as usual and also fit for the future development of IT solutions across the Trust. Updates on progress are monitored closely by Executive Management Team, Audit Committee, Information Management & Technology Committee, and the Board of Directors. A digital services IT training board has been established with a 'digital literacy' action plan being monitored by the Workforce Committee.
EU Exit Uncertainty over the implications of a no deal EU exit	In year	Yes	The Board has been updated during the year on the national expectations on Trusts related to the United Kingdom leaving the European Union. The Trust has complied with all relevant national requirements. The Board has reviewed the potential risks, and has concluded that this is not a significant strategic risk for the organisation given the matters being dealt with directly by NHS central bodies and HM Government.

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

We have robust arrangements in place for setting objectives and targets on a strategic and annual basis. These arrangements include ensuring the financial strategy is affordable, scrutiny of cost savings plans to ensure achievement, compliance with terms of authorisation and coordination of individual objectives with corporate objectives as identified in the Annual Plan.

Performance against objectives is monitored and actions identified through a number of channels:

- Approval of annual Operational Plan by the Board of Directors
- Monthly reporting to the Board's Finance, Investment and Performance Committee (FIP) and Board of Directors on key performance indicators covering finance, activity, patient safety and quality, human resources targets and information, management and technology bi-monthly.
- Regular presentations from Business Units to the FIP Committee and Board on each Business Unit's performance against its cost improvement plan and Annual Plan in general.
- Monthly review of financial and performance targets by the FIP committee
- Weekly reporting to Executive Management Team meeting on key factors effecting the Trust's financial position and performance
- Periodic performance management of business units by the Executive Management Team covering performance against key objectives.
- Assurance Committee
- Reporting to NHSI.

We also participate in initiatives to ensure value for money for example:

- Subscribes to the NHS Providers benchmarking organisation that provides comparative information analysis on productivity and clinical indicators for high risk specialties
- Participates in top performing national initiatives with the Institute of Innovation and Learning to learn best practice in international sites
- CQC information that identifies key performance indicators and measures these over time to focus attention on areas for improvement.
- Value for money is an important component of the internal and external audit plans that provides assurance to the Trust of processes that are in place to ensure effective use of resources.

We have a standard assessment process for future business plans to ensure value for money and full appraisal processes are employed when considering the effect on the organisation. Procedures are in place to ensure all strategic decisions are considered at Executive and Board level.

The emphasis in internal audit work is providing assurances on internal controls, risk management and governance systems to the Audit Committee and to the Board. Where scope for improvement in terms of value for money was identified during an internal audit review, appropriate recommendations were made and actions were agreed with management for implementation. All internal audit reviews of material financial systems during 2019/20 resulted in substantial or good assurance.

We follow best practice as recommended by the NHS Counter Fraud and Security Management Service and participate in the National Fraud Initiative led by the Audit Commission. Staff are trained in fraud awareness and we actively promote the mechanism for staff to report any concerns about potential fraud or corruption. All concerns are investigated by the local counter fraud and security management specialist and the outcome of all investigations are reported to the Audit Committee.

Information Governance

There have been three Information Governance incidents (personal data breaches) during the financial year 2019/20 that have required external reporting:

- In May 2019 there was an incident where sensitive information relating to a diagnosis was addressed to the patient but was sent to a family member's address in error. The family member opened the letter and obtained information relating to a diagnosis that the patient did not wish to disclose to their family. This incident was reported to the ICO and subsequently closed at the Request of the Trust as it transpired the letter was sent by another organisation and not from Northumbria Healthcare NHS Foundation Trust.
- In September 2019 there was an incident where a staff member inappropriately accessed the health record of a family member. This incident was reported to the ICO and was closed by them with no further action taken however the ICO made recommendations to the Trust regarding ways in which awareness around inappropriate access from staff members can be raised. Appropriate internal action was also undertaken.
- In December 2019 there was an incident where a letter containing sensitive information was sent to a neighbour in error. The neighbour opened the correspondence and wider shared the information contained within it with others. This incident was reported to the ICO and has subsequently been closed with no

further action taken. The CO made recommendations ensuring checking procedures are robust and employees have received appropriate training.

Data security

There are robust arrangements in place to provide assurance on the quality of performance information. This is known as our data quality standards and these are reported quarterly to the Trust's Information Management and Technology Group. The Trust is compliant with Level 2 or above against all of the information governance standards and obtained the Cyber Essentials certificate in January 2020. Due to the COVID-19 priorities NHS Digital has extended the timeframe for Data Security and Protection Toolkit submission to September 2020, and the timeframe for the provision of Secure Email is under review for the same reasons. The Trust will complete a satisfactory Data Security & Protection Toolkit submission during April 2020. There is an annual independent review by our Internal Auditors which reviews performance information included as part of the quarterly governance declarations made to the Regulator.

As an NHS Organisation we have a Caldicott Guardian, a dedicated Board member who is responsible for protecting the confidentiality of people's health and care information and making sure it is used properly.

We also have a Senior Information Risk Owner ('SIRO'), a dedicated Board member with responsibility for assuring the Board regarding progress against the Trust's information governance work programme.

The key role of the SIRO & Caldicott Guardian, in conjunction with the Information Governance Group, is primarily to ensure:

- Compliance with the information governance toolkit/ Data Security & Protection Toolkit and improvements in relation to managing risks to information;
- Organisational compliance with legislative and regulatory requirements relating to handling of information, including compliance with the Data Protection Act (2018) and Freedom of Information Act (2000);
- Any Serious Untoward Incidents within the preceding twelve months, relating to any losses of personal data or breaches of confidentiality;
- Implementation of the General Data Protection Regulations (GDPR);
- The direction of information governance work during 2020-21 following the release of the updated Data Security and Protection toolkit, which will align fully with the Cyber Essentials Plus certification, and how it aligns with the strategic business goals of the Trust and outlines the work plan for the coming year.

As part of the Trust's responsibilities under the Data Protection Act / GDPR, we also have a dedicated Data Protection Officer and their tasks are:

- To inform and advise on the GDPR and other data protection laws;
- Monitor compliance with the GDPR and other data protection laws, data protection polices, including managing internal data protection activities; raising awareness of data protection issues, training staff and conducting internal audits;
- Cooperate with the supervisory authority
- Be the first point of contact for supervisory authorities and for individuals whose data is processed (employees, customers etc).

Data quality and governance

Annual Quality Account

In view of the COVID-19 pandemic and associated national response, amendments to the regulations for Quality Accounts have not yet been concluded by the Department of Health and Social Care. In line with the Foundation Trust Annual Reporting Manual for 2019/20, the Trust has not prepared a Quality Report to be included as part of this Annual Report. However, the Trust will prepare a separate Quality Account for 2019/20 which will be made available later in the year.

Governance and leadership

We have a quality management system in place based on the Institute of Medicine definition of quality. This quality management system ensures that a balanced scorecard of quality standards and indicators is considered by the Board of Directors. Furthermore, national guidance from the Department of Health Medical Director that Boards of Directors should review all their services over a reasonable period has placed a commitment on Board of Directors to review all services over a three-year period based on five quality domains that are safety, effectiveness, caring, responsive and well led.

Policies

We have put controls in place to ensure the quality of care provided. This is not an exhaustive list but key policies include:

RMP 03	Reporting and management of incidents
RMP 14	Complaints policy and procedure
IG104	Records policy
DQP01	Data quality policy

We have an extensive range of clinical governance policies and these are reviewed at appropriate intervals but no later than three years to ensure our operating policies reflect the best practice.

Systems and processes

There is a system and process to report the quality indicators for services from Board of Directors to every level in the Trust. Each service has a range of national quality indicators and these are extracted from the information centre data source and reported by service line to the Board of Directors at monthly intervals. Any high-risk issues (red rated) are considered by the Finance, Investment and Performance Committee and an appropriate action plan agreed.

Furthermore, the clinical audit plan reports on the performance of the national and local clinical audits at quarterly intervals to the Board of Directors' Safety and Quality Committee and includes any key risk areas and associated action plans. The internal and clinical audit plans are also aligned to the Board's Assurance Framework.

Patient experience results have been developed at service line and services now have at least five years of information on the views of outpatients and inpatients, where appropriate. This year, we have continued to develop our quality panels which provide the Board of Directors with a detailed assessment of the quality, safety and leadership effectiveness for each of the services we offer.

This service line information sits alongside established patient experience data to allow for a comprehensive assessment of quality. These panels rely on a face-to-face assessment as well as analysis of a wide range of information gathered in advance including ward observation.

People and skills

The Trust has a continued focus on people and skills and there are three key elements to this. Firstly, the outcomes of services to patients are delivered by highly-qualified and skilled individuals. We have robust policies for the recruitment and the development of staff. Secondly, mandatory and statutory training of staff is a key performance indicator and this is also reported to the Board of Directors at regular intervals. Thirdly, results of the 2019 NHS staff survey, against which we achieved a response rate of 76%, show that the majority of our staff would recommend the Trust as a place to work or receive treatment and ranking, putting Northumbria Healthcare 1st among Combined Acute and Community Trusts (out of 48) and 3rd compared to all other Trusts (out of 163). Overall, the survey provides some excellent results however we will continue to focus on areas for improvement.

Data use and reporting

Good quality information underpins the effective delivery of patient care and is essential if improvements in quality of care are to be made. Improving data quality, which includes the quality of ethnicity and other equality data, will thus improve patient care and improve value for money.

We have robust procedures to ensure that the quality and accuracy of elective waiting time data reported is as high. There is detailed guidance followed by the analysts each month in producing the elective waiting time data reports for NHS England and the Board.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the Trust that have responsibility for the development and maintenance of the internal control framework. I have drawn on the performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Directors, the Audit Committee and Assurance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board of Directors, supported by the Audit Committee and Assurance Committee, has routinely reviewed the Trust's system of internal control and governance framework, together with the Trust's integrated approach to achieving compliance with the CQC fundamental standards. The Assurance Framework provides the Board of Directors with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed.

The Audit Committee has provided the Board of Directors with an independent and objective review of internal financial control within the Trust by reflecting on the Trust financial report to the Board of Directors. There have been no significant controls gaps identified during 2019/20.

The Finance Investment and Performance Committee and Safety and Quality Committee provides the Board of Directors with an integrated clinical governance report at regular intervals and the former committee of the Board of Directors ensures compliance on

governance issues are delivered and immediate action is taken should performance not be in line with the target set by the Board of Directors.

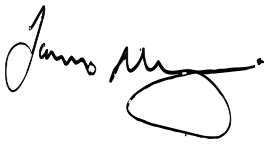
Clinical audit is given a high importance in the Trust. The annual Clinical Audit Plan is agreed by the Safety and Quality Committee and the Annual Plan reflects the priorities of the Board of Directors and the national best practice, for example, NICE clinical guidelines, national confidential enquiries, high level enquiries and other nationally agreed guidance is considered in the context of clinical services provided by the organisation. A quarterly review of progress against the plan is reported to the Safety and Quality Committee and to the Board of Directors via an integrated governance report. Any significant issues that emerge are reported to the Board of Directors and a service improvement plan or Trust-wide quality improvement is approved.

Internal audit has reviewed and reported upon control, governance and risk management processes, based on an audit plan approved by the Audit Committee. The work included identifying and evaluating controls and testing their effectiveness, in accordance with NHS Internal audit standards. Where scope for improvement was found, recommendations were made and appropriate action plans agreed with management. The Head of Internal Audit Opinion Statement has been received on the effectiveness of the system of internal control giving good assurance.

Conclusion

The overall opinion is that no significant internal control issues have been identified during 2019/20 and therefore significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently.

Sir James Mackey



Chief Executive Officer

26th June 2020

Appendix A: Annual Accounts 2019/20

NORTHUMBRIA HEALTHCARE NHS FOUNDATION TRUST

2019-20

ANNUAL ACCOUNTS

26 June 2020

Contents

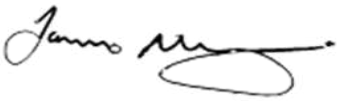
	Page
Foreword	Foreword
Statement of Accounting Officer's Responsibilities	i
Annual Governance Statement	ii - xiii
Independent auditor's report and opinion	xiv - xx
Consolidated statement of Comprehensive Income	1
Statement of Financial Position - Group and Trust	2
Statement of Changes in Taxpayer's Equity	3
Statement of Cashflows	4
Accounting policies	5 to 20
Notes to the financial statements	21 to 46

Foreword to the accounts

Northumbria Healthcare NHS Foundation Trust

These accounts, for the year ended 31 March 2020, have been prepared by Northumbria Healthcare NHS Foundation Trust in accordance with paragraphs 24 & 25 of Schedule 7 within the National Health Service Act 2006 and are presented to parliament pursuant to Schedule 7, paragraph 25 (4) (a) of the National Health Service Act 2006.

Signed



Sir James Mackey
Chief Executive

Date 26th June 2020

Statement of the chief executive's responsibilities as the accounting officer of Northumbria Healthcare NHS Foundation Trust

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

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

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

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

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

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

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

Signed

Sir James Mackey
Chief Executive Date: 26 June 2020

Annual Governance Statement

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of our 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 Trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the *NHS Foundation Trust Accounting Officer Memorandum.*

The purpose of the system of internal control

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

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of our policies, aims and objectives of Northumbria Healthcare NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Trust throughout the year ended 31st March 2020 and up to the date of approval of the Annual Report and Accounts.

Capacity to handle risk

Risk leadership

The Board of Directors has the overall responsibility for risk management within the Trust. Terms of Reference for the Board's assurance-seeking committees also set out the responsibility of key meetings in the oversight of risk management. In addition to the Audit Committee the Trust have an Assurance Committee which reviews Business Unit Risk Registers and associated actions in detail.

The specific responsibilities of each Board member, Business Unit Director, General Manager, Department Head, and Operational Service Manager, are set out in the Trust's Risk Management Strategy and Policy.

We have also appointed a Senior Independent Director, in line with the NHS Foundation Trust Code of Governance.

The role of the Senior Independent Director is to be available to Governors and members (including staff) should they have any concerns that they feel unable to raise via normal channels of communication with the Chair, Chief Executive, or any other Board members, or where such communication remains unresolved or would be inappropriate.

Risk training

We employ appropriately-qualified staff who specialise in risk management. Risk management awareness and health and safety training is delivered to all new members of staff on the first day of employment and to existing staff through mandatory training programmes. There is also the facility for all staff to undertake further training in health and safety using e-learning. The Trust's suite of policies enables staff to understand their specific responsibilities in relation to risk management, depending upon where they work and the nature of their role.

All job descriptions include specific reference to requirements regarding risk management, infection control and health and safety.

The risk and control framework

We have a Risk Management Strategy and Policy which was reviewed by the Board during 2019/20. Risks are identified proactively through; risk assessment processes, our quality management system which includes harm review and mortality reviews, reactively through the monitoring of key business objectives and through incidents, complaints and claims. These risks are evaluated through the use of a risk assessment matrix and controlled through a risk register system.

The Board of Directors, as required under NHS Foundation Trust condition 4(8)(b) assures itself of the validity of its Corporate Governance Statement. The Board of Directors review the Corporate Governance Statement every year to ensure that declarations being made can be supported with evidence. It considers the risks and mitigating actions that management provided to support the Statements and determine, both from its own work throughout the year - particularly the testing of the controls set out in the Assurance Framework - and assurances provided from the work of the Trust's internal, external auditors and other external audits or reviews, whether the Statements are valid.

The Trust have developed a detailed workforce strategy which identifies the need to develop new roles and ways of working to meet the needs of the Trust clinical strategy and to alleviate workforce supply shortages in some professions.

We know we have an ageing workforce in critical roles (such as nursing) and struggle to recruit into other specialist roles (e.g. radiographers and radiologists in clinical support) and so will work to develop an alternative workforce where possible to meet our needs.
The Trust is committed to ensuring safe staffing levels and has mitigations in place to ensure robust monitoring through daily staffing overview across seven days so allocation of staff is based on clinical judgement with patient dependency.

The Trust is currently implementing e-rostering and e-job planning in line with the "Developing Workforce Safeguards" recommendations. The Trust constantly monitor vacancy rates, safe staffing levels and agency spend. These key metrics are reported to the Board.

The Trust will include the NHSI safeguards to our reporting and monitoring processes both operationally from ward level to Board. The Trust has a process in line with NQB 2016 guidance which applies triangulation of metrics using an evaluation-based tool, professional judgement and outcomes. The NHSI developing Safeguards will further mitigate safe staffing through applying the Quality Impact Assessments.

The Trust is fully compliant with the registration requirements of the CQC and achieved an overall rating of 'Outstanding' following the CQC inspection in May and June 2019.

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

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the scheme regulations are complied with. This includes

ensuring that deductions from salary, employer's contributions and payments into the scheme are in accordance with the scheme rules, and that member pension scheme records are accurately updated in accordance with the timescales detailed in the regulations.

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

Quality governance arrangements

The Board has a dedicated Safety and Quality Committee which is responsible for the oversight of quality governance, including risks to clinical quality, throughout the Trust. The Safety and Quality Committee is chaired by a Non-Executive Director and includes within its membership the Chief Executive, Executive Medical Director, Executive Director of Nursing, Midwifery & Allied Health Professionals, Executive Director of Performance and Improvement, Head of Quality and Assurance, Chief Matrons, and Business Unit Directors and Deputy Directors. The Committee routinely receives assurance in relation to the Trust's compliance with CQC registration requirements.

In order to operate as a provider of NHS services under licence with the CQC, we must comply with the requirements of NHS Improvement's (NHSI's) Quality Governance Framework. NHSI (previously referred to as Monitor), and the CQC have aligned their definition of a 'well-led' organisation which is reflected in CQC's assessment approach, as well as NHSI's approach to regulatory oversight.

In 2016, the Trust commissioned an independent review of governance arrangements using Monitor's well-led framework, a process which is required at least every three years. There are four domains of the well-led framework which are: strategy and planning; capability and culture; process and structures and measurement. The report identified a number of strengths and good practice within the Trust, although there were areas identified for further development and improvement. An independent follow-up review began in April 2018, the results of which were considered by the Board and a well-led action plan was created and implemented. This action plan has formed the basis of the Board's Development sessions throughout the 2019/20 year.

The Safety and Quality Committee in conjunction with the Board of Directors, has responsibility for producing the strategic safety and quality vision, strategic goals and an implementation plan by horizon scanning and learning from the best evidence available. The Committee reports to the Board of Directors via a regular report on progress with the strategic objectives and produces the draft annual Quality Account for consideration by the Board.

We have arrangements to monitor compliance with the CQC registration requirements through completion of provider compliance assessments for each of the 16 essential safety and quality standards. Each safety and quality standard has an Executive Director lead and evidence of compliance is provided to the Assurance Committee at quarterly intervals.

Incident reporting is openly encouraged and handled across the Trust. We have fully endorsed this principle. All serious untoward incidents and significant learning events are investigated by a senior clinician and manager and reported to the appropriate Business Unit Board to agree on the action plan and monitor implementation.

In addition, the most serious incidents are reviewed by the Trust's safety panel process, which provides independent scrutiny of incident investigations and monitoring of the completion of action plans arising from such investigations. All serious incidents are reported to the Board on a monthly basis.

Trust-wide learning is encouraged at all levels of the organisation. The Clinical Policy Group, a monthly meeting attended by a wide range of clinicians, is a key forum for sharing learning and good practice. Sharing the lessons learnt is by cascade via the Clinical Policy Group via the management teams to the ward management team.

We have worked closely with partner organisations to explore, understand, quantify and minimise potential risks which may impact upon other organisations and public stakeholders. Issues identified through the Trust's risk management process that impact on partner organisations and public stakeholders will be discussed in the appropriate forum so that action can be agreed.

Assurance Framework

The Board's Assurance Framework provides the Trust with a system to identify and monitor risks to meeting its key strategic objectives. Each risk is mapped to corresponding controls and assurances, both internal and external.

The Board of Directors has a well-established process for ensuring that the content of the Assurance Framework is fit-for-purpose. In addition to quarterly formal reviews of the Assurance Framework at formal meetings, the Board has established an Assurance Committee, chaired by a Non-Executive Director, which is responsible for assuring the Board that the risk culture of the Trust is effective. One of the core functions of the Committee is to consider all high risks as identified by Business Units, to assess for their strategic impact, and add to the Board's Assurance Framework, if appropriate.

The risks included on the Board Assurance Framework are separated and individually managed and monitored by the appropriate Board Committee on a monthly or bi-monthly basis in order to ensure the risks are given due consideration at the relevant forum.

The highest scoring risks identified via the Assurance Framework during 2019/20, and associated actions, are summarised below:

Major Risks	In-year or future risk?	Clinical Risk	Mitigating Actions
COVID-19 This risk is classed as very high given the escalation in actions taken by central government and national bodies against the spread of COVID 19 and the increase in prevalence in the North East.	In year and future risk	Yes	The Trust has enacted its major incident protocol including the establishment of a gold, silver and bronze command system. The gold control will be responsible for all key decisions related to clinical and operational requirements to ensure that staff, patients and our local population remain safe whilst the prevalence of the virus remains uncertain and to mitigate any preventable spread of the virus wherever possible and to minimise harm.
NHS Improvement Single Oversight Framework	In year	Yes	Performance against the four-hour A&E target is closely monitored by the Board and Executive Management

Major Risks	In-year or future risk?	Clinical Risk	Mitigating Actions
Significant risks has been highlighted during the year in respect of the following measures which form part of the single oversight framework: • Failure to achieve A&E four-hour target of 95% - In common with the majority of other Trusts there has continued to be unprecedented levels of demand in the emergency department. • Zero tolerance of hospital acquired Clostridium difficile - Failure to achieve a maximum of 39 hospital acquired clostridium difficile infections. • Cancer targets – GP referral to treatment and bowel cancer screening			Team. An action plan has been developed and continues to be closely monitored by the Trust. The Board receives monthly performance data regarding the number of cases of C-Difficile via its Finance, Investment and Performance Committee and Safety and Quality Committee. Weekly tracking meetings are undertaken to try and ensure that all patients are seen within timeframe.
Staffing Ensuring that enough suitably qualified staff are deployed to meet the needs of people using the service. Implementation of the NHS contract reforms for junior doctors has also been identified as a high risk.	In year and future risk	Yes	The Board receives regular reports regarding staffing levels, vacancy levels and turnover rates within the Trust however recruitment of certain staff groups continues to be problematic, with national shortages of some disciplines. Targeted recruitment campaigns together with overseas recruitment continues to be undertaken. A monthly ward nursing and midwifery assurance report which includes review of a monthly quality dashboard metrics for triangulation of actual staffing levels, patient dependency and outcomes is presented to the Safety & Quality Committee and the Trust Board. A number of initiatives have been implemented to address the changes required to meet the requirements of the NHS contract reforms, these are led by the Trusts Workforce Committee.

Major Risks	In-year or future risk?	Clinical Risk	Mitigating Actions
Healthcare Funding Overall healthcare funding remains a high risk for the Trust, with increased demand for services and demographic changes.	In year and future risk	No	Financial performance is closely monitored by the Board, Executive Management Team and the Finance and Performance Committee.
Premises and equipment The Trust has received expert advice on rectification works that are required in some parts if its estate. CSSD function and capacity, with rising demand and aging equipment a risk for continued service provision has been identified.	In year and future risk	No Yes	Improvement works to address issues raised by external experts has continued during the year and is being monitored closely by the Executive Management Team and the Board of Directors. The CSSD risk is currently being mitigated through a combination of maintenance contracts and in-house maintenance, however significant investment has been allocated to the capital plan to address the risk, planning consent is currently awaited.
IM&T Cybercrime and the continuing emergence of new types of 'attacks' remains a high risk. In addition, there is also a more general IM&T risk related to the Trust's IT legacy infrastructure which is very old and requires a staged refresh . The 'digital literacy' of our workforce has been identified as a risk, the Trust needs to ensure that all staff are equipped with the skills and confidence to adopt and embrace the new technologies being implemented.	In year and future risk	Yes	A significant amount of progress has been made to mitigate the risk associated with cyber security. The first steps of the IT refresh has started with consolidation of the data centres and servers, but more work is required to ensure that this is both robust for business as usual and also fit for the future development of IT solutions across the Trust. Updates on progress are monitored closely by Executive Management Team, Audit Committee, Information Management & Technology Committee, and the Board of Directors. A digital services IT training board has been established with a 'digital literacy' action plan being monitored by the Workforce Committee.

Major Risks	In-year or future risk?	Clinical Risk	Mitigating Actions
EU Exit Uncertainty over the implications of a no deal EU exit	In year	Yes	The Board has been updated during the year on the national expectations on Trusts related to the United Kingdom leaving the European Union. The Trust has complied with all relevant national requirements. The Board has reviewed the potential risks, and has concluded that this is not a significant strategic risk for the organisation given the matters being dealt with directly by NHS central bodies and HM Government.

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

We have robust arrangements in place for setting objectives and targets on a strategic and annual basis. These arrangements include ensuring the financial strategy is affordable, scrutiny of cost savings plans to ensure achievement, compliance with terms of authorisation and coordination of individual objectives with corporate objectives as identified in the Annual Plan.

Performance against objectives is monitored and actions identified through a number of channels:

- Approval of annual Operational Plan by the Board of Directors
- Monthly reporting to the Board's Finance, Investment and Performance Committee (FIP) and Board of Directors on key performance indicators covering finance, activity, patient safety and quality, human resources targets and information, management and technology bi-monthly.
- Regular presentations from Business Units to the FIP Committee and Board on each Business Unit's performance against its cost improvement plan and Annual Plan in general.
- Monthly review of financial and performance targets by the FIP committee
- Weekly reporting to Executive Management Team meeting on key factors effecting the Trust's financial position and performance
- Periodic performance management of business units by the Executive Management Team covering performance against key objectives.
- Assurance Committee
- Reporting to NHSI.

We also participate in initiatives to ensure value for money for example:

- Subscribes to the NHS Providers benchmarking organisation that provides comparative information analysis on productivity and clinical indicators for high risk specialties
- Participates in top performing national initiatives with the Institute of Innovation and Learning to learn best practice in international sites
- CQC information that identifies key performance indicators and measures these over time to focus attention on areas for improvement.
- Value for money is an important component of the internal and external audit plans that provides assurance to the Trust of processes that are in place to ensure effective use of resources.

We have a standard assessment process for future business plans to ensure value for money and full appraisal processes are employed when considering the effect on the organisation. Procedures are in place to ensure all strategic decisions are considered at Executive and Board level.

The emphasis in internal audit work is providing assurances on internal controls, risk management and governance systems to the Audit Committee and to the Board. Where scope for improvement in terms of value for money was identified during an internal audit review, appropriate recommendations were made and actions were agreed with management for implementation. All internal audit reviews of material financial systems during 2019/20 resulted in substantial or good assurance.

We follow best practice as recommended by the NHS Counter Fraud and Security Management Service and participate in the National Fraud Initiative led by the Audit Commission. Staff are trained in fraud awareness and we actively promote the mechanism for staff to report any concerns about potential fraud or corruption. All concerns are investigated by the local counter fraud and security management specialist and the outcome of all investigations are reported to the Audit Committee.

Information Governance

There have been three Information Governance incidents (personal data breaches) during the financial year 2019/20 that have required external reporting:

- In May 2019 there was an incident where sensitive information relating to a diagnosis was addressed to the patient but was sent to a family member's address in error. The family member opened the letter and obtained information relating to a diagnosis that the patient did not wish to disclose to their family. This incident was reported to the ICO and subsequently closed at the Request of the Trust as it transpired the letter was sent by another organisation and not from Northumbria Healthcare NHS Foundation Trust.
- In September 2019 there was an incident where a staff member inappropriately accessed the health record of a family member. This incident was reported to the ICO and was closed by them with no further action taken however the ICO made recommendations to the Trust regarding ways in which awareness around inappropriate access from staff members can be raised. Appropriate internal action was also undertaken.
- In December 2019 there was an incident where a letter containing sensitive information was sent to a neighbour in error. The neighbour opened the correspondence and wider shared the information contained within it with others. This incident was reported to the ICO and has subsequently been closed with no further action taken. The CO made recommendations ensuring checking procedures are robust and employees have received appropriate training.

Data security

There are robust arrangements in place to provide assurance on the quality of performance information. This is known as our data quality standards and these are reported quarterly to the Trust's Information Management and Technology Group. The Trust is compliant with Level 2 or above against all of the information governance standards and obtained the Cyber Essentials certificate in January 2020. Due to the COVID-19 priorities NHS Digital has extended the timeframe for Data Security and Protection Toolkit submission to September 2020, and the timeframe for the provision of Secure Email is under review for the same reasons. The Trust will complete a satisfactory Data Security & Protection Toolkit submission during April 2020. There is an annual independent

review by our Internal Auditors which reviews performance information included as part of the quarterly governance declarations made to the Regulator.

As an NHS Organisation we have a Caldicott Guardian, a dedicated Board member who is responsible for protecting the confidentiality of people's health and care information and making sure it is used properly.

We also have a Senior Information Risk Owner ('SIRO'), a dedicated Board member with responsibility for assuring the Board regarding progress against the Trust's information governance work programme.

The key role of the SIRO & Caldicott Guardian, in conjunction with the Information Governance Group, is primarily to ensure:

- Compliance with the information governance toolkit/ Data Security & Protection Toolkit and improvements in relation to managing risks to information;
- Organisational compliance with legislative and regulatory requirements relating to handling of information, including compliance with the Data Protection Act (2018) and Freedom of Information Act (2000);
- Any Serious Untoward Incidents within the preceding twelve months, relating to any losses of personal data or breaches of confidentiality;
- Implementation of the General Data Protection Regulations (GDPR);
- The direction of information governance work during 2020-21 following the release of the updated Data Security and Protection toolkit, which will align fully with the Cyber Essentials Plus certification, and how it aligns with the strategic business goals of the Trust and outlines the work plan for the coming year.

As part of the Trust's responsibilities under the Data Protection Act / GDPR, we also have a dedicated Data Protection Officer and their tasks are:

- To inform and advise on the GDPR and other data protection laws;
- Monitor compliance with the GDPR and other data protection laws, data protection polices, including managing internal data protection activities; raising awareness of data protection issues, training staff and conducting internal audits;
- Cooperate with the supervisory authority
- Be the first point of contact for supervisory authorities and for individuals whose data is processed (employees, customers etc).

Data quality and governance

Annual Quality Account

In view of the COVID-19 pandemic and associated national response, amendments to the regulations for Quality Accounts have not yet been concluded by the Department of Health and Social Care. In line with the Foundation Trust Annual Reporting Manual for 2019/20, the Trust has not prepared a Quality Report to be included as part of this Annual Report. However, the Trust will prepare a separate Quality Account for 2019/20 which will be made available later in the year.

Governance and leadership

We have a quality management system in place based on the Institute of Medicine definition of quality. This quality management system ensures that a balanced scorecard of quality standards and indicators is considered by the Board of Directors. Furthermore, national guidance from the Department of Health Medical Director that Boards of Directors should review all their services over a reasonable period has placed a commitment on Board of Directors to review all services over a three-year period based on five quality domains that are safety, effectiveness, caring, responsive and well led.

Policies

We have put controls in place to ensure the quality of care provided. This is not an exhaustive list but key policies include:

RMP 03 Reporting and management of incidents
RMP 14 Complaints policy and procedure
IG104 Records policy
DQP01 Data quality policy

We have an extensive range of clinical governance policies and these are reviewed at appropriate intervals but no later than three years to ensure our operating policies reflect the best practice.

Systems and processes

There is a system and process to report the quality indicators for services from Board of Directors to every level in the Trust. Each service has a range of national quality indicators and these are extracted from the information centre data source and reported by service line to the Board of Directors at monthly intervals. Any high-risk issues (red rated) are considered by the Finance, Investment and Performance Committee and an appropriate action plan agreed.

Furthermore, the clinical audit plan reports on the performance of the national and local clinical audits at quarterly intervals to the Board of Directors' Safety and Quality Committee and includes any key risk areas and associated action plans. The internal and clinical audit plans are also aligned to the Board's Assurance Framework.

Patient experience results have been developed at service line and services now have at least five years of information on the views of outpatients and inpatients, where appropriate. This year, we have continued to develop our quality panels which provide the Board of Directors with a detailed assessment of the quality, safety and leadership effectiveness for each of the services we offer.

This service line information sits alongside established patient experience data to allow for a comprehensive assessment of quality. These panels rely on a face-to-face assessment as well as analysis of a wide range of information gathered in advance including ward observation.

People and skills

The Trust has a continued focus on people and skills and there are three key elements to this. Firstly, the outcomes of services to patients are delivered by highly-qualified and skilled individuals. We have robust policies for the recruitment and the development of staff. Secondly, mandatory and statutory training of staff is a key performance indicator and this is also reported to the Board of Directors at regular intervals. Thirdly, results of

the 2019 NHS staff survey, against which we achieved a response rate of 76%, show that the majority of our staff would recommend the Trust as a place to work or receive treatment and ranking, putting Northumbria Healthcare 1st among Combined Acute and Community Trusts (out of 48) and 3rd compared to all other Trusts (out of 163). Overall, the survey provides some excellent results however we will continue to focus on areas for improvement.

Data use and reporting

Good quality information underpins the effective delivery of patient care and is essential if improvements in quality of care are to be made. Improving data quality, which includes the quality of ethnicity and other equality data, will thus improve patient care and improve value for money.

We have robust procedures to ensure that the quality and accuracy of elective waiting time data reported is as high. There is detailed guidance followed by the analysts each month in producing the elective waiting time data reports for NHS England and the Board.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the Trust that have responsibility for the development and maintenance of the internal control framework. I have drawn on the performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Directors, the Audit Committee and Assurance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board of Directors, supported by the Audit Committee and Assurance Committee, has routinely reviewed the Trust's system of internal control and governance framework, together with the Trust's integrated approach to achieving compliance with the CQC fundamental standards. The Assurance Framework provides the Board of Directors with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed.

The Audit Committee has provided the Board of Directors with an independent and objective review of internal financial control within the Trust by reflecting on the Trust financial report to the Board of Directors. There have been no significant controls gaps identified during 2019/20.

The Finance Investment and Performance Committee and Safety and Quality Committee provides the Board of Directors with an integrated clinical governance report at regular intervals and the former committee of the Board of Directors ensures compliance on governance issues are delivered and immediate action is taken should performance not be in line with the target set by the Board of Directors.

Clinical audit is given a high importance in the Trust. The annual Clinical Audit Plan is agreed by the Safety and Quality Committee and the Annual Plan reflects the priorities of the Board of Directors and the national best practice, for example, NICE clinical guidelines, national confidential enquiries, high level enquiries and other nationally agreed guidance is considered in the context of clinical services provided by the organisation. A

quarterly review of progress against the plan is reported to the Safety and Quality Committee and to the Board of Directors via an integrated governance report. Any significant issues that emerge are reported to the Board of Directors and a service improvement plan or Trust-wide quality improvement is approved.

Internal audit has reviewed and reported upon control, governance and risk management processes, based on an audit plan approved by the Audit Committee. The work included identifying and evaluating controls and testing their effectiveness, in accordance with NHS Internal audit standards. Where scope for improvement was found, recommendations were made and appropriate action plans agreed with management. The Head of Internal Audit Opinion Statement has been received on the effectiveness of the system of internal control giving good assurance.

Conclusion

The overall opinion is that no significant internal control issues have been identified during 2019/20 and therefore significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently.

Sir James Mackey

Chief Executive Officer

26TH June 2020

Northumbria Healthcare NHS Foundation Trust - Annual Accounts 2019-20

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Group Year Ending 31 March 2020 £000	Group Year Ending 31 March 2019 £000	Foundation Trust Year Ending 31 March 2020 £000	Foundation Trust Year Ending 31 March 2019 £000
Operating income	3	**587,149**	553,203	**578,072**	541,189
Operating expenses	4	**(562,624)**	(543,663)	**(549,478)**	(532,937)
Total Operating surplus		**24,525**	9,540	**28,594**	8,252
Finance Costs					
Finance income	5	**569**	354	**3,377**	3,303
Finance expense	6	**(11,111)**	(10,931)	**(16,225)**	(15,228)
Finance expense - unwinding of discount on provisions	24	**(40)**	(40)	**(40)**	(40)
PDC dividends payable		**(269)**	(698)	**(269)**	(698)
Net Finance Costs		**(10,851)**	(11,315)	**(13,157)**	(12,663)
(Losses) / gains on disposal of assets		**(199)**	10,905	**(199)**	10,948
Movement in fair value of other investments	35	**15**	38	**0**	0
Corporation tax		**0**	0	**0**	0
Surplus		**13,490**	9,168	**15,238**	6,537
Other comprehensive income					
Amounts that will not be reclassified subsequently to income and expenditure including:					
Gains on revaluations	10	**0**	0	**0**	0
Impairments and reversal taken to revaluation reserve	10	**1,020**	1,273	**1,020**	1,273
Total comprehensive income for the year		**14,510**	10,441	**16,258**	7,810

Note: Allocation of surplus for the year:	Note	Group Year Ending 31 March 2020 £000	Group Year Ending 31 March 2019 £000	Foundation Trust Year Ending 31 March 2020 £000	Foundation Trust Year Ending 31 March 2019 £000
(a)Deficit for the period attributable to:					
(i) minority interest, and		**0**	0	**0**	0
(ii) owners of the parent.		**13,490**	9,168	**15,238**	6,537
Total		**13,490**	9,168	**15,238**	6,537
(b) Total comprehensive income for the year attributable to:					
(i) minority interest, and		**0**	0	**0**	0
(ii) owners of the parent.		**14,510**	10,441	**16,258**	7,810
Total		**14,510**	10,441	**16,258**	7,810

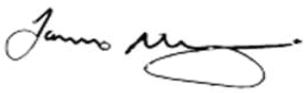
All income and expenditure is derived from continuing operations.

Northumbria Healthcare NHS Foundation Trust - Annual Accounts 2019-20

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020 - GROUP AND TRUST

		Group		Foundation Trust	
Non-current assets	Note	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £0002
Intangible assets	8.1	**7,424**	6,448	**7,424**	6,448
Property, plant and equipment	10.1	**226,851**	220,139	**220,457**	206,132
Investments - subsidiaries	14	**0**	0	**21,389**	16,787
Loans - subsidiaries	14	**0**	0	**71,976**	74,686
Other Investments	35	**1,310**	1,295	**0**	0
Trade and other receivables	16	**39,339**	17,771	**39,339**	17,771
Employee benefits	23	**102**	1,710	**102**	1,710
Total non-current assets		**275,026**	247,363	**360,687**	323,534
Current assets					
Inventories	15	**13,873**	14,043	**13,192**	13,432
Trade and other receivables	16	**53,991**	65,474	**75,977**	86,175
Loans - subsidiaries	14	**0**	0	**2,910**	2,910
Assets held for sale	12	**0**	0	**0**	0
Cash and cash equivalents	26	**66,546**	64,166	**62,848**	61,159
Total current assets		**134,410**	143,683	**154,927**	163,676
Current Liabilities					
Trade and other payables	18	**(55,363)**	(55,955)	**(60,465)**	(63,939)
Interest bearing borrowings	20	**(22,698)**	(12,823)	**(30,459)**	(16,950)
Provisions	24	**(336)**	(336)	**(336)**	(336)
Other liabilities	19	**(4,477)**	(1,096)	**(4,477)**	(1,054)
Total current liabilities		**(82,874)**	(70,210)	**(95,737)**	(82,279)
Total assets less current liabilities		**326,562**	320,836	**419,877**	404,931
Non-current liabilities					
Trade and other payables	18	**0**	(2,599)	**0**	(2,599)
Deferred Income	19	**(12,075)**	0	**(12,075)**	0
Interest bearing borrowings	20	**(210,028)**	(229,890)	**(301,639)**	(314,029)
Employee benefits	23	**(1,290)**	(1,710)	**(1,290)**	(1,710)
Provisions	24	**(2,030)**	(1,043)	**(2,030)**	(1,043)
Total non-current liabilities		**(225,423)**	(235,242)	**(317,034)**	(319,381)
Total assets employed		**101,139**	85,594	**102,843**	85,550
Financed by taxpayer's equity					
Public dividend capital		**152,357**	151,322	**152,357**	151,322
Revaluation reserve	25	**7,660**	6,640	**7,660**	6,640
Charitable fund reserve	35	**2,754**	2,754	**0**	0
Other Reserves		**(551)**	(551)	**(551)**	(551)
Income and expenditure reserve		**(61,081)**	(74,571)	**(56,623)**	(71,861)
Total taxpayer's equity		**101,139**	85,594	**102,843**	85,550

The financial statements on pages 1 to 46 were approved by the Board on the 26th June 2020 and signed on its behalf by:



Sir James Mackey
Chief Executive Dated 26th June 2020

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

Changes in Taxpayer's Equity for the year ended 31 March 2020

Group	Public Dividend Capital £000	Revaluation Reserve £000	Income and Expenditure Reserve £000	Charitable Fund Reserve £000	Other Reserve £000	Total £000
Balance as at 31 March 2019	**151,322**	**6,640**	**(74,571)**	**2,754**	**(551)**	**85,594**
PDC received	**1,035**	**0**	**0**	**0**	**0**	**1,035**
PDC Repaid	**0**	**0**	**0**	**0**	**0**	**0**
Total comprehensive income for the year; retained surplus for the year	**0**	**0**	**13,490**	**0**	**0**	**13,490**
Transfer between reserves	**0**	**0**	**0**	**0**	**0**	**0**
Revaluations - property, plant and equipment	**0**	**1,020**	**0**	**0**	**0**	**1,020**
Balance as at 31 March 2020	**152,357**	**7,660**	**(61,081)**	**2,754**	**(551)**	**101,139**

Changes in Taxpayer's Equity for the year ended 31 March 2019

Group	Public Dividend Capital £000	Revaluation Reserve £000	Income and Expenditure Reserve £000	Charitable Fund Reserve £000	Other Reserve £000	Total £000
Balance as at 31 March 2018	151,475	5,367	(83,831)	2,846	(551)	75,306
PDC received	12	0	0	0	0	12
PDC Repaid	(165)	0	0	0	0	(165)
Total comprehensive income for the year; retained surplus for the year	0	0	9,260	(92)	0	9,168
Transfer between reserves	0	0	0	0	0	0
Revaluations - property, plant and equipment	0	1,273	0	0	0	1,273
Balance as at 31 March 2019	151,322	6,640	(74,571)	2,754	(551)	85,594

Changes in Taxpayer's Equity for the year ended 31 March 2020

Foundation Trust	Public Dividend Capital £000	Revaluation Reserve £000	Income and Expenditure Reserve £000	Charitable Fund Reserve £000	Other Reserve £000	Total £000
Balance as at 31 March 2019	**151,322**	**6,640**	**(71,861)**	**0**	**(551)**	**85,550**
PDC received	**1,035**	**0**	**0**	**0**	**0**	**1,035**
PDC Repaid	**0**	**0**	**0**	**0**	**0**	**0**
Total comprehensive income for the year; retained surplus for the year	**0**	**0**	**15,238**	**0**	**0**	**15,238**
Revaluations - property, plant and equipment	**0**	**1,020**	**0**	**0**	**0**	**1,020**
Balance as at 31 March 2020	**152,357**	**7,660**	**(56,623)**	**0**	**(551)**	**102,843**

Changes in Taxpayer's Equity for the year ended 31 March 2019

Foundation Trust	Public Dividend Capital £000	Revaluation Reserve £000	Income and Expenditure Reserve £000	Charitable Fund Reserve £000	Other Reserve £000	Total £000
Balance as at 31 March 2018	151,475	5,367	(78,398)	0	(551)	77,893
PDC received	12	0	0	0	0	12
PDC Repaid	(165)	0	0	0	0	(165)
Total comprehensive income for the year; retained surplus for the year	0	0	6,537	0	0	6,537
Revaluations - property, plant and equipment	0	1,273	0	0	0	1,273
Balance as at 31 March 2019	151,322	6,640	(71,861)	0	(551)	85,550

STATEMENT OF CASHFLOWS

Cash flows from operating activities	Note	Group Year Ending 31 March 2020 £000	Group Year Ending 31 March 2019 £000	Foundation Trust Year Ending 31 March 2020 £000	Foundation Trust Year Ending 31 March 2019 £000
Operating surplus from continuing operations		**24,525**	9,540	**28,594**	8,252
Operating surplus		**24,525**	**9,540**	**28,594**	**8,252**
Non-cash income and expenses					
Depreciation and amortisation		**12,054**	10,389	**12,054**	10,389
Impairments		**11,249**	24,416	**11,249**	24,458
(Increase) / decrease in trade and other receivables		**(15,802)**	4,652	**(17,087)**	2,605
Increase / (decrease) in inventories		**170**	(104)	**240**	(48)
Increase / (decrease) in trade and other payables		**(4,302)**	(9,643)	**(12,588)**	(22,429)
Increase / (decrease) in other liabilities		**15,456**	(1,091)	**15,498**	(1,133)
Unwinding of discount provisions		**(40)**	(40)	**(40)**	(40)
Decrease in provisions		**987**	(285)	**987**	(285)
Corporation tax paid		**0**	0	**0**	0
Other movements in operating cashflows		**(116)**	(513)	**(203)**	(513)
Net cash generated from operating activities		**44,181**	37,321	**38,704**	21,256
Cash flows from investing activities					
Interest received		**556**	330	**3,364**	3,279
Purchase of financial assets		**0**	(1,000)	**0**	0
Investment in a subsidiary / joint venture		**0**	0	**2,713**	1,249
Purchase of property, plant and equipment and intangible assets		**(28,125)**	(28,357)	**(19,080)**	(11,410)
Proceeds from sale of property and equipment		**7,281**	225	**7,281**	225
Net cash used in investing activities		**(20,288)**	(28,802)	**(5,722)**	(6,657)
Cash flows from financing activities					
PDC received		**1,035**	(153)	**1,035**	(153)
PDC dividend paid		**(212)**	(142)	**(212)**	(142)
Loans repaid		**(10,010)**	(10,525)	**(10,010)**	(10,525)
Loans received		**0**	50,000	**0**	50,000
Interest paid on loans		**(7,875)**	(10,157)	**(7,875)**	(10,157)
Payment of finance lease obligations - interest		**(1,745)**	(1,202)	**(6,859)**	(5,499)
Payment of Private Finance Initiative obligations - interest		**(1,637)**	(1,962)	**(1,637)**	(1,962)
Additions of finance lease obligations - capital		**0**	0	**0**	0
Payment of finance lease obligations - capital		**(268)**	(196)	**(4,934)**	(1,346)
Payment of Private Finance Initiative obligations - capital		**(801)**	(68)	**(801)**	(68)
Net cash absorbed from financing activities		**(21,513)**	25,595	**(31,293)**	20,148
Increase in cash and cash equivalents		**2,380**	34,114	**1,689**	34,747
Cash and cash equivalents at 1 April		**64,166**	30,052	**61,159**	26,412
Cash and cash equivalents at 31 March	**26**	**66,546**	64,166	**62,848**	61,159

Notes to the accounts

Note 1. Accounting policies and other information: Basis of Preparation

NHS Improvement, in exercising the statutory functions conferred on Monitor, has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care 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.

Accounting Convention

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

1. Going Concern Basis

These accounts have been prepared on a going concern basis. This is based on financial projections taking into account the working capital position, agreed 2020/21 contractual income and expenditure plans. The Group had cash at bank of £66.5m at the year end and generated cash from operations of £44.2m.

The Trust submitted their financial plans in line with NHS planning guidelines and these plans showed a surplus of £14.4m for the financial year to 31 March 2020. These were approved by the Governing Body and agreed with NHSI. The Covid-19 outbreak was declared a pandemic on 11 March 2020. In response the NHS has restructured its normal financial arrangements to ensure that sufficient funding reached all NHS Trusts during the emergency response.

The revised funding arrangements are such that the Group and Trust would only be funded to break even position for the four months April to July 2020 despite the Trust incurring significant expense in relation to Covid-19 which has eroded the forecast surplus. After this time NHSI has indicated that Trusts will continue to be funded, but details are not confirmed. In light of these revised arrangements the Trust has made further arrangements with its funders to ensure that covenants are not breached.

The Directors have considered the financial forecasts in light of the revised funding arrangements which support at least a break even position, the substantial cash balance which is further strengthened by an additional £50m drawdown after the year end and have a reasonable expectation that the Group and Trust has adequate resources to continue in operational existence for the 12 months from the date of signing of the accounts. As and when the national financial regime allows retention of financial surpluses the Group and Trust are planning to return to delivery of usual surpluses. Therefore the Directors continue to support the going concern basis of preparation.

2. Consolidation

The group financial statements consolidate the financial statements of the Trust and entities controlled by the Trust (its subsidiaries) and incorporate its share of the results of wholly and jointly controlled entities and associates using the equity method of accounting. The financial statements of the subsidiaries are prepared for the same reporting year as the Trust.

Subsidiary entities are those over which the Foundation Trust has the power to exercise control or a dominant influence so as to gain economic or other benefits. The income, expenses, assets, liabilities, equity and reserves of subsidiaries are consolidated in full into the appropriate financial statement lines.

Where subsidiaries accounting policies are not aligned with those of the Foundation Trust (including where they report under UK GAAP) these amounts are adjusted during consolidation where differences are material.

All intragroup balances and transactions, including unrealised profits arising from the intragroup transactions, have been eliminated in full. Subsidiaries are consolidated from the date on which control is obtained by the group and cease to be consolidated from the date on which control is no longer held by the group.

Joint ventures are separate entities over which the trust has joint control with one or more parties. The meaning of control is the same as that for subsidiaries. Joint ventures are recognised in the Trust's financial statements using the equity method. This investment is initially recognised at a cost.

Northumbria Healthcare Facilities Management Ltd. was incorporated on the 9th October 2012 and is a wholly owned subsidiary of Northumbria Healthcare NHS FT. The primary purpose of the company is the provision of a fully managed healthcare facility, including the design, project management and operation of specific capital schemes. Currently the largest contract is for the management of the site of the Northumbria Specialist Emergency Care Hospital in Cramlington and provision of services.

Northumbria Primary Care Limited was established to provide GPs with professional support in many of the corporate functions that come with running a GP practice. It is a wholly owned subsidiary of Northumbria Healthcare NHS Foundation Trust which started trading on 1 April 2015.

Northumbria Digital Solutions Limited was established to provide information technology services to NHS and other organisations, including Northumbria Healthcare NHS Foundation Trust. It is a wholly owned subsidiary of Northumbria Healthcare NHS Foundation Trust which started trading on 1 July 2017.

Northumbria Healthcare NHS Foundation Trust is the corporate trustee to Northumbria Healthcare NHS Trust Charity NHS charitable fund. The Foundation Trust has assessed its relationship to the charitable fund and determined it to be a subsidiary because the Foundation Trust has the power to govern the financial and operating policies of the charitable fund so as to obtain benefits from its activities for itself, its patients and its staff.

The charitable funds statutory accounts are prepared to 31 March in accordance with the UK Charities Statement of Recommended Practice (SORP) which is based on FRS102. On consolidation, necessary adjustments are made to the charity's assets, liabilities and transactions to:

- Recognise and measure them in accordance with the Foundation Trust's accounting policies; and
- Eliminate intra-group transactions, balances gain and losses.

The summary Statement of Financial Activities and Statement of Financial Position of the Charitable Fund are presented in a note (note 35) to the accounts.

When there is a legal restriction on the purpose to which a fund may be put, the fund is classified in the accounts as a restricted fund. Funds where the capital is held to generate income for the charitable purposes and cannot itself be spent are accounted for as endowment funds. Other funds are classified as unrestricted funds. Unrestricted funds which the Trustees have chosen to earmark for set purposes are also classified as designated funds. In all other respects the accounting policies of the Charitable Fund are materially in line with those of the Foundation Trust.

Additionally, the Trust has dormant subsidiaries and investments in Limited Liability Partnerships as disclosed in note 14.

3. Income

Revenue from contracts with customers

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

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

or receivable relates to a performance obligation that is to be satisfied in a future period, the income is deferred and recognised as a contract liability.

Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners for health care services. A performance obligation relating to delivery of a spell of health care is generally satisfied over time as healthcare is received and consumed simultaneously by the customer as the Trust performs it. The customer in such a contract is the commissioner, but the customer benefits as services are provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligns with paragraph 22(b) of IFRS 15 entailing a delivery of a series of goods or services that are substantially the same and have a similar pattern of transfer. At the year end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete. This accrual is disclosed as a contract receivable as entitlement to payment for work completed is usually only dependent on the passage of time.

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

Where the Trust is aware of a penalty based on contractual performance, the Trust reflects this in the transaction price for its recognition of revenue. Revenue is reduced by the value of the penalty.
The Trust does not receive income where a patient is readmitted within 30 days of discharge from a previous planned stay. This is considered an additional performance obligation to be satisfied under the original transaction price. An estimate of readmissions is made at the year end this portion of revenue is deferred as a contract liability.

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

Revenue from research contracts

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

NHS injury cost recovery scheme

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

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

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

Apprenticeship service income

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

Department for Education, the corresponding notional expense is also recognised at the point of recognition for the benefit.

Other income

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

4. Expenditure on Employee Benefits

Short-term Employee Benefits

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

Pension costs

NHS Pension Scheme

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

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 DHSC GAM requires that “the period between formal valuations shall be four years, with approximate assessments in intervening years”. An outline of these follows:

1. 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 are accepted as providing suitably robust figures for financial reporting purposes. The valuation of 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 DHSC GAM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

2. 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 their recent demographic experience), and to recommend contribution rates payable by employees and employers.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 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.

National Employment Savings Trust

The Group operations an alternative mandatory scheme, National Employment Savings Trust (NEST), for employees who do not qualify to become a member of the NHS Pension Scheme.

Defined benefit plan – Northumberland County Council Local Government Pension Scheme

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Trust's net obligation in respect of this defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Trust's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Trust, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

The Trust's defined benefit obligations in respect of this scheme have been indemnified by Northumberland County Council. As a result of this indemnification, the Trust has a right of reimbursement for expenditures required to settle this defined benefit obligation or a commitment to refund any defined benefit surplus.

5. Expenditure on other goods and services

Expenditure on other goods and services

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

Financing income and expenses

Net financing costs comprise interest payable and interest receivable on funds invested. Interest income and interest payable is recognised in the statement of Comprehensive Income as it accrues, using the effective interest method.

6. Property, Plant and Equipment

Recognition

Property, Plant and Equipment is capitalised where:

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

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

Land is not depreciated as it is expected to have an infinite life. Buildings have expected lives of between 1 and 73 years, and are depreciated evenly over the life of the buildings.

Equipment is generally depreciated on current cost evenly over the estimated life of the assets on the following basis;

- Short life medical and other equipment – 5 years
- Medium life medical equipment – 10 years
- Long life medical equipment – 15 years
- Short life engineering plant and equipment - 5 years
- Medium life engineering plant and equipment – 10 years
- Long life engineering plant and equipment – 15 years
- Office and IT equipment – 2 to 5 years
- Mainframe-type IT installations – 8 years
- PCs and printers – 2 years
- Furniture – 10 years
- Vehicles – 7 years

Where it is possible individual assets are depreciated on a specific estimate of the assets life.

Measurement

1. 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 land and buildings are measured subsequently at fair value as required by the GAM.

Property, plant and equipment are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs, such as installation, directly attributable to bringing them into working condition. The carrying values of property, plant and equipment are reviewed for impairment in periods if events or changes in circumstances that indicates the carrying value may not be recoverable. The costs arising from financing the construction of the fixed assets are not capitalised but are charged to the income and expenditure account in the year to which they relate.

All land and buildings are re-valued using professional valuations in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The last asset valuations were undertaken in 2020 as at the prospective valuation date of 31 March 2020. The valuation exercise was carried out in February 2020 with a valuation date of 31 March 2020. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuer has declared a 'material valuation uncertainty' in the valuation report. This is on the basis of uncertainties in markets caused by COVID-19. The valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case. The values in the report have been used to inform the measurement of property assets at valuation in these financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust.

The valuation was carried out by Cushman & Wakefield, qualified valuers (MRICS), using the Modern Equivalent Asset Valuation (MEAV) technique and Depreciated Replacement Cost method for specialised operational property and existing use value for non-specialised operational property. The value of land for existing use purposes is assessed at existing user value. For non-operational properties including surplus land, the valuations are carried out at open market value. Additional alternative open market value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

Assets in the course of construction are valued at cost and are valued by professional valuers as part of the valuations when they are brought into use.

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

2. Subsequent expenditure

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

3. Depreciation

Items of property, plant and equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated.
Property, plant and equipment which have been reclassified as 'held for sale' cease to be depreciated upon the reclassification. Assets in the course of construction and residual interests in off-Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

4. Revaluation gains and losses

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

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

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

5. Impairments

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

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

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

De-recognition/ reclassification of property, plant and equipment

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

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

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

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

Donated assets, government grant and other grant funded assets

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

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

Private Finance Initiative (PFI) transactions

PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's DHSC GAM, 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 at their fair value together with an equivalent financial liability. Subsequently the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme.

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

7. Intangible assets

Recognition

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

Internally generated intangible assets

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

Expenditure on research is not capitalised.

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

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

Software

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

Measurement

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

Subsequently intangible assets are measured at fair value. Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in operating expenses, in which case they are recognised in operating income. Decreases in asset values and impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses. Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

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

Amortisation

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

8. Revenue government and other grants

Government grants are grants from government bodies other than income from Clinical Commissioning Groups or NHS trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure. Where the grant is used to fund capital expenditure, it is credited to the consolidated statement of comprehensive income once conditions attached to the grant have been met. Donations are treated in the same way as government grants.

9. Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of all consumable goods is charged to operating expenses at the time of purchase.

10. 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.

11. Financial instruments and financial liabilities

Recognition

Financial assets and financial liabilities arise where the Trust is party to the contractual provisions of a financial instrument, and as a result has a legal right to receive or a legal obligation to pay cash or another financial instrument. The GAM expands the definition of a contract to include legislation and regulations which give rise to arrangements that in all other respects would be a financial instrument and do not give rise to transactions classified as a tax by ONS.
This includes the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements and are recognised when, and to the extent which, performance occurs, ie, when receipt or delivery of the goods or services is made.

Classification and measurement

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

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

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

Financial assets and financial liabilities at amortised cost

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

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

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

Financial assets and financial liabilities at fair value through income and expenditure

Financial assets measured at fair value through profit or loss are those that are not otherwise measured at amortised cost or at fair value through other comprehensive income. This category also includes financial assets and liabilities acquired principally for the purpose of selling in the short term (held for trading) and derivatives. Derivatives which are embedded in other contracts, but which are separable from the host contract are measured within this category. Movements in the fair value of financial assets and liabilities in this category are recognised as gains or losses in the Statement of Comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets.

The Trust's loans and receivables comprise: current investments, cash and cash equivalents, NHS receivables, accrued income and 'other receivables'.

Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset. Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Income.

Other financial liabilities

All 'other financial liabilities' are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as long-term liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to Finance Costs.

Impairment of financial assets

At the Statement of Financial Position date, the Trust assesses whether any financial assets, other than those held at 'fair value through comprehensive income ' are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cashflows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Income and the carrying amount of the asset is reduced.

De-recognition

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

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

12. Leases

Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Foundation Trust, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. The value at

which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to Finance Costs in the Statement of Comprehensive Income.

Operating leases

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

Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately. Following the adoption of a change to IAS 17 leased land is assessed separately to determine if it is a finance or operating lease, depending upon the nature of the lease terms.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such arrangement is or contains a lease. This will be the case if the following two criteria are met:

- The fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- The arrangement contains a right to use the asset(s).

At inception or on reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of relative fair values. If the Group concludes for a finance lease that it is impractical to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequent the liability is reduced as payments are made and an imputed finance costs on the liability is recognised using the Group's incremental borrowing rate.

13. Provisions

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

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

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

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

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

Clinical negligence costs risk pooling

NHS Resolution, formerly the NHS Litigation Authority, operates a risk pooling scheme under which the NHS Foundation Trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the NHS Foundation Trust. For this reason, the total value of clinical negligence provisions carried by NHS Resolution on behalf of the NHS Foundation Trust is disclosed in Note 28 but it is not recognised in the NHS Foundation Trust's accounts.

Non-clinical negligence costs 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 the 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.

14. Contingent Assets and Liabilities

Contingent assets (assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in Note 28 where an inflow of economic benefits is probable. When realisation of a contingent asset is virtually certain it is no longer considered contingent and is recognised as an asset. The amount is recognised in the period in which this change from contingent asset to asset occurs.

Contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed in Note 28, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

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

15. Public Dividend Capital

Public Dividend Capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS Trust. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS32.

A charge, reflecting the cost of capital utilised by the NHS Foundation Trust, is payable as PDC. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the NHS Foundation Trust during the value of all liabilities, except for

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

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

16. Value Added Tax

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

17. Corporation Tax

The Trust Board has reviewed the commercial activities of the Trust and consideration has been given to the implications of corporation tax. At this stage the Trust Board is satisfied that there are no corporation tax liabilities resulting from non-core activities. The Trust will continue to review commercial services in light of any potential changes in the scope of corporation tax.

Northumbria Healthcare NHS Foundation Trust is a Health Service Body within the meaning of s519A ICTA 1998 and accordingly is exempt from taxation in respect in income and capital gains within categories covered by this. There is the power from the Treasury to disapply the exemption in relation to the specified activities of a Foundation Trust (s519A (3) to (8) ICTA 1988. Accordingly, the Trust is potentially within the scope of Corporation Tax in respect of activities which are not related to, or ancillary to, the provision of healthcare, and where the profits there from exceed £50,000 per annum.

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Statement of Financial Position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

The Trust's subsidiaries are subject to corporation tax on commercial activities. Up to 31 March 2020 no material corporation tax or deferred tax assets or liabilities have arisen.

18. Foreign exchange

The functional and presentational currency of the Trust is sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate at the date of the transaction.

Where the Trust has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

- monetary items (other than financial instruments measured at 'fair value through income and expenditure') are translated at the spot exchange rate on 31 March;
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction; and
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expense in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

19. Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS Foundation Trust has no beneficial interest in them. However, they are disclosed within note 26 to the accounts in accordance with the requirements of HM Treasury's FReM.

20. Accounting Standards, amendments and interpretations in issue but not yet effective or adopted.

Early adoption of standards, amendments and interpretations

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

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

There are accounting standards, amendments and interpretations that have been issued by the IASB and IFRIC which have not yet been applied to the Trust in these financial statement:

- IFRS 16 Leases – Application required for accounting periods beginning on or after 1 January 2019, the implementation for the public sector has been deferred until 20/21 and has not yet been adopted by the DHSC GAM ; early adoption is therefore not permitted;
- IFRS 17 Insurance Contracts – Application required for accounting periods beginning on or after January 2021 but not yet adopted by the DHSC GAM ; early adoption is therefore not permitted.
- IFRIC 23 Uncertainty over Income Tax Treatments - Application required for accounting periods beginning on or after 1 January 2019.

The adoption of IFRS 17 and IFRIC 23 is not expected to have a material effect on the financial statements. In the case of IFRS 16, there may be a requirement for the Trust to recognise the underlying assets (represented by the present value of the lease payments) and corresponding liabilities inherent in all of its lease agreements (and contracts containing leases), in addition, the income statement will be charged with depreciation and interest instead of the lease payments, which is expected to 'front load' the expense to the earlier part of the agreement, the value of such adjustments is still being quantified.

21. IAS 1- critical accounting judgements or key estimation uncertainties

"Critical accounting judgements and key sources of estimation uncertainty and critical judgement"

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year;

- It is impracticable to disclose the extent of the possible effects of an assumption or another source of estimation uncertainty at the end of the reporting period. On the basis of existing knowledge, outcomes within the next financial year that are different from the assumption around the valuation of our land, property, plant and equipment could require a material adjustment to the carrying amount of the asset or liability recorded in note 10.1
- An asset valuation exercise was carried out in February 2020 with a valuation date of 31 March 2020. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuer has declared a 'material valuation uncertainty' in the valuation report. This is on the basis of uncertainties in markets caused by COVID-19. The valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case. The values in the report have been used to inform the measurement of property assets at valuation in these financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust.

- Provisions have been made in line with management's best estimates and in line with *IAS 37: Provisions, Contingent Liabilities and Contingent Assets* (note 24).

- A reimbursement has been recognised in respect of the costs associated with rectification of defects at the Trust's NSECH site. The estimation of rectification cost works has been continually assessed throughout the financial year by the Trust's professional advisors and represents the best estimate of costs at year end. As estimates are revised for changes in the scope and value of the works the value of the reimbursable asset is likely to change.

The following are the key critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated and Trust financial statements:

- Accounting for arrangements containing a lease and lease classification (note 21)

- The Group provides a number of non-patient care services to other NHS bodies. Each arrangement requires an assessment of whether the Group is acting as an agent or principal based upon an evaluation of the control. Where the Group works with other bodies on an agency basis the transactions it processes on behalf of the other bodies are not reflected in the Group financial statements.

22. Late Payment of Commercial Debt

Legislation is in force which requires Trust's to pay interest to small companies if payment is not made within 30 days (Late payment of Commercial Debts (Interest) Act 1998). The Trust was not required to make any such payment during the year.

23. 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 accrual basis., including losses which would have been made good through insurance cover had the NHS Foundation Trust not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

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

Note 2. Segmental Reporting

All of the activities of the Trust arise form a single business segment, the provision of healthcare and related activities, which is an aggregate of all the individual speciality components therein. Similarly, the large majority of the Trust's revenue arises from within the UK Government. The majority of expenses incurred are payroll expenditure on staff involved in the production or support of healthcare activities generally across the Trust, together with the related supplies and overheads needed to establish this production. The business activities which earn and incur these expenses are of one broad nature and therefore on this basis one segment 'Healthcare' is deemed appropriate.
The operating results of the Foundation Trust are reviewed monthly or more frequently by the Trust's chief operating decision maker which is the overall Foundation Trust Board and which includes professional Non-Executive Directors. The Trust Board review the financial position of the trust as a whole, rather than individual components included in the totals, in terms of allocating resources. This process implies a single operating segment of healthcare in its decision-making process.

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

The single segment of 'Healthcare' has therefore been identified as being consistent with the core principal of IFRS8 which is to enable users of the financial statements to evaluate the nature of financial effects of business activities and economic environments.

3 Income from Activities

3.1 Income from Activities - by Function	Group		Foundation Trust	
	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000
Elective income	**63,735**	59,300	**63,735**	59,300
Non elective income	**99,115**	85,345	**99,115**	85,345
Outpatient income	**62,112**	55,941	**62,112**	55,941
Other NHS clinical income	**141,975**	134,392	**141,975**	134,392
A&E income	**27,708**	21,928	**27,708**	21,928
Income for community services	**66,917**	63,498	**66,917**	63,498
Private patient & overseas visitors income	**159**	182	**159**	182
Total income by function	**461,721**	420,586	**461,721**	420,586

The Trust's Terms of Authorisation set out the mandatory goods and services that the Trust is required to provide ('Protected Services'). All income from activities shown above is derived from the provision of protected services.

3.2 Private Patient Income	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000
Private patient income	**115**	97	**115**	97
Total patient related income	**461,721**	420,586	**461,721**	420,586
Proportion (as a percentage)	**0.02%**	0.02%	**0.02%**	0.02%

Under its Terms of Authorisation the Trust must ensure that the proportion of patient related income derived from private patients does not exceed the proportion received as an NHS Trust in the base year, 2002/3, which was 0.09% of related income.

3.3 Income from Activities - by Source	Group		Foundation Trust	
	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000
NHS Foundation Trusts	**1,153**	1,285	**1,153**	1,285
Department of Health	**0**	5,382	**0**	5,382
CCGs and NHS England	**444,998**	400,534	**444,998**	400,534
NHS Other	**0**	0	**0**	0
Local Authorities	**11,478**	11,881	**11,478**	11,881
Non NHS : Overseas visitors	**44**	84	**44**	84
Non NHS : Private patients	**115**	97	**115**	97
NHS Injury Scheme *	**899**	866	**899**	866
Non NHS Other	**3,034**	457	**3,034**	457
Total income from activities	**461,721**	420,586	**461,721**	420,586

*NHS Injury Scheme income (formerly known as Road Traffic Act income) is subject to a provision for doubtful debts of 21.98% of claims.

3.4 Other Operating Income	Group		Foundation Trust	
	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000
Research and Development	**3,229**	3,008	**3,206**	3,008
Education and training	**11,408**	12,014	**11,247**	11,426
NHS charitable funds: income received	**1,673**	1,594	**0**	0
Non-patient care services to other bodies	**8,586**	7,710	**8,477**	7,899
Provider sustainability fund income	**7,248**	20,059	**7,248**	20,059
Other income - contracted	**68,855**	76,311	**61,744**	66,290
Other income - non contract	**24,429**	11,921	**24,429**	11,921
Total other operating income	**125,428**	132,617	**116,351**	120,603
Total Income	**587,149**	553,203	**578,072**	541,189

The main components of non-patient care services to other bodies comprise hosting of the North East Patches Oracle financial information system consortium , hosting the North of Tyne Payroll consortium and provision of services to North Cumbria University Hospitals NHS Trust.

Other contracted income includes amounts in respect of NHS Fleet Solutions and other commercial services, catering services, car parking income and property rentals.

Northumbria Healthcare NHS Foundation Trust - Annual Accounts 2019-20

4 Operating Expenses

4.1 Operating Expenses	Group		Foundation Trust	
	Year Ended 31 March 2020 £000	Year Ended 31 March 2019 £000	Year Ended 31 March 2020 £000	Year Ended 31 March 2019 £000
Services from NHS Foundation Trusts	**3,698**	3,567	**3,698**	3,567
Purchase of healthcare from non-NHS bodies	**6,605**	3,843	**6,605**	3,843
Chair and Non-Executive Directors' costs	**201**	197	**201**	197
Executive Directors' costs	**1,541**	1,336	**1,541**	1,336
Staff costs	**377,614**	343,351	**349,793**	316,248
Drug costs	**30,830**	29,274	**30,293**	28,678
Supplies and services - clinical (excluding drug costs)	**39,663**	38,345	**39,129**	37,628
Supplies and services - general	**8,295**	7,068	**3,301**	2,237
Establishment	**2,953**	3,343	**979**	1,463
Transport	**5,972**	7,259	**5,675**	6,781
Premises	**32,105**	33,501	**56,966**	54,791
Bad debts provided for / (released unused)	**(7)**	7,558	**(7)**	7,558
Increase in other provisions	**1,298**	0	**1,298**	0
Rentals under operating leases	**5,654**	6,391	**4,996**	5,720
Depreciation and amortisation	**12,054**	10,389	**12,054**	10,389
Fixed asset impairments	**11,249**	24,416	**11,249**	24,458
Audit fees - audit services - statutory audit	**144**	107	**144**	77
Other auditors remuneration - other assurance services	**187**	16	**155**	16
Internal audit costs	**312**	202	**312**	202
Clinical negligence	**9,875**	10,848	**9,875**	10,848
Legal Fees	**407**	786	**375**	761
Professional fees and consultancy costs	**2,104**	1,766	**2,003**	2,313
Research, education, training courses and conferences	**3,131**	2,749	**2,981**	2,607
Patient Travel	**48**	45	**44**	45
Redundancy and termination costs	**296**	686	**237**	686
Hospitality	**45**	12	**56**	27
Publishing	**264**	215	**262**	215
Insurance	**609**	768	**329**	371
Losses, ex-gratia and special payments	**5**	2	**4**	2
NHS Charitable funds: other resources expended	**1,738**	1,776	**0**	0
Other	**3,734**	3,847	**4,930**	9,873
Total operating expenses	**562,624**	543,663	**549,478**	532,937

The main component of other expenditure is expenses relating to the provision of on-site crèche facilities and costs associated with other income (note 3.4)

4.2.1 Operating Lease Rentals	Group		Foundation Trust	
Charged to operating expenses during the year;	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000
Land and buildings	**1,053**	1,446	**699**	1,446
Plant and machinery	**4,601**	4,945	**4,297**	4,274
Total operating lease rentals	**5,654**	6,391	**4,996**	5,720

4.2.2 Operating Lease Commitments	Group		Foundation Trust	
Land and buildings total commitments on leases expiring;	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000
within one year	**824**	1,226	**555**	1,226
between one and five years	**2,450**	4,904	**2,009**	4,904
after five years	**2,558**	6,189	**2,286**	6,189
Total commitments land and buildings	**5,832**	12,319	**4,850**	12,319

Land and building leases comprise of clinical accommodation used for elderly medicine services adjacent to North Tyneside General Hospital and at Morpeth Cottage Hospital.

	Group		Foundation Trust	
Plant and machinery total commitments on leases expiring;	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000
within one year	**596**	1,545	**596**	1,545
between one and five years	**3,664**	3,602	**3,664**	3,602
Total commitments plant and machinery	**4,260**	5,147	**4,260**	5,147

Operating leases of less than five years refer to leasing agreements entered into for leased vehicles. All such leases are for a period of three years with three equal annual instalments payable. Costs are charged to operating expenses in the year in which payments are made.

4.3 Staff Costs and Numbers	Year Ended 31 March 2020			Year Ended 31 March 2019
4.3.1 Staff Costs (Excluding Non-Executive Directors) - Group	Total £000	Permanently Employed £000	Other £000	Total £000
Salaries and wages	**295,805**	**286,279**	**9,526**	279,988
Social security costs	**28,261**	**27,352**	**909**	26,798
Apprenticeship levy	**1,375**	**1,375**	**0**	1,305
Employer contributions to NHS pensions	**48,063**	**46,949**	**1,114**	33,097
Employer contributions to other pension	**567**	**567**	**0**	472
Agency/contract staff	**6,036**	**0**	**6,036**	5,327
Termination costs	**296**	**296**	**0**	686
Total staff costs	**380,403**	**362,818**	**17,585**	347,673

Included in the above is £952,000 of salaries that the group capitalised as tangible fixed assets in the year (2018/19 - £2,300,000). This related to staff employed to work on specific capital schemes. These costs are therefore additional to the staff costs disclosed in note 4.1 - operating expenses.

The recent revaluation of public sector pension schemes resulted in a 6.3% increase in the employer rate (for the NHS Pension Scheme). This increase has been funded centrally.

Other staff includes agency staff, staff on secondment from other organisations and medical staff whose contract of employment is with NHS England.

4.3 Staff Costs and Numbers - continued

4.3.2 Staff costs (excluding Non Executive Directors) - Foundation Trust	Year Ended 31 March 2020			Year Ended 31 March 2019
	Total £000	Permanently Employed £000	Other £000	Total £000
Salaries and wages	**274,171**	**264,645**	**9,526**	256,534
Social security costs	**25,642**	**24,733**	**909**	25,130
Employer contributions to NHS pensions	**45,171**	**44,057**	**1,114**	31,503
Employer contributions to other pension	**0**	**0**	**0**	117
Apprenticeship levy	**1,296**	**1,296**	**0**	1,273
Agency/contract staff	**6,006**	**0**	**6,006**	5,327
Termination costs	**237**	**237**	**0**	686
Total staff costs	**352,523**	**334,968**	**17,555**	320,570

Included in the above is £952,000 of salaries that the Trust capitalised as tangible fixed assets in the year (2018/19 - £2,300,000). This related to staff employed to work on specific capital schemes. These costs are therefore additional to the staff costs disclosed in note 4.1 - operating expenses.

4.3.3 Staff Numbers (Whole Time Equivalents) - Group	Year Ended 31 March 2020			Year Ended 31 March 2019
	Total	Permanently Employed	Other	Total
Medical and dental	**657**	**491**	**166**	629
Administration and estates	**1,942**	**1,942**	**0**	1,926
Healthcare assistants & other support staff	**2,029**	**2,029**	**0**	1,689
Nursing, midwifery & health visiting staff	**2,148**	**2,148**	**0**	2,199
Nursing, midwifery & health visiting learners	**49**	**49**	**0**	42
Scientific, therapeutic and technical staff	**1,176**	**1,176**	**0**	1,069
Healthcare science staff	**227**	**227**	**0**	313
Agency staff	**65**	**0**	**65**	54
Total whole time equivalents	**8,293**	**8,062**	**231**	7,921

4.3.3 Staff Numbers (Whole Time Equivalents) - Foundation Trust	Year Ended 31 March 2020			Year Ended 31 March 2019
	Total	Permanently Employed	Other	Total
Medical and dental	**633**	**467**	**166**	608
Administration and estates	**1,834**	**1,834**	**0**	1,812
Healthcare assistants & other support staff	**1,263**	**1,263**	**0**	1,052
Nursing, midwifery & health visiting staff	**2,127**	**2,127**	**0**	2,173
Nursing, midwifery & health visiting learners	**49**	**49**	**0**	42
Scientific, therapeutic and technical staff	**1,165**	**1,165**	**0**	1,055
Healthcare science staff	**224**	**224**	**0**	312
Agency staff	**65**	**0**	**65**	54
Total whole time equivalents	**7,360**	**7,129**	**231**	7,108

Staff numbers are for the 'whole time equivalent' as opposed to a head count basis i.e. two employees each working half the number of standard hours for a full time employee are classed as one 'whole time equivalent'. The totals are an average of whole time equivalents worked for the reporting period. Other staff includes staff on secondment from other organisations and medical staff whose contract of employment is with NHS England.

4.3.4 Staff Exit Packages - Group and Foundation Trust	Redundancy Payments	Other Departures Agreed	Total
Less than £10,000	0	0	**0**
Between £10,000 and £25,000	1	0	**1**
Between £25,001 and £50,000	1	0	**1**
Between £50,001 and £100,000	2	0	**2**
Between £100,001 and £150,000	1	0	**1**
Between £150,001 and £200,000	0	0	**0**
Total Number of exit packages by type	**5**	**0**	**5**
Total Resource cost £000's	**296**	**0**	**296**

4.3.5 Employee Benefits

The Trust incurred no costs in providing employee benefits, other than pensions costs (note 24) , in the year ended 31 March 2020 (previous year - Nil).

4.3 Staff Costs and Numbers - Group and Foundation Trust

Group and Foundation Trust	Year Ended 31 March 2020		Year Ended 31 March 2019	
	£000	Number	£000	Number
Number of early retirements agreed on the grounds of ill-health		**2**		2
Estimated additional liabilities	**147**		95	

The costs of these ill-health schemes will be borne by the NHS Pensions Agency.

4.3.6 Salary Entitlements of Executive and Non Executive Directors

Executive Directors		Year ended 31 March 2020		Year ended 31 March 2019	
Name	Title	Basic salary (Bands of £5,000)	Benefits in kind (nearest £100)	Basic salary (Bands of £5,000)	Benefits in kind (nearest £100)
Sir James Mackey	Chief Executive	255-260	13,700	245-250	11,100
Birju Bartoli	Executive Director of Performance and Improvement	180-185	-	175-180	-
Paul Dunn	Executive Director of Finance	175-180	7,400	175-180	5,500
Ann Stringer	Executive Director of HR & OD	170-175	300	160-165	4,300
Jeremy Rushmer	Executive Medical Director	200-205	4,900	190-195	4,300
Jeremy Rushmer	Other remuneration - payment for medical duties	35-40	-	35-40	-
Ellie Monkhouse	Executive Director of Nursing (to 13/11/18)	-	-	85-90	-
Marion Dickson	Executive Director of Nursing and Midwifery (from 14/11/18)	155-160	-	50-55	-
Daljit Lally	Executive Director of System Leadership and Community	80-85	10,600	75-80	17,900
Claire Riley	Executive Director of Communications and Corporate Affairs (voting Director from 21 October 2019)	135-140	10,400	130-135	10,500
Non-executive Directors					
Alan Richardson	Chair	50-55	-	50-55	200
Peter Sanderson	Non-Executive Director (to 9/2/2019)	0	-	15-20	-
Martin Knowles	Non-Executive Director (acting Chair since 7/10/2019)	30-35	-	15-20	-
Alan Hepple	Non-Executive Director (to 1/3/19)	0	-	10-15	-
Alison Marshall	Non-Executive Director (to 30/9/19)	5-10	-	15-20	-
Malcolm Page	Non-Executive Director	15-20	-	15-20	-
Moira Davison	Non-Executive Director	15-20	-	15-20	-
Bernard McCardle	Non-Executive Director (from 16/6/18)	15-20	-	10-15	-
Sir Alan Craft	Non-Executive Director (from 16/10/18)	15-20	-	5-10	-
Andrew Besford	Non-Executive Director (from 2/12/19)	5-10	-	-	-
Ruth Connorton	Non-Executive Director (from 13/1/20)	0 -5	-	-	-
Roger Barton	Non-Executive Director (from 16/12/19)	0 - 5	-	-	-
Other Directors					
Damon Kent	Director of Facilities (from 3/6/2019)	110-115	6,800	-	-
Steven Bannister	Director of Facilities (to 20/8/18)	-	-	60-65	700
Les Morgan	Interim Director of Estates and Facilities (from 3/9/18 - 31/3/2019)	-	-	30-35	-
Annie Laverty	Director of Patient Experience	130-135	8,000	125-130	5,300
Helen Ray	Chief Operating Officer (from 15/7/18 to 15/9/2019))	65-70	3,400	95-100	4,900
Mark Thomas	Director of Health Informatics (to 30/9/18)	-	-	55-60	100
David Elliot	Director of IT (from 1/3/19)	115-120	5,600	10-15	-

Benefits in kind consist of the taxable benefit of leased cars used for business and private purposes and the taxable benefit of payments made for the reimbursement of business miles made in privately owned vehicles.

5 Finance Income

	Group		Foundation Trust	
	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000
Interest on bank accounts	**519**	302	**519**	302
Interest on loans and receivables	**0**	0	**2,858**	3,001
Other investment income	**50**	52	**0**	0
Total finance income	**569**	354	**3,377**	3,303

6 Finance Cost

6.1 Finance Costs - Interest Expense	Group		Foundation Trust	
	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000
Loan from Foundation Trust Financing Facility	**1,677**	1,774	**1,677**	1,774
Other loans	**6,052**	5,993	**6,052**	5,993
Finance leases	**1,745**	1,202	**6,859**	5,499
Finance costs in PFI obligations	**1,637**	1,962	**1,637**	1,962
Total finance expenses	**11,111**	10,931	**16,225**	15,228

6.2 Impairment of Assets Property, Plant and Equipment	Group		Foundation Trust	
	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000
Net Impairments due to changes in valuation	**11,249**	24,416	**11,249**	24,458
Total impairments charged to income	**11,249**	24,416	**11,249**	24,458

Further information on the method of valuation and subsequent impairments is included in section 6 of Note 1, Accounting Policies, Property, Plant and Equipment and Note 10.

7 Taxation

UK corporation tax	Group		Foundation Trust	
	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000	Year Ending 31 March 2020 £000	Year Ending 31 March 2019 £000
Current tax payable	**0**	0	**0**	0
Total tax payable	**0**	**0**	**0**	0

Northumbria Healthcare Facilities Management Limited, Northumbria Primary Care Limited and Northumbria Digital Solutions Limited are subject to corporation tax on commercial activities. No material corporation tax or deferred tax arises in the current or prior period.

8.1 Intangible Non-Current Assets

	Group		Foundation Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Gross cost at 1 April	**12,255**	10,456	**12,255**	10,456
Reclassifications from property, plant and equipment	**0**	393	**0**	393
Additions	**2,398**	1,406	**2,398**	1,406
Gross cost at 31 March	**14,653**	12,255	**14,653**	12,255
Amortisation at 1 April	**5,807**	4,655	**5,807**	4,655
Provided during the year	**1,422**	1,152	**1,422**	1,152
Amortisation at 31 March	**7,229**	5,807	**7,229**	5,807
Net book value				
Purchased	**6,448**	5,801	**6,448**	5,801
Finance leases	**0**	0	**0**	0
Total at 1 April	**6,448**	5,801	**6,448**	5,801
Net book value				
Purchased	**7,424**	6,448	**6,900**	5,924
Finance leases	**0**	0	**524**	524
Total at 31 March	**7,424**	6,448	**7,424**	6,448

All intangible non-current assets relate to IT licences and development.

8.2 Intangible Non-Current Assets Acquired by Government Grant

None of the Trust's intangible assets were acquired by government grant.

8.3 Economic Life of Non-Current Assets

The Trust's intangible assets, software licences, have an expected minimum economic life of five years.

9 Surplus Attributable to the Trust

The surplus for the Trust was £15,238,000 (2018/19 surplus of £6,537,000) and is included within the Statement of Comprehensive Income for the Group.

10 Tangible Non-Current Assets

10.1 Property Plant and Equipment at the 31 March 2020 Comprise the Following Elements;

Group	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Dwellings £000	Plant & Machinery £000	Transport Equipment £000	Information Technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2019	14,506	386,105	15,706	6,232	71,426	49	27,538	2,852	524,414
Additions - purchased and leased	0	2,878	12,524	0	6,229	0	6,044	34	27,709
Additions - donated	0	0	0	0	63	0	0	0	63
Reclassifications	0	20,126	(20,133)	0	7	0	0	0	0
Impairment charges to operating expenses	0	(16,867)	0	0	0	0	0	0	(16,867)
Impairment charges to revaluation reserve	0	0	0	0	0	0	0	0	0
Depreciation eliminated on revaluation	0	(3,679)	0	(37)	0	0	0	0	(3,716)
Reversal of impairment credited to operating expenses	656	4,925	0	37	0	0	0	0	5,618
Reversal of impairment credited to revaluation reserve	0	0	0	0	0	0	0	0	0
Revaluations credited to revaluation reserve	1,020	0	0	0	0	0	0	0	1,020
Reclassification of impairments classified as depreciation	(5,574)	(224,797)	0	(5,132)	0	0	0	0	(235,503)
Disposals	0	0	0	0	(939)	0	0	0	(939)
Cost or valuation at 31 March 2020	10,608	168,691	8,097	1,100	76,786	49	33,582	2,886	301,799
Accumulated depreciation at 1 April 2019	5,574	224,797	99	5,132	49,626	49	16,429	2,569	304,275
Provided during the year	0	3,679	0	37	4,130	0	2,706	80	10,632
Depreciation eliminated on revaluation	0	(3,679)	0	(37)	0	0	0	0	(3,716)
Reclassification of impairments classified as depreciation	(5,574)	(224,797)	0	(5,132)	0	0	0	0	(235,503)
Disposals	0	0	0	0	(740)	0	0	0	(740)
Accumulated depreciation at 31 March 2020	0	0	99	0	53,016	49	19,135	2,649	74,948
Net book value (cost less accumulated depreciation)									
Purchased	10,207	158,529	7,998	0	22,525	0	13,999	219	213,477
Finance Leases	401	4,492	0	1,100	1,245	0	448	0	7,686
On Balance Sheet PFI contracts	0	5,670	0	0	0	0	0	0	5,670
Donated	0	0	0	0	0	0	0	18	18
Net book value at 31 March 2020	10,608	168,691	7,998	1,100	23,770	0	14,447	237	226,851

The Group's land and buildings were revalued at 31 March 2020 by external valuers. Further information is included in section 6 of Note 1, accounting policies. As a result of this revaluation a net amount of £11,249,000 was charged to the expenditure statement (being impairments of £16,867,000 less impairment reversals of £4,925,000). The valuation exercise overs all the Group sites and takes in account defects identified at NSECH.

Property plant and equipment at the 31 March 2019 comprised the following elements;

Group	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Dwellings £000	Plant & Machinery £000	Transport Equipment £000	Information Technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2018	14,333	371,852	3,192	6,195	68,499	49	20,347	2,852	**487,319**
Additions - purchased and leased	0	13,889	14,132	0	3,197	0	6,509	0	**37,727**
Additions - donated	0	0	0	0	125	0	0	0	**125**
Reclassifications	0	427	(1,225)	0	116	0	682	0	**0**
Reclassifications to intangibles	0	0	(393)	0	0	0	0	0	**(393)**
Revaluations	861	162	0	37	0	0	0	0	**1,060**
Disposals	(688)	(225)	0	0	(511)	0	0	0	**(1,424)**
Cost or valuation at 31 March 2019	14,506	386,105	15,706	6,232	71,426	49	27,538	2,852	524,414
Accumulated depreciation at 1 April 2018	5,841	196,702	99	5,095	46,133	49	14,693	2,489	**271,101**
Provided during the year	0	3,412	0	37	3,972	0	1,736	80	**9,237**
Reversal of impairments	(267)	(301)	0	0	0	0	0	0	**(568)**
Impairments	0	24,984	0	0	0	0	0	0	**24,984**
Disposals	0	0	0	0	(479)	0	0	0	**(479)**
Accumulated depreciation at 31 March 2019	5,574	224,797	99	5,132	49,626	49	16,429	2,569	304,275
Net book value (cost less accumulated depreciation)									
Purchased	8,531	151,043	15,607	0	21,436	0	10,522	255	**207,394**
Finance Leases	401	4,457	0	1,100	15	0	587	0	**6,560**
On Balance Sheet PFI contracts	0	5,761	0	0	0	0	0	0	**5,761**
Donated	0	47	0	0	349	0	0	28	**424**
Net book value at 31 March 2019	8,932	161,308	15,607	1,100	21,800	0	11,109	283	220,139

The Group's land and buildings were revalued at 31 March 2019 by external valuers. Further information is included in section 6 of Note 1, accounting policies. As a result of this revaluation a net amount of £24,416,000 was charged to the expenditure statement (being impairments of £24,984,000 less impairment reversals of £568,000). In addition £1,060,000 was credited to the revaluation reserve. Assets under construction were not included in this revaluation.

10 Tangible Non-Current Assets

10.1 Property Plant and Equipment at the 31 March 2020 Comprise the Following Elements;

Foundation Trust	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Dwellings £000	Plant & Machinery £000	Transport Equipment £000	Information Technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2019	**14,506**	**386,147**	**1,699**	**6,232**	**71,426**	**49**	**27,538**	**2,852**	**510,449**
Additions - purchased and leased	**0**	**23,004**	**0**	**0**	**6,236**	**0**	**6,044**	**38**	**35,322**
Additions - donated	**0**	**0**	**0**	**0**	**63**	**0**	**0**	**0**	**63**
Reclassifications	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reclassifications to intangibles	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Revaluations	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Impairment charges to operating expenses	**0**	**(16,867)**	**0**	**0**	**0**	**0**	**0**	**0**	**(16,867)**
Impairment charges to revaluation reserve	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Depreciation eliminated on revaluation	**0**	**(3,679)**	**0**	**(37)**	**0**	**0**	**0**	**0**	**(3,716)**
Reversal of impairment credited to operating expenses	**656**	**4,925**	**0**	**37**	**0**	**0**	**0**	**0**	**5,618**
Reversal of impairment credited to revaluation reserve	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Revaluations credited to revaluation reserve	**1,020**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,020**
Reclassification of impairments classified as depreciation	**(5,574)**	**(224,797)**	**0**	**(5,132)**	**0**	**0**	**0**	**0**	**(235,503)**
Disposals	**0**	**0**	**0**	**0**	**(939)**	**0**	**0**	**0**	**(939)**
Cost or valuation at 31 March 2020	**10,608**	**168,733**	**1,699**	**1,100**	**76,786**	**49**	**33,582**	**2,890**	**295,447**
Accumulated depreciation at 1 April 2019	**5,574**	**224,839**	**99**	**5,132**	**49,626**	**49**	**16,429**	**2,569**	**304,317**
Provided during the year	**0**	**3,679**	**0**	**37**	**4,130**	**0**	**2,706**	**80**	**10,632**
Reversal of impairments	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Depreciation eliminated on revaluation	**0**	**(3,679)**	**0**	**(37)**	**0**	**0**	**0**	**0**	**(3,716)**
Reclassification of impairments classified as depre	**(5,574)**	**(224,797)**	**0**	**(5,132)**	**0**	**0**	**0**	**0**	**(235,503)**
Disposals	**0**	**0**	**0**	**0**	**(740)**	**0**	**0**	**0**	**(740)**
Accumulated depreciation at 31 March 2020	**0**	**42**	**99**	**0**	**53,016**	**49**	**19,135**	**2,649**	**74,990**
Net book value (cost less accumulated depreciation)									
Purchased	**10,207**	**97,986**	**1,600**	**0**	**17,814**	**0**	**10,205**	**223**	**138,035**
Finance Leases	**401**	**65,035**	**0**	**1,100**	**5,956**	**0**	**4,242**	**0**	**76,734**
On Balance Sheet PFI contracts	**0**	**5,670**	**0**	**0**	**0**	**0**	**0**	**0**	**5,670**
Donated	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**18**	**18**
Net book value at 31 March 2020	**10,608**	**168,691**	**1,600**	**1,100**	**23,770**	**0**	**14,447**	**241**	**220,457**

The Foundation Trust's land and buildings were revalued at 31 March 2020 by external valuers. Further information is included in section 6 of Note 1, accounting policies. As a result of this revaluation a net amount of £11,249,000 was charged to the expenditure statement (being impairments of £16,867,000 less impairment reversals of £4,925,000). The valuation exercise overs all the Group sites and takes in account defects identified at NSECH.

Property plant and equipment at the 31 March 2019 comprised the following elements;

Foundation Trust	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Dwellings £000	Plant & Machinery £000	Transport Equipment £000	Information Technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2018	14,333	371,539	1,920	6,195	68,499	49	20,347	2,852	**485,734**
Additions - purchased and leased	0	14,244	1,397	0	3,197	0	6,509	0	**25,347**
Additions - donated	0	0	0	0	125	0	0	0	**125**
Reclassifications	0	427	(1,225)	0	116	0	682	0	**0**
Reclassifications to intangibles	0	0	(393)	0	0	0	0	0	**(393)**
Revaluations	861	162	0	37	0	0	0	0	**1,060**
Disposals	(688)	(225)	0	0	(511)	0	0	0	**(1,424)**
Cost or valuation at 31 March 2019	**14,506**	**386,147**	**1,699**	**6,232**	**71,426**	**49**	**27,538**	**2,852**	**510,449**
Accumulated depreciation at 1 April 2018	5,841	196,702	99	5,095	46,133	49	14,693	2,489	271,101
Provided during the year	0	3,412	0	37	3,972	0	1,736	80	9,237
Reversal of impairments	(267)	(301)	0	0	0	0	0	0	(568)
Impairments	0	25,026	0	0	0	0	0	0	25,026
Revaluation surpluses	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(479)	0	0	0	(479)
Accumulated depreciation at 31 March 2019	**5,574**	**224,839**	**99**	**5,132**	**49,626**	**49**	**16,429**	**2,569**	**304,317**
Net book value (cost less accumulated depreciation)									
Purchased	8,531	91,316	1,600	0	15,769	0	6,728	255	124,199
Finance Leases	401	64,184	0	1,100	5,682	0	4,381	0	75,748
On Balance Sheet PFI contracts	0	5,761	0	0	0	0	0	0	5,761
Donated	0	47	0	0	349	0	0	28	424
Net book value at 31 March 2019	**8,932**	**161,308**	**1,600**	**1,100**	**21,800**	**0**	**11,109**	**283**	**206,132**

The Foundation Trust's land and buildings were revalued at 31 March 2019 by external valuers. Further information is included in section 6 of Note 1, accounting policies. As a result of this revaluation a net amount of £24,416,000 was charged to the expenditure statement (being impairments of £24,984,000 less impairment reversals of £568,000). In addition £1,060,000 was credited to the revaluation reserve. Assets under construction were not included in this revaluation.

Group and Foundation Trust 10.2 Assets Held at Open Market Value	31 March 2020 £000	31 March 2019 £000
Land	**0**	0
Buildings	**0**	2,350
Total open market value	**0**	2,350

Group 10.3 The Net Book Value of Land, Buildings and Dwellings at the Date of the Statement of Financial Position Comprises	31 March 2020 £000	31 March 2019 £000
Freehold	**174,406**	165,382
Leasehold	**5,993**	5,958
Total net book value	**180,399**	171,340

Foundation Trust 10.3 The Net Book Value of Land, Buildings and Dwellings at the Date of the Statement of Financial Position Comprises	31 March 2020 £000	31 March 2019 £000
Freehold	**113,863**	105,655
Leasehold	**66,536**	65,685
Total net book value	**180,399**	171,340

At 31 March 2020 the Group and Foundation Trust's land and buildings were independently revalued as described in note1 Accounting policies, section 6. The valuation was prepared in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards, 6th Edition, insofar as these terms are consistent with requirements of HM Treasury, the National Health Service and NHS Improvement.

The method of valuation is outlined in paragraph 5 of the section 'valuation' section of accounting policies..

11.1 Net Book Value of Assets Held Under Finance Leases

Group	Total £000	Land £000	Dwellings £000	Plant & Machinery £000	Buildings Excluding Dwellings £000	IT Equipment £000	PFI arrangements £000
Cost or valuation at 1 April 2019	**46,281**	**401**	**1,507**	**3,702**	**13,369**	**730**	**26,572**
Additions	**1,291**	0	0	1,291	0	0	0
Reclassifications	**0**	0	0	0	0	0	0
Revaluations	**0**	0	0	0	0	0	0
Depreciation eliminated on revaluation	**(248)**	0	(37)		**(96)**		(115)
Reversal of impairment credited to operating expenses	**192**	0	37	0	**131**	0	24
Reclassifications of impairments classified as depreciation	**(30,130)**	0	(407)	0	**(8,912)**	0	(20,811)
Disposals	**0**	0	0	0	0	0	0
Cost or valuation at 31 March 2020	**17,386**	**401**	**1,100**	**4,993**	**4,492**	**730**	**5,670**
Accumulated depreciation at 1 April 2019	**33,960**	**0**	**407**	**3,687**	**8,912**	**143**	**20,811**
Provided during the year	**448**	0	37	61	96	139	115
Depreciation eliminated on impairment	**(248)**	0	(37)	0	(96)	0	(115)
Reclassificiation of impairments classified as depreciation	**(30,130)**	0	(407)	0	(8,912)	0	(20,811)
Disposals	**0**	0	0	0	0	0	0
Accumulated depreciation at 31 March 2020	**4,030**	**0**	**0**	**3,748**	**0**	**282**	**0**
Net book value							
NBV 1 April 2019	12,321	401	1,100	15	4,457	587	5,761
NBV total at 1 April 2019	12,321	401	1,100	15	4,457	587	5,761
Net book value							
NBV 31 March 2020	**13,356**	**401**	**1,100**	**1,245**	**4,492**	**448**	**5,670**
NBV total at 31 March 2020	**13,356**	**401**	**1,100**	**1,245**	**4,492**	**448**	**5,670**

Group	Total £000	Land £000	Dwellings £000	Plant & Machinery £000	Buildings Excluding Dwellings £000	IT Equipment £000	PFI arrangements £000
Cost or valuation at 1 April 2018	**37,529**	**401**	**1,470**	**3,702**	**4,969**	**0**	**26,987**
Additions	**9,130**	0	0	0	8,400	730	0
Reclassifications	**0**	0	0	0	**0**	**0**	0
Revaluations	**184**	0	37	0	0	0	147
Disposals	**(562)**	0	0	0	0	0	(562)
Cost or valuation at 31 March 2019	**46,281**	**401**	**1,507**	**3,702**	**13,369**	**730**	**26,572**
Accumulated depreciation at 1 April 2018	**25,617**	**0**	**370**	**3,628**	**1,055**	**0**	**20,564**
Provided during the year	**574**	0	37	59	43	143	292
Impairments	**7,838**	0	0	0	7,838	0	0
Reversal of Impairments	**(69)**	0	0	0	(24)	0	(45)
Revaluation surpluses	**0**	0	0	0	0	0	0
Disposals	**0**	0	0	0	**0**	**0**	0
Accumulated depreciation at 31 March 2019	**33,960**	**0**	**407**	**3,687**	**8,912**	**143**	**20,811**
Net book value							
NBV 1 April 2018	11,912	401	1,100	74	3,914	0	6,423
NBV total at 1 April 2018	**11,912**	**401**	**1,100**	**74**	**3,914**	**0**	**6,423**
Net book value							
NBV 31 March 2019	**12,321**	**401**	**1,100**	**15**	**4,457**	**587**	**5,761**
NBV total at 31 March 2019	**12,321**	**401**	**1,100**	**15**	**4,457**	**587**	**5,761**

11.1 Net Book Value of Assets Held Under Finance Leases

Foundation Trust	Total	Land		Dwellings	Plant & Machinery	Buildings Excluding Dwellings	IT Equipment	PFI arrangements	Intangibles
	£000		£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2019	**148,370**		**401**	**1,507**	**12,083**	**101,983**	**4,604**	**27,251**	**541**
Additions	**17,150**		0	0	1,291	15,859	0	0	0
Impairments charged to operating expenses	**(15,672)**		0	0	0	(15,672)	0	0	0
Depreciation eliminated on revaluation	**(1,615)**		0	(37)	0	(1,463)	0	(115)	0
Reversal of impairment credited to operating expenses	**2,164**		0	37	0	2,127	0	0	0
Reclassifications of impairments classified as depreciation	**(59,696)**		0	(407)	0	(37,799)	0	(21,490)	0
Disposals	**0**		0	0	0	0	0	0	0
Cost or valuation at 31 March 2020	**90,701**		**401**	**1,100**	**13,374**	**65,035**	**4,604**	**5,646**	**541**
Accumulated depreciation at 1 April 2019	**66,337**		**0**	**407**	**6,401**	**37,799**	**223**	**21,490**	**17**
Provided during the year	**2,771**		0	37	1,017	1,463	139	115	0
Depreciation eliminated on revaluation	**(1,615)**		0	(37)	0	(1,463)	0	(115)	0
Reclassificiation of impairments classified as depreciation	**(59,696)**		0	(407)	0	(37,799)	0	(21,490)	0
Disposals	**0**		0	0	0	0	0	0	0
Accumulated depreciation at 31 March 2020	**7,797**		**0**	**0**	**7,418**	**0**	**362**	**0**	**17**
Net book value									
NBV - Purchased at 1 April 2019	82,033		401	1,100	5,682	64,184	4,381	5,761	524
NBV total at 1 April 2019	82,033		401	1,100	5,682	64,184	4,381	5,761	524
Net book value									
NBV - Purchased at 31 March 2020	**82,904**		**401**	**1,100**	**5,956**	**65,035**	**4,242**	**5,646**	**524**
NBV total at 31 March 2020	**82,904**		**401**	**1,100**	**5,956**	**65,035**	**4,242**	**5,646**	**524**

Foundation Trust	Total	Land		Dwellings	Plant & Machinery	Buildings Excluding Dwellings	IT Equipment	PFI arrangements	Intangibles
	£000		£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2018	**134,472**		**401**	**1,470**	**12,083**	**93,531**	**0**	**26,987**	**0**
Additions	**14,266**		0	0	0	8,442	4,604	679	541
Revaluation	**194**		0	37	0	**10**	0	147	0
Disposals	**(562)**		0	0	0	**0**	0	(562)	0
Cost or valuation at 31 March 2019	**148,370**		**401**	**1,507**	**12,083**	**101,983**	**4,604**	**27,251**	**541**
Accumulated depreciation at 1 April 2018	**44,687**		**0**	**370**	**5,452**	**18,301**	**0**	**20,564**	**0**
Provided during the year	**2,548**		0	37	949	1,030	223	292	17
Impairments	**19,208**		0	0	0	18,529	0	679	0
Reversal of Impairments	**(106)**		0	0	0	(61)	0	(45)	0
Revaluation surpluses	**0**		0	0	0	0	0	0	0
Disposals	**0**		0	0	0	**0**	0	0	0
Accumulated depreciation at 31 March 2019	**66,337**		**0**	**407**	**6,401**	**37,799**	**223**	**21,490**	**17**
Net book value									
NBV - Purchased at 1 April 2018	89,785		401	1,100	6,631	75,230	0	6,423	0
NBV total at 1 April 2018	89,785		401	1,100	6,631	75,230	0	6,423	0
Net book value									
NBV - Purchased at 31 March 2019	**82,033**		**401**	**1,100**	**5,682**	**64,184**	**4,381**	**5,761**	**524**
NBV total at 31 March 2019	**82,033**		**401**	**1,100**	**5,682**	**64,184**	**4,381**	**5,761**	**524**

12 Assets Held for Sale

	Group		Foundation Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Land held for sale	**0**	0	**0**	0

13 Group Investments

The Trust's principal subsidiary undertakings included in the consolidation at 31 March 2020 are shown below. The accounting dates for the subsidiaries and joint ventures is 31 March.

Name	Country of Incorporation	Beneficial Interest	Principal Activity	Undertaking Type
Northumbria Healthcare Facilities Management Limited	UK	100%	Design, project management and operation of capital schemes	Subsidiary
Northumbria Primary Care Limited	UK	100%	Provision of healthcare services	Subsidiary
Northumbria Primary Care Cost Sharing Group Limited	UK	100%	A cost sharing group	Subsidiary
Community Services North East Limited	UK	50%	Provision of healthcare services	Joint venture
Northumbria Digital Solutions Limited	UK	100%	Provision of computer services	Subsidiary
York Teaching Hospitals Facilities Management LLP	UK	5%	Provision of healthcare facilities and other commercial services	Partnership
North Tees and Hartlepool Solutions LLP	UK	5%	Provision of healthcare facilities and other commercial services	Partnership

Northumbria Healthcare Facilities Management Limited was incorporated on the 25th of January 2012 and is a wholly owned subsidiary of Northumbria Healthcare NHS Foundation Trust. The primary purpose of the company is the design, project management and operation of specific capital schemes.

Northumbria Primary Care Limited was incorporated on 1 April 2015. The company was established to provide GPs with professional support in many of the corporate functions that come with running a GP practice.

Northumbria Digital Solutions Limited was incorporated on 22 March 2017 and commenced trading on 1 July 2017. The company was established to provide computer services to NHS and other bodies including Northumbria Healthcare NHS Foundation Trust.

The Trust holds a 50% share in Community Services North East Limited with the remaining investment being fully held by Norprime Limited a subsidiary of Monkseaton Medical Practice.

NHFM Ltd holds a 5% share in York Teaching Hospitals Facilities Management LLP with the remaining investment being held by York Teaching Hospitals NHS Foundation Trust. The primary purpose of the LLP is the provision of managed facility services to the York Teaching Hospital NHS Foundation Trust.

NHFM Ltd holds a 5% share in North Tees and Hartlepool Solutions LLP with the remaining investment being held by North Tees and Hartlepool NHS Foundation Trust . The primary purpose of the LLP is the provision of managed facility services to the North Tees and Hartlepool NHS Foundation Trust.

The Trust held no investments in property or assets as at 31 March 2020 (31 March 2019 - Nil).

14 Investments in Subsidiary and Joint Venture Operations

Group Current	Total £000	31 March 2020 £000 Investments in wholly owned subsidiaries	31 March 2020 £000 Loans to wholly owned subsidiaries
At beginning and end of the year	**0**	**0**	**0**
Total investment	**0**	**0**	**0**

Foundation Trust Non Current	Total £000	31 March 2020 £000 Investments in wholly owned subsidiaries	31 March 2020 £000 Loans to wholly owned subsidiaries
At beginning of year	**94,383**	**16,787**	**77,596**
Additions	**4,802**	**4,602**	**200**
Repayment of loan principal	**(2,910)**	**0**	**(2,910)**
Conversion of loan to equity	**0**	**0**	**0**
Total investment	**96,275**	**21,389**	**74,886**
Less amounts due within one year	**(2,910)**	**0**	**(2,910)**
Total Non-current investments	**93,365**	**21,389**	**71,976**

Foundation Trust Non Current	Total £000	31 March 2019 £000 Investments in wholly owned subsidiaries	31 March 2019 £000 Loans to wholly owned subsidiaries
At beginning of year	95,632	14,040	81,592
Additions	1,712	1,712	0
Repayment of loan principal	(2,961)	0	(2,961)
Conversion of loan to equity	0	1,035	(1,035)
Total investment	94,383	16,787	77,596
Less amounts due within one year	(2,910)	0	(2,910)
Total Non-current investments	91,473	16,787	74,686

The Group has accounted for Northumbria Healthcare Facilities Management Limited, Northumbria Primary Care Ltd and Northumbria Digital Solutions Ltd as subsidiary undertakings.

15 Inventories

	Group		Foundation Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Theatre inventories	**7,069**	7,334	**7,069**	7,334
Drugs and medical gases	**2,353**	2,226	**2,281**	2,172
Medical supplies	**2,918**	3,107	**2,918**	3,045
Other inventories	**1,533**	1,376	**924**	881
Total inventories	**13,873**	14,043	**13,192**	13,432

16 Trade and Other Receivables

16.1 Trade and Other Receivables	Group		Foundation Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Contracted NHS Receivables - invoiced	**17,322**	20,406	**17,322**	19,916
Contracted NHS receivables - accrued	**12,017**	13,762	**12,017**	13,762
Contracted trade receivables- invoiced	**10,486**	7,129	**18,633**	18,203
Contracted trade receivables- accrued	**10,416**	6,386	**20,237**	14,291
Contract assets	**0**	1,524	**0**	1,524
Capital receivables	**680**	7,961	**680**	7,961
PDC Receivable	**0**	57	**0**	57
Allowance for impaired contract receivables	**(8,249)**	(8,391)	**(8,249)**	(8,391)
Other receivables - related parties VAT	**3,231**	3,004	**3,231**	3,004
Prepayments	**5,347**	9,849	**11,095**	14,349
Interest receivable	**38**	25	**38**	25
Other receivables	**2,703**	3,762	**973**	1,474
Total current receivables	**53,991**	65,474	**75,977**	86,175
Non-current				
Other receivables	**39,339**	17,771	**39,339**	17,771
Total non current receivables	**39,339**	17,771	**39,339**	17,771
Total trade and other receivables	**93,330**	83,245	**115,316**	103,946

Other receivables includes a right of re-imbursement asset of £39.3 million (31 March 2018 : £17.8m) in relation rectification and re-imbursement for work required to address the defects on the Northumbria Specialist Emergency Care Hospital site (NSECH). The Trust is working very closely with its build partner and other professional advisers to ensure that these are made good to appropriate standards and at a suitable pace. The amount that has been recognised above is an estimate of the amount that is considered to be virtually certain based on discussions and advice received to date. As the Trust agrees further work to be undertaken the value of the reimbursable asset is likely to increase.

16.2 Allowance for credit losses (impairment of contract receivables)	Group		Foundation Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
At beginning of year (before IFRS 9 and 15 implementation)	**8,391**	833	**8,391**	833
Impact of IFRS 9 and 15	**0**	0	**0**	0
Utilisation of allowances	**(135)**	0	**(135)**	0
New allowances arising	**0**	8,991	**0**	8,991
Changes in the calculation of existing allowances	**0**	(833)	**0**	(833)
Reversal of allowances	**(7)**	(600)	**(7)**	(600)
Total Provision for Impaired Receivables	**8,249**	8,391	**8,249**	8,391

17 Other Assets Investments

No current asset investments were held at 31 March 2020 (31 March 2019 - Nil).

18 Trade and Other Payables

18.1 Payables at the Statement of Financial Position date are made up of:

Current	Group		Foundation Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
NHS payables	**7,181**	6,601	**7,181**	6,601
Other trade payables	**5,284**	14,613	**10,659**	29,016
Amount due to related parties	**18,575**	19,134	**16,951**	16,384
Accrual - capital	**2,070**	1,379	**1,601**	111
Accruals	**22,253**	14,228	**24,073**	11,827
Total current payables	**55,363**	55,955	**60,465**	63,939

Non-Current				
Other payables	**0**	2,599	**0**	2,599
Total payables due after 1 year	**0**	2,599	**0**	2,599

Total trade and other payables	**55,363**	58,554	**60,465**	66,538

Other payables include; - £30,000 for payments due in future years under arrangements to buy out the liability for 65 early retirements (31 March 2019 - £30,000).

The pensions indemnity liability arises from the indemnity agreement between the Trust and Northumberland County Council in respect of the transfer of employees in April 2011. Full details are included in note 23.

19 Other Liabilities

Current	Group		Foundation Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Deferred Income	**4,477**	1,096	**4,477**	1,054
Total other current liabilities	**4,477**	1,096	**4,477**	1,054

Non Current	Group		Foundation Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Deferred Income	**12,075**	0	**12,075**	0
Total other current liabilities	**12,075**	0	**12,075**	0

20 Interest bearing borrowings

Current	Group		Foundation Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£0002	£000	£000
Loans from Foundation Trust Financing Facility	**3,349**	3,389	**3,349**	3,389
Other term loan	**18,265**	8,372	**18,265**	8,372
Obligations under finance leases	**395**	261	**8,156**	4,388
Obligations under Private Finance Initiative contracts	**689**	801	**689**	801
Total current borrowings	**22,698**	12,823	**30,459**	16,950

Non Current				
Loans from Foundation Trust Financing Facility	**39,992**	42,616	**39,992**	42,616
Other term loan	**143,137**	160,523	**143,137**	160,523
Obligations under finance leases	**11,059**	10,222	**102,670**	94,361
Obligations under Private Finance Initiative contracts	**15,840**	16,529	**15,840**	16,529
Total non current borrowings	**210,028**	229,890	**301,639**	314,029

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 20.

20 Interest bearing borrowings continued

Further details of loans;

Loan and purpose of loan	Amount of Loan	Due after 5 years	Year of Loan	Interest rate
From FTFF for build of Cramlington Emergency Care Hospital	£50,000,000	£22,440,000	2011/12	4.00% fixed
From FTFF for purchase of Northumbria House Cobalt Business Park	£12,600,000	£7,056,000	2013/14	3.34% fixed
From Northumberland County Council for the termination of Hexham PFI contract	£111,200,000	£62,884,000	2013/14	3.98% fixed
From Northumberland County Council for the redevelopment of Berwick Hospital	£25,000,000	£15,000,000	2014/15	3.21% fixed
From Northumberland County Council	£10,000,000	£0	2015/16	3.50% fixed
From M&G Investment Management Limited	£50,000,000	£35,794,000	2018/19	3.07% Fixed

In addition to the above the Trust took out a new loan of £50 million from M&G Investment Management Limited in May 2020. This loan is repayable over a period of 25 years at an interest rate of 2.19% and is for capital investment.

All loans are repayable by 50 equal instalments over 25 years with the exception of the £10,000,000 loan from Northumberland County Council. This is a five year loan with all principal payable on the final date of the term. Interest is payable on all loans at six month intervals.

21 Finance Lease Obligations

21.2 Finance Lease Obligations - Group

1. Staff Residences - Land and Building at Wansbeck General Hospital for a period of 30 years from 29 March 2018.
2. Beds - Beds and specialised beds for all wards Trustwide under various 15 year leases ending in 2020.
3. Cisco - Lease of IT equipment for a period of 3 years ending in 2021
4. Rothbury - Building at Rothbury for a period of 30 years from 31 March 2019.
5. PACS - Radiology reporting system for a period of 6 years from March 2020

The Group is contracted to make the following payments for these and other non-material finance lease obligations over the total periods.

Group	31 March 2020 £000	31 March 2019 £000
	Book Value	
Gross lease liabilities	**63,107**	63,804
of which liabilities are due:		
- not later than one year;	**1,981**	1,997
- later than one year and not later than five years;	**7,366**	6,537
- later than five years.	**53,760**	55,270
Net lease liabilities	**11,454**	10,483
of which liabilities are due:		
- not later than one year;	**395**	261
- later than one year and not later than five years;	**798**	68
- later than five years.	**10,261**	10,154

21.3 Finance Lease Obligations - Foundation Trust

The Trust had the following material finance lease obligations under non-PFI finance lease arrangements;

1. Staff Residences - Land and Building at Wansbeck General Hospital for a period of 30 years from 29 March 2018.

2. Cisco - Lease of IT equipment for a period of 3 years ending in 2021

3. Rothbury - Building at Rothbury for a period of 30 years from 31 March 2019.

4. Emergency Care Hospital Cramlington 'The Northumbria '. During 2012 the Trust entered into an agreement with Northumbria Healthcare Facilities Management Limited (NHFML) to design, finance, construct and operate healthcare facilities and provide facility management services with respect to the new Emergency Care Centre. Practical completion was granted on 31 March 2015 and the Emergency Care Centre has been reflected in the balance sheet of the Trust since that date together with an associated finance lease creditor payable to Northumbria Healthcare Facilities Management Limited.

The classification and recognition of this asset and liability is based on a detailed assessment of the risks and rewards and economic substance of this 'operated healthcare services' arrangement. This in turn includes as assessment of whether the arrangement is an arrangement containing a lease, whether such a lease is a finance or operating lease, and consideration of the economic substance of this arrangement.

Although the arrangement is not in the legal form of a lease, the Trust concluded that the arrangement contains a lease of the ECC, and is unlikely that any parties other than the Trust will receive more than an insignificant part of its use. The Trust have concluded that substantially all the risks and rewards incidental to the ownership of this asset have transferred to the Trust under this arrangement. The element of this arrangement is therefore classified as a finance lease.

Foundation Trust	31 March 2020 £000	31 March 2019 £000
	Book Value	
Gross lease liabilities	**203,587**	214,018
of which liabilities are due:		
- not later than one year;	**13,635**	13,426
- later than one year and not later than five years;	**35,810**	51,787
- later than five years.	**154,142**	148,805
Net lease liabilities	**110,826**	98,749
of which liabilities are due:		
- not later than one year;	**8,156**	4,388
- later than one year and not later than five years;	**16,997**	17,783
- later than five years.	**85,673**	76,578

22 PFI Obligations - on Statement of Financial Position

The Group and Trust has the following finance lease obligations under PFI arrangements;

1. Wansbeck Hospital Phase II - The scheme is for the provision of Maternity, Gynaecology, Outpatients, Day Surgery and Child Health facilities and associated building maintenance.

2. Rothbury Community Hospital - The scheme was for the reprovision of a community hospital. The Trust terminated this PFI contract on 31st March 2019.

The Group and Trust is contracted to make the following payments for on Statement of Financial Position PFI obligations over the total periods of the contracts;

Group and Foundation Trust	31 March 2020 £000	31 March 2019 £000
Gross PFI obligations (including lifecycle expenditure payments)	**37,782**	40,248
of which liabilities are due:		
-not later than one year;	**2,512**	2,466
-later than one year and not later than five years;	**10,747**	10,466
-later than five years.	**24,523**	27,316
Lifecycle maintenance expenditure	**(8,646)**	**(8,674)**
Finance charges allocated to future periods	**(12,607)**	**(14,244)**
Total gross PFI obligations	**16,529**	**17,330**
Net PFI liabilities falling Due;		
- not later than one year;	**689**	801
- later than one year and not later than five years;	**3,500**	3,282
- later than five years.	**12,340**	13,247
Total net PFI liabilities	**16,529**	17,330

Gross PFI liabilities includes £8,646,000 (2018/19 - £8,674,000) in respect of lifecycle maintenance expenditure on the PFI schemes. These are payments to replace components of the hospital infrastructure throughout the course of the PFI agreement.

Service charge element of PFI

In addition to the above obligations the Group and Trust is contracted to make following payments over the remaining life of the PFI agreements in respect of the service element of operating the PFI schemes. These payments are expensed in the period in which they are made and are excluded from the gross and net PFI liabilities shown above.

Gross service charge commitment falling due;	31 March 2020 £000	31 March 2019 £000
- not later than one year;	**411**	386
- later than one year and not later than five years;	**1,695**	1,672
- later than five years.	**3,896**	4,330
Total service charge element commitment	**6,002**	6,388

PFI Payment obligations

During the next year the Group and Trust is committed to make the following payments for on-Statement of Financial Position PFI obligations in respect of the non-service unitary charge. The amount to be paid in 2020/21 is shown against the period in which the contract expires.

Period when contract expires:	31 March 2020 Total £000	31 March 2020 WGH Phase II £000	31 March 2019 Total £000
- within 1 year;	**0**	**0**	0
- within 2 to 5 years;	**0**	**0**	0
- within 11 to 15 years	**2,923**	**2,923**	2,782
- within 21 to 25 years	**0**	**0**	0
Total PFI payment obligations	**2,923**	**2,923**	2,782

Total Future payments

Total gross future payments committed in respect of PFI arrangements	31 March 2020 £000	31 March 2019 £000
- not later than one year;	**2,923**	2,852
- later than one year and not later than five years;	**12,442**	12,138
- later than five years.	**28,419**	31,646
Total service charge element commitment	**43,784**	46,636

Total paid to the PFI operator during the year	31 March 2020 £000	31 March 2019 £000
Interest charge	**1,637**	1,962
Repayment of finance lease liability	**801**	3,060
Service element	**386**	483
Revenue lifecycle maintenance expenditure	**0**	35
Capital lifecycle expenditure	**28**	679
Total unitary payments made	**2,852**	6,219

23 Employee Benefits NHS Pension Scheme

As the Trust is unable to identify its share of the underlying scheme assets and liabilities this pension scheme is accounted for as if it were a defined contribution pension scheme and the pension cost for the period represents contributions payable to the scheme. The pension cost of this scheme is £48,063,000 (2018/19 £33,097,000). The latest valuation of the NHS Pensions Scheme was undertaken as at 31 March 2012. This

Northumberland County Council Local Government Pension Scheme

Non current assets	Group		Foundation Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Employee benefits asset	**0**	1,710	**0**	1,710
Right of reimbursement asset	**102**	0	**102**	0
Total	**102**	**1,710**	**102**	**1,710**

Non current liabilities	Group		Foundation Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Employee benefits	**(1,290)**	**0**	**(1,290)**	**0**
Right of reimbursement indemnity liability	**0**	**(1,710)**	**0**	**(1,710)**
Total	**(1,290)**	**(1,710)**	**(1,290)**	**(1,710)**

On 1 April 2011 Northumbria Healthcare NHS Foundation Trust acquired the provider business of Northumberland Care Trust and North Tyneside PCT.

As part of this transaction a number of employees transferred to Northumbria Healthcare Foundation Trust ('the Trust')the Trust was admitted as a member of the Northumberland County Council Local Government Pension Scheme.

As part of the agreement for the transfer of this business Northumberland County Council agreed to indemnify the Trust for all future pension costs of the employees transferred, including all future contributions. This indemnity is reduced by the deficit value certified under the 31 March 2011 valuation, adjusted for interest as per the agreement. The effect of this agreement is that the Trust is indemnified by Northumberland County Council against any gains and losses arising through membership of this pension scheme.

Although the Northumberland County Council Pension Scheme is a multi-employer scheme the Trust is able to identify its share of the assets and liabilities of this scheme and therefore is accounting for this scheme as a defined benefit scheme. This results in a non current net pension asset or liability being included in these accounts which is offset by a non current asset or liability representing the right of reimbursement (adjusted for the deficit value certified under the 31 March 2011 valuation) from or to Northumberland County Council under the terms of the Transfer Agreement.

No amounts are included in the Consolidated Statement of Comprehensive Income in respect of this scheme due to the right of reimbursement from Northumberland County Council for all pension costs arising from this scheme in excess of the certified deficit value. Under the 31 March 2011 valuation.

Group and Foundation Trust	31 March 2020 £000	31 March 2019 £000
Current and past service costs	**490**	390
Interest cost	**(50)**	(10)
Actuarial (gains) and losses	**3,000**	(1,290)
Net charge to income statement	**3,440**	(910)

The information below is in respect of the Group and Trust's share of the assets and liabilities of this scheme;

Group and Foundation Trust	31 March 2020 £000	31 March 2019 £000
Fair value of assets	**23,830**	26,910
Present value of funded defined benefit obligations	**(25,120)**	**(25,200)**
Recognised liability/ (asset) for defined benefit obligation	**(1,290)**	1,710
Deficit funding agreement liability	**1,188**	1,368
Right of reimbursement asset/(liability) to Northumberland County Council (note 16.1 and 18.1)	**102**	**(1,710)**
Net	**0**	**1,368**

Movements in present value of defined benefit obligation	31 March 2020 £000	31 March 2019 £000
At 1 April	**(25,200)**	**(24,350)**
Current service cost	**(390)**	**(390)**
Interest cost	**(590)**	**(630)**
Actuarial gains on liabilities - experience	**(580)**	**(40)**
Actuarial gains / (losses)	**840**	**(270)**
Contribution by members	**(70)**	(70)
Past service costs (in. curtailments)	**(100)**	0
Benefits paid	**970**	550
At 31 March	**(25,120)**	(25,200)

Movements in fair value of plan assets	31 March 2020 £000	31 March 2019 £0002
At 1 April 2019	**26,910**	24,700
Expected return on plan assets	**640**	640
Actuarial (losses) / gains	**(3,260)**	1,600
Contribution by employer	**440**	450
Contribution by members	**70**	70
Benefits paid	**(970)**	(550)
As at 31 March 2020	**23,830**	26,910

The fair value of the plan assets and the return on those assets were as follows;

	31 March 2020 £000	31 March 2019 £000
Equities	**15,680**	17,680
Government debt	**3,908**	4,602
Corporate bonds	**1,835**	2,126
Property	**953**	1,130
Other	**1,454**	1,372
As at 31 March 2020	**23,830**	26,910
Actual return on plan assets	**(2,620)**	**2,240**

The expected rates of return on plan assets are determined by reference to the historical returns, without adjustment, of the portfolio as a whole and not on the sum of the returns on individual asset categories.

Principal actuarial assumptions (expressed as weighted average) at the year end were as follows;

	31 March 2020	31 March 2019
Discount rate	**2.30%**	2.40%
Future salary increases	**3.50%**	3.70%
Rate of increase to pensions in payment	**2.00%**	2.20%
Rate of increase to deferred pensions	**2.00%**	2.20%
CPI inflation	**2.00%**	2.20%

In valuing the liabilities of the pension fund at 31 March 2020 , mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the Statement of Financial Position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows;
Current pensioner aged 65: 22.2 years (male), 24.6 years (female).
Future retiree reaching 65: 23.2 years (male), 26 years (female).

History of plans
The history of plans for the current and prior periods are as follows;

Statement of Financial Position	31 March 2020 £000	31 March 2019 £0002
Fair value of assets	**23,830**	26,910
Present value of the defined benefit obligation	**(25,120)**	(25,200)
Gross surplus	**(1,290)**	1,710

24 Provisions for Liabilities and Charges

Group and Foundation Trust	Pensions relating to 'Other' staff £000	Injury Benefit Allowance £000	Public Liability Claims £000	Total 2020 £000	Total 2019 £000
At 1 April	**525**	**696**	**158**	**1,379**	1,664
Arising during the period	**0**	**1,300**	**0**	**1,300**	0
Reversed unused	**0**	**0**	**(2)**	**(2)**	0
Utilised during the period	**(118)**	**(233)**	**0**	**(351)**	(325)
Unwinding of discount	**40**	**0**	**0**	**40**	40
At 31 March	**447**	**1,763**	**156**	**2,366**	**1,379**
Expected timing of cashflows:					
Within 1 year	**120**	**216**	**0**	**336**	336
1 - 5 years	**327**	**1,547**	**156**	**2,030**	1,043
At 31 March	**447**	**1,763**	**156**	**2,366**	1,379

The provision for 'pensions relating to other staff' is in respect of staff, other than Directors, who retired prior to 6 March 1995. Repayment is by quarterly instalments to the NHS Pensions Agency.

Payment of injury benefit allowances is made to former employees via the Pensions Agency on the same basis.

Public liability claims are limited in value because the Trust insures against these claims, and clinical negligence claims, by payment to the NHS Resolution . NHS Resolution includes in its accounts at 31 March 2020 a provision for £172,460,655 in respect of clinical negligence claims made against the Trust (31 March 2019 - £145,112,205). These amounts are not included in the financial statements.

25 Revaluation Reserve

Group and Foundation Trust	Note	31 March 2020 £000	31 March 2019 £000
Revaluation reserve at 1 April		**6,640**	5,367
Revaluations	10	**1,020**	1,060
Other reserve movements		**0**	213
Revaluation reserve at 31 March		**7,660**	6,640

All balances in the revaluation reserve relate to property, plant and equipment. The revaluation reserve does not contain any revaluations in respect of intangible assets.

26 Cash and Cash Equivalents

	Group		Foundation Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
At 1 April	**64,166**	30,052	**61,159**	26,412
Net change in year	**2,380**	34,114	**1,689**	34,747
At 31 March	**66,546**	64,166	**62,848**	61,159

Analysed as:				
Cash at commercial banks and cash in hand	**3,949**	2,895	**251**	123
Cash with the Government Banking Service	**62,597**	61,271	**62,597**	61,036
Cash and cash equivalents as in Statement of Financial Position and Statement of Cash Flows	**66,546**	64,166	**62,848**	61,159

The Trust held £102,000 cash at bank and in hand at 31 March 2020, (31 March 2019 - £101,000) which relates to monies held by the Trust on behalf of patients. The money is held in a separate bank account and has been excluded from the cash and cash equivalent figure reported in the accounts.

27 Future Accounting Period

27.1 Events after the Reporting Period

In May 2020 the Trust took out a loan of £50 million from M&G Investment Management Limited. This loan is repayable over a period of 25 years at an interest rate of 2.19% and is for capital investment.

27.2 Contractual Capital Commitments

The Group is contractually committed to completing five capital schemes during 2020/21. The committed amount for these schemes is £916,000. (2019 : £6,495,000.

28 Contingencies

	31 March 2020 £000	31 March 2019 £000
Total estimate of contingent liabilities against the Group and Foundation Trust	**(75)**	(113)
Net contingent liability	**(75)**	(113)

Contingent liabilities at 31 March 2020 are in respect of contingent employer and public liability claims as advised by the NHS Resolution.

29 Related Party Transactions and Balances

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

During the year none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with Northumbria Healthcare.

The Department of Health is regarded as a related party. During the year Northumbria Healthcare NHS Trust 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, namely;

	Income	Expenditure	Receivables	Payables
	Year Ended 31 March 2020 £000	Year Ended 31 March 2020 £000	Year Ended 31 March 2020 £000	Year Ended 31 March 2020 £000
Northumberland Clinical Commissioning Group	**232,829**	**0**	**1,722**	**0**
North Tyneside Clinical Commissioning Group	**151,794**	**0**	**3,499**	**0**
Cumbria Clinical Commissioning Group	**8,381**	**0**	**657**	**0**
Newcastle and Gateshead Clinical Commissioning Group	**5,302**	**0**	**173**	**0**
Other Clinical Commissioning Groups	**5,502**	**0**	**991**	**1,959**
NHS England	**45,977**	**0**	**10,006**	**0**
Health Education England	**13,257**	**0**	**276**	**0**
NHS Resolution	**720**	**10,168**	**0**	**0**
NHS Property Services /CHP	**932**	**3,954**	**0**	**0**
NHS Foundation Trusts	**10,795**	**6,631**	**9,655**	**4,905**
NHS Trusts	**1,600**	**1,158**	**2,003**	**166**
Other NHS organisations	**428**	**319**	**357**	**151**
Total NHS organisations	**477,517**	**22,230**	**29,339**	**7,181**
Other related parties;				
Department of Health	**0**	**0**	**0**	**0**
HMRC	**0**	**29,636**	**3,231**	**12,128**
NHS Pensions Agency	**0**	**48,063**	**0**	**6,399**
Non-English NHS Bodies	**522**	**1,956**	**1,223**	**48**
Total other related parties	**522**	**79,655**	**4,454**	**18,575**
Northumberland County Council	**32,371**	**3,063**	**2,703**	**0**
North Tyneside County Council	**2,229**	**1,100**	**349**	**0**
Other local authorities	**635**	**16**	**759**	**0**
Total local government	**35,235**	**4,179**	**3,811**	**0**
Total related parties	**513,274**	**106,064**	**37,604**	**25,756**

The transactions with Northumberland County Council and North Tyneside Council were for income received in respect of joint enterprises and payments in respect of business rates and community charges.

30 Private Finance Initiative Schemes Deemed to be off Statement of Financial Position

The Group and the Trust had no PFI schemes deemed to be 'off the Statement of Financial Position' at 31 March 2020 (31 March 2019- Nil).

31 Financial Instruments

IFRS 9 requires disclosure of the role that financial instruments have had during the period or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with local CCGs and the way those CCGs are financed, the NHS Trust is not exposed to the degree of financial risk experienced by business entities. Also financial instruments apply a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 9 mainly applies. Financial assets and liabilities are primarily generated by day-to-day operational activities and are not held to change the risks facing Foundation Trusts in undertaking their activities.

Credit Risk
Credit risk is the risk of financial loss to the Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Trust's receivables.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum Group exposure to credit risk at the Statement of Financial Position was £152,586,000 note 31.2, (2018/19: £135,547,000) being the total of the carrying amount of financial assets.

Credit Quality of Financial Assets and Impairment Losses
The Trust impaired receivables in the year NHS and Trade Debtors to reflect current circumstances which resulted in a gain to expenditure of £7,000 (notes 4.1 and 16.2).

Liquidity Risk
The Trust's net operating costs are incurred under service agreements with the local Clinical Commissioning Groups , which are financed from resources voted annually by Parliament. The Trust largely finances capital expenditure through internally generated funds and from loans that can be taken out up to agreed borrowing limit. The borrowing limit is based upon a risk rating determined by Monitor, the Independent Regulator for Foundation Trusts, and take into account the Trust's liquidity. The Trust is not therefore exposed to significant liquidity risk.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Market Risk
Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Trust's income or the value of its holdings of financial instruments.

Interest-Rate Risk
The only financial asset which carries risk is cash which is subject to floating rates of interest. It is estimated that a 1% change in interest rates would impact the income statement by £300,000. The Trusts loans, finance lease obligations and obligations under PFI contracts carry interest at fixed rates. The remainder of financial liabilities carry no interest. There are no financial liabilities which carry a floating rate of interest.The Trust is not therefore exposed to significant interest rate risk.

Foreign exchange risk
All financial assets and liabilities are recorded in sterling. Therefore the Trust has no exposure to foreign exchange risks.

31.1 Floating and Fixed Rate Financial Instruments

	Group Floating Rate		Foundation Trust Floating Rate	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Financial assets denominated in £ sterling	**66,546**	64,166	**62,848**	61,159
Total gross financial assets at 31 March	**66,546**	64,166	**62,848**	61,159

There are no financial asset or liabilities held in currencies other than sterling. The remaining financial assets (as set out in note 31.2) do not carry interest.

31.2 Financial Assets by Category	Group		Foundation Trust	
Assets as per Statement of Financial Position	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Contracted receivables - invoiced	**27,808**	27,535	**35,955**	38,119
Contracted trade receivables - not invoiced	**62,490**	45,905	**72,311**	53,810
Contract Assets	**0**	1,524	**0**	1,524
Allowance for imparied receivables	**(8,249)**	(8,391)	**(8,249)**	(8,391)
Other Investments	**1,310**	1,295	**0**	0
Loans subsidiaries	**0**	0	**74,866**	77,596
Accrued income	**0**	0	**0**	0
Other receivables	**2,681**	3,513	**973**	1,474
Cash at bank and in hand	**66,546**	64,166	**62,848**	61,159
Total	**152,586**	135,547	**238,704**	225,291

31.3 Financial Liabilities by Category	Group		Foundation Trust	
Liabilities as per Statement of Financial Position	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Loans from Foundation Trust Financing Facility	**43,341**	46,005	**43,341**	46,005
Other loans	**161,402**	168,895	**161,402**	168,895
NHS Payables	**7,181**	6,601	**7,181**	6,601
Obligations under finance leases	**11,454**	10,483	**110,826**	98,749
Obligations under PFI contracts	**16,529**	17,330	**16,529**	17,330
Other trade payables	**5,284**	17,212	**10,659**	31,615
Accruals	**22,253**	14,228	**24,073**	11,827
Capital creditors and accruals	**2,070**	1,379	**1,601**	111
Provisions under contract	**2,366**	1,379	**2,366**	1,379
Total	**271,880**	283,512	**377,978**	382,512

31 Financial Instruments (continued)

31.4 Fair Values of Financial Instruments

Trade and other receivables - The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the date of the Statement of Financial Position if the effect is material.
Trade and other payables - The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the Statement of Financial Position date if the effect is material.
Cash and cash equivalents - The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest the Statement of Financial Position date.

31.5 Fair Values of Financial Assets

Group Assets as per Statement of Financial Position	31 March 2020 Book Value £000	31 March 2020 Fair Value £000	31 March 2019 Book Value £0002	31 March 2019 Fair Value £000
Contracted receivables - invoiced	**27,808**	**27,808**	27,535	27,535
Contracted trade receivables - not invoiced	**62,490**	**62,490**	45,905	45,905
Contract Assets	**0**	**0**	1,524	1,524
Allowance for impaired receivables	**(8,249)**	**(8,249)**	(8,391)	(8,391)
Other Investments	**1,310**	**1,310**	1,295	1,295
Other receivables	**2,681**	**2,681**	3,513	3,513
Cash at bank and in hand	**66,546**	**66,546**	64,166	64,166
Total financial assets	**152,586**	**152,586**	135,547	135,547

Foundation Trust Assets as per Statement of Financial Position	31 March 2020 Book Value £000	31 March 2020 Fair Value £000	31 March 2019 Book Value £0002	31 March 2019 Fair Value £0002
Contracted receivables - invoiced	**35,955**	**35,955**	38,119	38,119
Contracted trade receivables - not invoiced	**72,311**	**72,311**	53,810	53,810
Contract Assets	**0**	**0**	1,524	1,524
Allowance for impaired receivables	**(8,249)**	**(8,249)**	(8,391)	(8,391)
Loans - subsidiaries	**74,866**	**74,866**	77,596	77,596
Other receivables	**973**	**973**	1,474	1,474
Cash at bank and in hand	**62,848**	**62,848**	61,159	61,159
Total financial assets	**238,704**	**238,704**	225,291	225,291

31.6 Fair values of Financial Liabilities

Group Liabilities as per Statement of Financial Position	31 March 2020 Book Value £000	31 March 2020 Fair Value £000	31 March 2019 Book Value £0002	31 March 2019 Fair Value £0002
Loans from Foundation Trust Financing Facility	**43,341**	**43,341**	46,005	46,005
Other loans	**161,402**	**161,402**	168,895	168,895
NHS Payables	**7,181**	**7,181**	6,601	6,601
Obligations under finance leases	**11,454**	**11,454**	10,483	10,483
Obligations under PFI contracts	**16,529**	**16,529**	17,330	17,330
Other trade payables	**5,284**	**5,284**	17,212	17,212
Accruals	**22,253**	**22,253**	14,228	14,228
Capital creditors and accruals	**2,070**	**2,070**	1,379	1,379
Provisions under contract	**2,366**	**2,366**	1,379	1,379
Total financial liabilities	**271,880**	**271,880**	283,512	283,512

Foundation Trust Liabilities as per Statement of Financial Position	31 March 2020 Book Value £000	31 March 2020 Fair Value £000	31 March 2019 Book Value £000	31 March 2019 Fair Value £000
Loans from Foundation Trust Financing Facility	**43,341**	**43,341**	46,005	46,005
Other loans	**161,402**	**161,402**	168,895	168,895
NHS Payables	**7,181**	**7,181**	6,601	6,601
Obligations under finance leases	**110,826**	**110,826**	98,749	98,749
Obligations under PFI contracts	**16,529**	**16,529**	17,330	17,330
Other trade payables	**10,659**	**10,659**	31,615	31,615
Accruals	**24,073**	**24,073**	11,827	11,827
Capital creditors and accruals	**1,601**	**1,601**	111	111
Provisions under contract	**2,366**	**2,366**	1,379	1,379
Total financial liabilities	**377,978**	**377,978**	382,512	382,512

32 Losses and Special Payments

Losses and special payments are charged to the relevant headings on a cash basis, including losses which would have been made good through insurance cover had the Trust not been bearing its own risks, with insurance premiums being included as normal revenue expenditure.

The Group and Foundation Trust losses and special payments for the year were:

Losses	Year Ended 31 March 2020 £	Number	Year Ended 31 March 2019 £	Number
Cash Losses	**0**	**0**	0	0
Fruitless payments and constructive losses	**0**	**0**	0	0
Bad debts and claims abandoned	**101,924**	**231**	57,275	169
Overpayments of salaries	**541,088**	**475**	304,316	443
Stores Losses	**32,567**	**12**	74,219	12
Total Losses	**675,579**	**718**	435,810	624
Special Payments				
Extra contractual payments	**0**	**0**	0	0
Extra-statutory and extra-regulatory payments	**0**	**0**	0	0
Compensation payments	**45,000**	**12**	45,411	14
Special Severance	**0**	**0**	0	0
Ex-gratia payments	**0**	**0**	2,000	1
Total special payments	**45,000**	**12**	47,411	15
Total losses and special payments	**720,579**	**730**	483,221	639

33 Pooled Budgets

The Group and Trust had no pooled budget projects during the twelve months to 31 March 2020 (2018/19- Nil).

34 Other Financial Assets

The Group and Trust had no other financial assets at 31 March 2020 (31 March 2019- Nil).

35 Charitable Fund Reserve

The Trust is the corporate trustee to Northumbria Healthcare NHS Trust Charitable Fund. The Trust has assessed its relationship to the charitable fund and determined to be a subsidiary, in accordance with IAS 27, because the Trust has the power to govern the financial and operating policies of the charitable fund so as to obtain benefits from its activities for itself, its patients or its staff.

The main financial statements disclose the Trust's financial position alongside that of the group (which comprises the Trust, subsidiaries and charitable fund).

Northumbria Healthcare NHS Trust Charity - Summary statement of financial activities;

	Year Ended 31 March 2020 £000	Intra-group eliminations	Year Ended 31 March 2019 £000	Intra-group eliminations
Donated Income	**1,673**	**0**	1,594	0
Income from activities for generating funds	**0**	**0**	0	0
Investment income	**50**	**0**	52	0
Total incoming resources	**1,723**	**0**	1,646	0
Charitable expenditure	**(1,738)**	**0**	(1,776)	0
Trading expenses	**0**	**0**	0	0
Total outgoing resources	**(1,738)**	**0**	(1,776)	0
Unrealised gains investments	**15**	**0**	38	0
Net outgoing resources	**0**	**0**	(92)	0

Northumbria Healthcare NHS Trust Charity - Summary statement of financial position;

	Year Ended 31 March 2020 £000	Intra-group eliminations	Year Ended 31 March 2019 £000	Intra-group eliminations
Investments- Common investment funds	**1,310**	**0**	1,295	0
Receivables	**22**	**0**	249	0
Trade and other payables	**0**	**0**	0	0
Cash	**1,422**	**0**	1,210	0
Total net assets	**2,754**	**0**	2,754	0
Represented by:				
Unrestricted Funds	**1,625**	**0**	1,625	0
Restricted Funds	**1,129**	**0**	1,129	0
Total funds	**2,754**	**0**	2,754	0

The total funds are represented in the group accounts as Charitable Funds Reserve.

Appendix B: Annual Audit Letter

Northumbria Healthcare NHS
NHS Foundation Trust

Trust Management
Rake Lane
North Shields
NE29 8NH

Clare Partridge
Partner
KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds

25th June 2020

Dear Clare

This representation letter is provided in connection with your audit of the Group and Trust financial statements of Northumbria Healthcare NHS Foundation Trust ("the Trust"), for the year ended 31 March 2020, for the purpose of expressing an opinion:

- as to whether these financial statements give a true and fair view of the state of the financial position of the Group and Trust as at 31 March 2020 and of the Group and Trust's income and expenditure for the financial year then ended;
- whether the Group and Trust's financial statements have been prepared in accordance with the Department of Health Group Accounting Manual (GAM); and
- whether the Group and Trust's Annual Report has been prepared in accordance with the NHS Improvement Annual Reporting Manual (ARM).

These financial statements comprise the Group and Trust Statement of Financial Position (SOFP), the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Board confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Board confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Board has fulfilled its responsibilities for the preparation of financial statements that:

   i. give a true and fair view of the financial position of the Group and Trust as at 31 March 2020 and of the Group and Trust's income and expenditure for that financial year; and

   ii. have been prepared in accordance with the GAM 2019/20.

   The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Board in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter**.**

Information provided

6. The Board has provided you with:

- access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
- additional information that you have requested from the Board for the purpose of the audit; and
- unrestricted access to persons within the Group and Trust from whom you determined it necessary to obtain audit evidence.

7. All transactions have been recorded in the accounting records and are reflected in the financial statements.

8. The Board confirms the following:

i. The Board has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definition of fraud, including misstatement arising from fraudulent financial reporting and from misappropriation of assets.

ii. The Board has disclosed to you all information in relation to:

a) Fraud or suspected fraud that it is aware of and that affects the Group and Trust and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements; and

b) allegations of fraud, or suspected fraud, affecting the Group and Trust's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Board acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Board acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

9. The Board has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

10. The Board has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

11. The Board has disclosed to you the identity of the Group and Trust's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 Related Party Disclosures. Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24.

12. The Board confirms that all intra-NHS balances included in the Statement of Financial Position (SOFP) at 31 March 2020 in excess of £100,000 have been disclosed to you and that the Trust has complied with the requirements of the Intra-NHS Agreement of Balances Exercise. The Board confirms that Intra-NHS balances includes all balances with NHS counterparties, regardless of whether these balances are reported within those SOFP classifications formally deemed to be included within the Agreement of Balances exercise.

13. The Board confirms that:

a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Group and Trust's ability to continue as a going concern as required to provide a true and fair view. No events or conditions have been identified that may cast significant doubt on the ability of the Group and Trust's to continue as a going concern.

b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Group and Trust to continue as a going concern.

14. On the basis of the process established by the Board and having made appropriate enquiries, the Board is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) Employee Benefits. The Board further confirms that:

a) all significant retirement benefits, including any arrangements that are:

- statutory, contractual or implicit in the employer's actions;
- arise in the UK and the Republic of Ireland or overseas;
- funded or unfunded; and
- approved or unapproved,

have been identified and properly accounted for; and

a) all plan amendments, curtailments and settlements have been identified and properly accounted for.

14. The Trust is required to consolidate any NHS charitable funds which are determined to be subsidiaries of the Trust. The decision on whether to consolidate is dependent upon the financial materiality and governance arrangements of the charitable funds. The Board confirms that, having considered these factors, it is satisfied that the charitable funds should be consolidated.

15. The Board provides the following specific representations as follows:

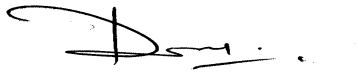
a) The property impairments have been appropriately considered and reflected in the financial statements in accordance with the requirements of IAS16: Property, Plant and Equipment and the GAM. In particular:

i. The 2019/20 impairment of NSECH £9.3m which is still in dispute with Lend Lease has not been resolved and is based on all available information at the date of approval of the financial statements and the date of approval of our audit report. This takes the total defect impairment on NSECH to £48.4m.

ii. The reimbursement asset of £39.3m represents the amount of the dispute that is considered to be virtually certain based on discussions with Lend Lease, legal advice and all other available information at the date of approval of the financial statements and the date of approval of our audit report.

This letter was tabled and agreed at the meeting of the Board of Directors on 25th June 2020.

Yours sincerely



Paul Dunn
Executive Director of Finance, for and on behalf of the Board of Northumbria Healthcare NHS Foundation Trust

Appendix to the Board Representation Letter: Uncorrected audit differences

The following uncorrected audit differences have been presented as part of the Audit Report to those charged with governance and are considered by management to be immaterial to the Group and Trust's financial statements:

Unadjusted audit differences (£000's)				
No.	**Detail**	**SOCI Dr/(cr)**	**SOFP Dr/(cr)**	**Comments**
1 – Group prior year	Dr Non Current Liabilities – Employee Benefits Cr Non Current Assets – Employee Benefits		£1,710 £(1,710)	Where the Trust involvement in the LGPS scheme with Northumbria County Council Pension Fund shows that the Estimate of Assets is greater than the estimated of the defined benefit obligations, the Trust should not recognise the Asset in its balance sheet as at no point will this situation equate to a repayment to the Trust. In line with the above the matching liability back to Northumbria County Council is therefore not required. The comparator balances for 2018/19 only.
2 – Group	Dr Reserves Cr Deferred Income	- -	£2,333 £(2,333)	Being the reversal of income for the Inhealth agreement where the Trust is required to provide access over 15 years. (14 yrs left).
3 - Group	Dr Trade Receivables Cr Bad Debt Costs	- £(5,170)	£5,170	Being a removal of a general provision of 1% of Total income that is neither calculated in line with the GAM, nor in our view required to cover the risk of unrecoverable Non NHS Trade Receivables.
4 - Trust	Cr Investment i- Subsidiaries NPCL Cr Loans – Subsidiaries NPCL Dr Impairment of Investment in NPCL	 £3,287	£(2,737) £(500)	Being "Trust" only statements, reversed out on consolidation. The required impairment of the carrying value of NPCL in the Trust only statements
Total		£(5,170)	£5,170	Group Impact on Unadjusted Balances
Total		£(1,883)	£1,883	Trust Only Statements

Appendix to the Board Representation Letter: Definitions

Financial Statements

IAS 1.10 states that a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- comparative information in respect of the previous period; and
- a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

"Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and

b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:

   i. has control or joint control over the reporting entity;

   ii. has significant influence over the reporting entity; or

   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

   i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   iii. Both entities are joint ventures of the same third party.

   iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

   vi. The entity is controlled, or jointly controlled by a person identified in (a).

   vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

   viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Independent auditor's report

to the Council of Governors of Northumbria Healthcare NHS Foundation Trust

. REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. Our opinion is unmodified

We have audited the financial statements of Northumbria Healthcare NHS Foundation Trust ("the Trust") for the year ended 31 March 2020 which comprise the Group and Trust Statements of Comprehensive Income, Group and Trust Statements of Financial Position, Group and Trust Statements of Changes in Equity and Group and Trust Statements of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion:

— the financial statements give a true and fair view of the state of the Group and the Trust's affairs as at 31 March 2020 and of the Group and Trust's income and expenditure for the year then ended; and

— the Group and the Trust's financial statements have been properly prepared in accordance with the Accounts Direction issued under paragraphs 24 and 25 of Schedule 7 of the National Health Service Act 2006, the NHS Foundation Trust Annual Reporting Manual 2019/20 and the Department of Health and Social Care Group Accounting Manual 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group and Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: Group financial statements as a whole	£10m (2019:£9.2m) 1.75% (2019: 1.7%) of [benchmark]	
Coverage	100% (2019:100%) of group income	
Risks of material misstatement		**vs 2019**
New risks	Going Concern	▲
Recurring risks	Valuation of Land and Buildings	◄►
	Recoverability of reimbursement asset	▲

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

All of these key audit matters relate to the Group and the parent Trust.

	The risk	Our response
Going Concern	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Trust. That judgement is based on an evaluation of the inherent risks to the Group's and Trust's business model and how those risks might affect the Group's and Trust's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The Trust submitted its financial plans in line with NHS planning guidelines and these plans showed a surplus of £14.4m for the financial year to 31 March 2020. This was approved by the Governing Body and agreed with NHSI. The Covid-19 outbreak was declared a pandemic on 11 March 2020. In response the NHS has restructured its "normal" financial arrangements to ensure that sufficient funding reached all NHS Trusts during the emergency response. The revised funding arrangements are such that the Group and Trust would only be funded to break even position for the four months April to July 2020 despite the Trust incurring significant expense in relation to Covid-19 which has eroded the forecast surplus. After this time NHSI has indicated that Trusts will continue to be funded, but details are not confirmed. The revised funding arrangements mean that there is a risk that the Group and Trust could potentially breach covenants during the year from the date of approval of these financial statements. Management has subsequently made arrangements with funders to ensure that the risk of covenant breach is reduced to an acceptable level. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	Our procedures included: **Financial Plans and Cashflow** We reviewed the Group's revenue and cashflow forecasts to understand the impact of the new funding arrangements and how these impact the in year surplus and cashflow position. **Sensitivity analysis:** We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise and the expected cash flows from the revised funding arrangements; **Loan Covenant:** We reviewed the loan covenant by reference to the agreed funding requirements and challenged the Trust's assessment that the risk of a breach of the loan covenant had been reduced to an acceptable level. **Correspondence with Funding Bodies:** We reviewed correspondence with funding bodies and arrangements with funders which support the ongoing financial sustainability of the Group and Trust.

	The risk	Our response
Valuation of land and buildings (£179 million; 2018: £170 million)	**Subjective valuation:** Land and buildings are required to be maintained at up to date estimates of current value in existing use (EUV). For specialised assets where no market value is readily ascertainable, EUV is the depreciated replacement cost of a modern equivalent asset that has the same service potential as the existing property (DRC). There is significant judgement involved in determining the appropriate basis (EUV or DRC) for each asset according to the degree of specialisation, as well as over the assumptions made in arriving at the valuation. The DRC basis requires an assumption as to whether the replacement asset would be situated on the existing site or, if more appropriate, on an alternative site, with a potentially significant effect on the valuation. Further, replacement cost is decreased if VAT on replacement costs is recoverable. The Trust owns a fully operational facilities management company which maintains the existing Trust properties and which has and will undertake significant new capital developments on behalf of the Trust. In addition a proportion of the Trust estate is held under PFI arrangements under which VAT would be recoverable on the construction of any replacement asset. For all of these reasons assumptions are required as to whether it is appropriate to assume that VAT is recoverable and therefore whether such valuations should be recorded net of VAT. The valuation is undertaken by an external expert engaged by the Group. The Group's external valuers performed a full valuation, supported by inspection, as at November 2017 and indexed this to determine the valuation as at 31 March 2020. There is a risk that the valuation is not applied to the financial statement balances appropriately to recognise the valuation gains and impairment losses in line with the requirements of the Department of Health Group Accounting Manual 2019/20. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of land and buildings has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. There is a risk that uncertainties expressed by the Trust's valuer around the impact of the Covid-19 pandemic on market-based valuations of land and buildings have not been appropriately disclosed.	Our procedures included: — **Assessing the valuer's credentials:** We assessed the competence, capability, objectivity and independence of the Trust's external valuer and considered the terms of engagement of, and the instructions issued to, the valuer for consistency with the requirements of the NHS Group Accounting Manual; — **Methodology choice:** We assessed the appropriateness of the valuation bases and assumptions applied by the valuers within the full valuation at 31 March 2020; — **Historical comparisons:** We considered the Group's history of VAT recovery through its PFI arrangements and commercial subsidiary and critically assessed the consistency of this judgement with the evidence presented; — **Data comparisons:** We critically assessed, in light of our knowledge of the Group's assets and changes in market conditions, whether any significant movements in values since the last full valuation are appropriate; — **Accounting analysis:** We undertook work to understand the basis upon which any movements in the valuation of land and buildings had been classified and treated in the financial statements and determined whether they had complied with the requirements of the DHSC Group Accounting manual 2019/20. — **Assessing transparency:** We considered the adequacy of disclosures made around the uncertainty caused by the Covid-19 pandemic on market data used to underpin the valuer's assumptions, and management's consideration of these factors when arriving at the year-end valuation figures. — We assessed whether the disclosures made were in line with the requirements of the DHSC Group Accounting Manual 2019/20, supplemented by additional guidance issued by NHS Improvement in April 2020.

	The risk[1a]	Our response
Ongoing Claim over defects on the NSECH site. • **Recoverability of right of reimbursement assets (included in other receivables) £39m *(2019: £18m)*** • ***Impairment of the NSECH EUV valuation £48m (2019: £39m).***	**Subjective estimate:** Other receivables include a right of reimbursement asset of £39m in relation to rectifications and re-imbursements for the work required to address the defects on the Northumbria Specialist Emergency Care Hospital (NSECH) site. The Trust has submitted a legal claim against the build partner in respect of the defects and for recovery of the costs to remedy the defects. The legal claim is ongoing and no legal ruling has been made at this stage. The amount that has been recognised is assessed by the Trust as being the amount that is considered to be virtually certain to be recovered taking into account the latest information available. The effect of these matters is that, as part of our risk assessment, we determined that the recoverability of the right of reimbursement assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. Management have made an estimate of the Impairment of the Value of the Buildings for the defects identified to ensure that the carrying value of the Property reflects the current estimate to rectify the defects.	Our procedures included: — **Enquiry of legal advisers and property consultants:** We have inspected correspondence and attended meetings with the Group's legal advisers and property consultants to corroborate our understanding of the process the Trust has carried out to prepare defects schedule and the approach to costing the defects schedule. — **Assessing recoverability:** We have reviewed the Trust's assessment of the likelihood of re-imbursement of the various defects identified to understand the approach adopted to identifying those items that are regarded as virtually certain to be recovered. — **Tests of detail:** We have re-performed a reconciliation of the quantum of the defects identified to the level of the re-imbursement asset to understand the items which have not been recognised as re-imbursement assets and the rationale for exclusion from recognition. — **Assessing value of Impairment:** We have re-performed a reconciliation of the quantum of the defects identified as being impaired as against a valuation of Existing Use Value of a Modern Equivalent Valuation. This impairment will include all defects whether or not the recovery of the impairment has been recognised. — **Assessing transparency:** We considered the adequacy of the disclosures about the key judgements and degree of estimation involved in arriving at the estimate and the related sensitivities.

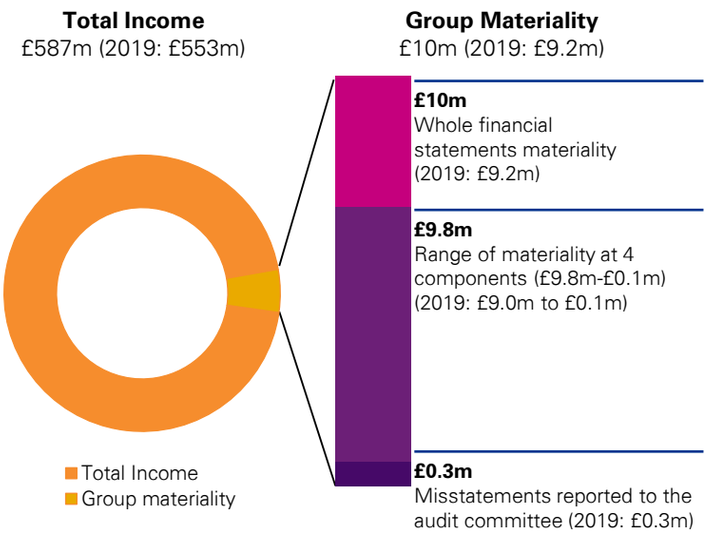
3. Our application of materiality and an overview of the scope of our audit

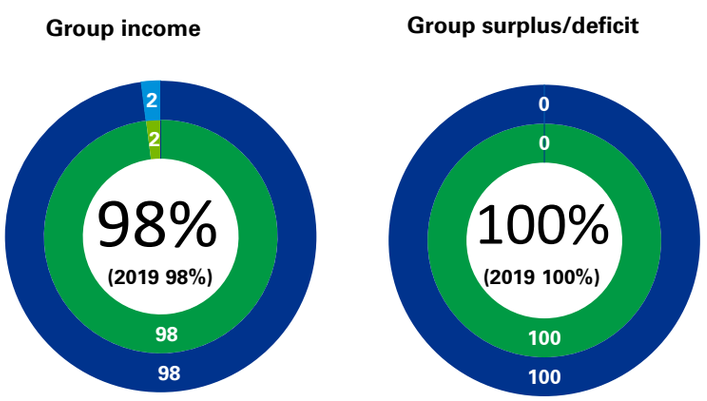
Materiality for the Group financial statements as a whole was set at £10 million (2019: £9.2 million), determined with reference to a benchmark of operating income (of which it represents approximately 1.75%) (2019: 1.7%). We consider operating income to be more stable than a surplus- or deficit-related benchmark.

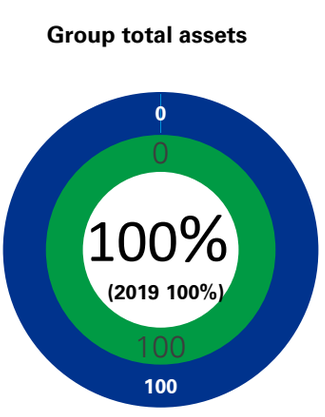
Materiality for the parent Trust's financial statements as a whole was set at £9.8 million (2019: £9 million), determined with reference to a benchmark of operating income (of which it represents approximately 1.75%) (2019:1.7%).

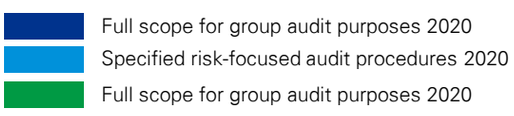
We agreed to report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £0.3million (2019:(£0.3 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 4 (2019: 4) reporting components, we subjected 1 (2019: 1) to full scope audits for group purposes and 3 (2019: 3) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed. We conducted reviews of financial information The components within the scope of our work accounted for the percentages illustrated opposite.









4. We have nothing to report on going concern

The Accounting Officer has prepared the financial statements on the going concern basis as they have not been informed by the relevant national body of the intention to dissolve the Group or the Trust without the transfer of its services to another public sector entity. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Accounting Officer's conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Trust will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if we have anything material to add or draw attention to in relation to the Accounting Officer's statement in page i to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Trust's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

In our opinion the other information included in the Annual Report for the financial year is consistent with the financial statements.

Remuneration report

In our opinion the part of the remuneration report to be audited has been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2019.2020.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- the Annual Governance Statement does not reflect the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual 2019/20, is misleading or is not consistent with our knowledge of the Group and other information of which we are aware from our audit of the financial statements.

We have nothing to report in these respects.

6. Respective responsibilities

Accounting Officer's responsibilities

As explained more fully in the statement set out on page i, the Accounting Officer is responsible for the preparation of financial statements that give a true and fair view. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent 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 Group and parent Trust without the transfer of their services to another public sector entity.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

We have nothing to report on the statutory reporting matters

We are required by Schedule 2 to the Code of Audit Practice issued by the Comptroller and Auditor General ('the Code of Audit Practice') to report to you if:

— any reports to the regulator have been made under Schedule 10(6) of the National Health Service Act 2006.

— any matters have been reported in the public interest under Schedule 10(3) of the National Health Service Act 2006 in the course of, or at the end of the audit.

We have nothing to report in these respects.

We have nothing to report in respect of our work on the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources

Under the Code of Audit Practice we are required to report to you if the Trust has not made proper arrangement for securing economy, efficiency and effectiveness in the use of resources..

We have nothing to report in this respect.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

The Trust is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources..

Under Section 62(1) and Schedule 10 paragraph 1(d), of the National Health Service Act 2006 we have a duty to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We planned our work in accordance with the Code of Audit Practice and related guidance. Based on our risk assessment, we undertook such work as we considered necessary.

Report on our review of the adequacy of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required by guidance issued by the C&AG under Paragraph 9 of Schedule 6 to the Local Audit and Accountability Act 2014 to report on how our work addressed any identified significant risks to our conclusion on the adequacy of the Trust's arrangements to secure economy, efficiency and effectiveness in the use of resources. The 'risk' in this case is the risk that we could come to an incorrect conclusion in respect of the Trust's arrangements, rather than the risk of the arrangements themselves being inadequate.

We carry out a risk assessment to determine the nature and extent of further work that may be required. Our risk assessment includes consideration of the significance of business and operational risks facing the Trust, insofar as they relate to 'proper arrangements'. This includes sector and organisation level risks and draws on relevant cost and performance information as appropriate, as well as the results of reviews by inspectorates, review agencies and other relevant bodies.

No significant risks were identified during our risk assessment.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Council of Governors of the Trust, as a body, in accordance with Schedule 10 of the National Health Service Act 2006 and the terms of our engagement by the Trust. Our audit work has been undertaken so that we might state to the Council of Governors of the Trust, as a body, those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the 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 Council of Governors of the Trust, as a body, for our audit work, for this report, or for the opinions we have formed.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the accounts of Northumbria Healthcare NHS Foundation Trust for the year ended 31 March 2020 in accordance with the requirements of Schedule 10 of the National Health Service Act 2006 and the Code of Audit Practice issued by the National Audit Office.

Clare Partridge for and on behalf of KPMG LLP

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS4 1DA
26 June 2020

KPMG