Annual Report and Accounts

2019/20

Sheffield Children's NHS
NHS Foundation Trust

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

Contents

Note: No Quality Report was produced as part of the 2019/20 annual report and accounts due to Covid-19.

Section One: Performance Report

Introduction

The purpose of this overview section of our Annual Report is to provide a short summary of the Trust, our purpose, history, the key risks to the achievement of our objectives and to outline our performance during the year.

This last financial year has been a year quite unlike any other.

2019/20 always promised to be a year of significant change and in the first three quarters, we were working hard towards our ambitious plans and to continue delivering improvements to care. Then the final quarter of the year arrived, bringing with it the rapid events of COVID-19 and the vast response to ensure our colleagues and patients were kept safe.

Nevertheless, we're proud that our focus throughout has remained providing quality, safe care with compassion and teamwork.

Providing high quality patient experience and outcomes

We were delighted to start the year with a 'Good' rating from the Care Quality Commission following a full inspection of our services. The inspectors saw improvements in quality in a number of areas around the Trust and provided an action plan for further improvements in other areas.

One of the areas we are already improving is our focus on learning disabilities. As well as appointing a clinical lead for this area, we have worked with parents of children with learning disabilities at a Clinical Summit to develop an understanding and drive for changes which will benefit these patients and families.

Following the opening of our new wards we have continued to invest in our services and improve the environments where children receive care.

The new Safeguarding Support Unit opened in December 2019 and service-delivery partners have already been impressed by the patient-centred design of the new space which includes an array of features to reduce anxiety in children and young people during a challenging time.

The new unit also means that space is available for our Emergency Department to expand as we seek to upgrade the space and environment for children and families accessing urgent care. This comes alongside our appeal in partnership with The Children's Hospital Charity to add a helipad to the hospital as well as an expanded and refurbished haematology and oncology inpatient ward.

Leading improvements in paediatric care

Behind the scenes, we have also continued to progress environmental improvements in Ophthalmology, Mortuary, and our medicine preparation area the Aseptic Unit, further ensuring the high level of care our patients deserve, all of which will open during 2020/21. We have also approved our 'Green Plan' as we continue to improve our environmental impact and reduce carbon emissions.

We were delighted that, in July, HRH The Duke of Sussex joined us to formally open our new wards, main entrance and Outpatient Department. This was an incredible day in the Trust's history, and it was a pleasure to show HRH Prince Harry around the wards, to see the facilities and meet our colleagues and patients – as well as showcase Sheffield Children's around the world through the international media the visit attracted.

Our Transformation Programme has continued to see a wide range of successes, with projects like Modernising Outpatients and Well Prepared Surgery really making an improvement to the services we provide to families, while our regular Patient Engagement Days are helping us to bring the views and ideas of children and their families into the way we develop and deliver these improvement

plans, making their voice stronger than ever before.

In just one strand of our Transformation Programme we were able to make a vast difference to our Outpatient appointments, helping thousands of additional children to receive specialist medical care. Supported by the eye-catching and award-winning Take My Place campaign (launched shortly before the start of 2019/20), through partnership with Service Improvement and clinical teams, in this year we were able to see the full effects including a big drop in our Was Not Brought (WNB) rate and savings of £670,000.

Building clinical and financial sustainability

With regards to our finances, it has undoubtedly been a difficult year. We set ourselves an ambitious target and worked hard across the organisation to deliver savings and changes to services. However despite a great deal of successful work, various factors including cost pressures, challenging cost improvement targets and lower than anticipated income meant that we missed our internal target by £7.2m.

However, the South Yorkshire and Bassetlaw Integrated Care System achieved its overall target which – due to our role in the ICS - resulted in our receipt of national Financial Recovery Funds. This enabled us to report a small surplus. This is great news, but we must not lose sight of our underlying financial challenges for the future.

During 2019/20 the Trust has taken external assurance and developed a proactive approach to respond to the financial challenges it faces. A Financial Recovery Plan has been developed which describes the actions required to be implemented and the support required from system partners, over the coming three years, to enable financial sustainability and improve patient care and experience.

Discovering new ways to improve children's health

We've continued our use of technology to improve patient experience when using our services. The Little Journey app, which parents can download ahead of an elective surgery, uses virtual reality and animated characters to explain the preoperative process to children and families, reducing anxiety and stress on the day. We're also working to provide a Patient Hub where outpatients can view and amend appointment details online at the touch of a button. Alongside our work with the NIHR Children's MedTech Co-Operative, harnessing the potential that technology offers us will continue to be vital in achieving even higher standards of care and patient experience.

Empowering our motivated and compassionate staff

As ever, facilities are nothing without the skilled and dedicated colleagues who are committed to excellence in all they do. This is exemplified by the Star Awards which received a record 816 nominations for colleagues who went the extra mile in the support of excellence. Within the Board, we welcomed two new Executives and two new Non-executive Directors (NEDs), and have developed a strong team, committed to making Sheffield Children's the best place to work and receive care.

There have been increasing ways in which staff have been able to engage with each other and Board initiatives. Our second Clinical Summit increased in scope and attendance, while we also launched our senior leadership forum, where we considered themes including workforce diversity and our long term strategy.

We've been embedding our Culture and Behaviours Strategy, helping colleagues to Keep Learning, Team Up, Feel Safe and Lead Collectively. We've created new equalities groups to support colleagues and make sure we are fully representing the needs of all our staff. In a movement led by staff we were also very proud to commit to the principles of the NHS Rainbow Badge scheme in the organisation to increase understanding and support for LGBT communities. We've also launched our new Mental Health First Aider scheme as part of a package of support for our colleagues.

We've continued to look outside the Trust too, seeking opportunities to develop care across the city, our region and beyond. We are active

members of the South Yorkshire and Bassetlaw Integrated Care System, with clinicians and other leaders from our Trust ensuring that services are strengthened across the area and fit for the future.

The arrival of COVID-19 was unexpected, but we have relied upon our preparedness for emergency resilience and response. Our clinical and emergency planning leads have done some great work, including running Exercise Theo, the largest known emergency exercise in the UK focused on children. While the COVID-19 response will run into the next financial year and beyond, we've ended this year with rapid and drastic changes to our work, including moves to make more appointments virtual, creating resources to help families manage conditions at home, communicating the vast changes to parents and visitors, supporting more remote working and helping our staff to accommodate new processes and procedures.

I hope that we will continue to play a valuable role in the response to this crisis alongside our partners in South Yorkshire and Bassetlaw and beyond.

I am proud of our staff and volunteers for all their incredible achievements this year, as we respond to COVID-19, but also in all they've done in the months before.

I am always amazed and inspired by their compassion and dedication to excellence, and in 2019/20 we couldn't have been more proud of our people. Through it all our focus has remained the same - providing a healthier future for children and young people.

Best wishes,

John Somers
Chief Executive

19 June 2020

Our history and statutory background

Sheffield Children's Hospital was first established in 1876. Since 1948 it has provided services under the NHS and, in 1992, it was established as an NHS trust.

On 1 August 2006, it became Sheffield Children's NHS Foundation Trust under the Health and Social Care (Community Health and Standards) Act 2003. Sheffield Children's NHS Foundation Trust is authorised to operate as a public benefit corporation under the National Health Service Act 2006.

The overall responsibility for running the Trust rests with the Board of Directors and the Council of Governors as the collective body through which directors explain and justify their actions.

Purpose and principal activities of the Trust

Sheffield Children's NHS Foundation Trust is the only dedicated children's Trust in the country that provides care for children and young people across community, mental health and acute specialist settings. The Trust offers a comprehensive approach to supporting children and families, with the aim to be at the forefront of best practice in delivering high quality and integrated care to children and young people.

Services are provided in a number of different locations. The majority of acute care is provided at the Sheffield Children's Hospital which is situated on Western Bank, a central location in the city. It is in close proximity to Sheffield's universities and to many of the facilities offered by Sheffield Teaching Hospitals. Sheffield Children's community and mental health services are provided from a number of locations.

The Ryegate Children's Centre is situated a mile away from Sheffield Children's Hospital, in the south west of the city and provides a focus for the delivery of services to children with disabilities, including those with complex neuro-disability.

Mental health and community services are provided from sites across the city of Sheffield, including Flockton House, Centenary House and the Becton Centre for Children and Young People.

Our services extend to care delivered directly in the home, with our Helena Nursing Team, providing 24 hour respite care, advice, specialist nursing, and palliative care to children with complex neurological disabilities within their own homes.

Sheffield Children's provides an exceptionally wide range of general and specialist services for children and young people across South Yorkshire and beyond, as summarised in the next column:

Our services

- Highly specialised healthcare, including neurosurgery, oncology, endocrinology, specialist orthopaedics, neonatal surgery, metabolic disease, gastroenterology, respiratory diseases, intensive care, cystic fibrosis and neurology. These services meet the needs of children and young people living across South Yorkshire, Lincolnshire, and the Humber and in some cases from across the country.
- A number of highly specialised pathology services, including new-born screening and genetics.
- National contracts for some specialised services, including Ehlers-Danlos Syndrome and Osteogenesis Imperfecta services.
- Embrace, our critical care transport service for children and infants, carries out transfers between hospitals across the Yorkshire and Humber region and beyond.
- Community based services for the Sheffield population, including community paediatrics, child development, support for adoption and fostering, medical safeguarding advisory services, services for children with neuro-disability, health visiting, school nursing and speech and language therapy.
- Providing a full range of child and adolescent mental health services including general mental healthcare and also specialist services, such as forensic services and services for vulnerable children. We also provide Tier 4 (day unit, highly specialised out-patient teams and in-patient units) services for the larger South Yorkshire/North Trent population.
- Secondary healthcare for the children and young people of Sheffield, including Emergency Department services.

Overview of the Trust's Strategy

Strategy refresh

During 2019/20, considerable time was devoted to discussing our changing context and a new strategy to ensure that we can respond to the demands of our local, regional and national environment. Meetings took place with the Trust Board, Executive Team, Management Board, Clinical Divisions, Research Division, Council of Governors and through open staff meetings. The new strategy will be launched later in 2020.

Our purpose is to provide a healthier future for children and young people.

During 2019/20, we continued the implementation of our strategy 'Caring Together' and delivery against the five Trust aims.

An annual set of objectives at Trust level were approved by Board for the year and monitored on a quarterly basis.

Given the changing context of the health and care system, work commenced during the year to outline the Trust strategy for the next five years. Wide engagement with Board, Governors and staff has been undertaken to date and this will now be extended to external engagement.

Our Mission Statement

Our aim is to provide care and treatment of the highest standard to the children and young people of Sheffield, South Yorkshire and beyond, working closely with children and their families, other partners, and our staff to improve the health, wellbeing and life chances of the younger population.

Our Purpose

Our purpose is to provide a healthier future for children and young people.

Our aims

- ***Provide*** *high quality patient experience and outcomes*
- ***Empower*** *motivated and compassionate staff*
- ***Lead*** *improvements in paediatric care*
- ***Build*** *clinical and financial sustainability*
- ***Discover*** *new ways of improving children's health through research, innovation and technology*

Strategic partnerships

Sheffield Children's is actively involved in a number of strategic collaborations, the work of which has gained pace during 2019/20. Our partnership work with regional providers in South Yorkshire & Bassetlaw continues to be regarded as being amongst the most advanced in the country.

Our strategy 'Caring Together' supports our approach to partnership working and as a leader in paediatric services it is something the Trust sees as essential and is well placed to deliver as an integrated provider of physical and mental health services.

Sheffield Accountable Care Partnership (ACP) and Place-based plan

Place based systems of care have developed well within Sheffield. The Trust took part in the development of the Shaping Sheffield Plan which considered how organisations across health, social care and the voluntary sector work together across a geographical area and share resources to meet the health needs of their local population.

Children are a priority within the Shaping Sheffield plan and the Trust Chief Executive chairs the city wide Children's Health and Wellbeing Transformation Board. The ACP workstream is in place which has a clear purpose as follows:

> *We want all children in the City to have the best life chances and families to be empowered to provide healthy, stable and nurturing environments. We want to connect people to the right levels of support at the right time through universal and targeted prevention, early identification and early support.*

We want:

- Every child to achieve a level of development in their early years for the best start in life.
- Every child included in their education and accessing their local school.
- Every young person equipped to be successful in the next stage of their life.

Progress on priorities during 2019/20 year include:

- *Refreshing the Children and Young People's Health and Wellbeing Plan* – The Trust have been working closely with partners across the City, including the ACP, on the development of a plan for the delivery of health and wellbeing services for children and young people over the next 3-5 years. The plan will focus on developing locality-based integrated health and social care services for children and families. This will be a new way of working and will be built around existing local services including voluntary organisations, community groups, GP practices, etc., and will be tailored to the needs of individual communities. It will focus on three key areas for children and young people – physical needs, development needs and social and emotional needs. The latter will explore the learning from the Healthy Minds project, primary mental health workers and mental health support teams. It will link into the ACPs Shaping Sheffield plan and also the City Council's Sheffield Health and Wellbeing Strategy.

- *Reduction of waiting times in neuro-disability services* – The Trust community paediatrics and community and mental health services teams are working together to implement a single point of access for attention deficit hyperactivity disorder (ADHD) and autism spectrum disorder (ASD) referrals. A new referral form is also being developed which will ensure sufficient information is provided at the point of referral so that the joint triage process can make quicker decisions on the most appropriate pathway.

- Consideration is also being given to providing ADHD/ASD educational sessions for referrers to ensure the right information is provided at the point of referral, and a range of alternative services to families such as group and information sharing sessions, all of which will have a positive impact on waiting times.

- *Work also continues in many other areas including consideration of Adverse Childhood Experience and Child and Adolescent Mental Health Services (CAMHS).* The Trust shared information about increases in demand for CAMHS with the accountable care partnership and sought stakeholder engagement in considering how early intervention can support children and young people. Collaborations have also resulted in the development of an all age pathway for eating disorders.

- Sheffield University has been working closely with our Trust and partners in Sheffield on research to consider how we can design better systems to improve child health and reduce inequalities at a local level. This has culminated in the development of a system map to support future planning on child health inequalities. The map aims to help providers to understand the child health system at a local level in order to identify opportunities for effective interventions to reduce child health inequalities. Our aim is to use this in the delivery of the new locality based integrated health and social care services.

South Yorkshire and Bassetlaw Integrated Care System/ Sustainability and Transformation Plan

The South Yorkshire and Bassetlaw Integrated Care System (ICS) is a partnership of 23 organisations responsible for looking after the health and care of the 1.5 million people living in Barnsley, Bassetlaw, Doncaster, Rotherham and Sheffield. It is made up of NHS organisations (including Sheffield Children's), local authorities and key voluntary sector and independent partners in our region.

An Integrated Care System is another way of describing the shared ambition we have locally to ensure health and care services are the best they can possibly be. By working together we will be able to better join up GPs and hospitals, physical and mental healthcare, social care and the NHS and give our patients the seamless care they have told us they want.

Through partnership working, we believe we can make real and long lasting improvements to the health of local people. As individuals and organisations working alone, we would never be able to achieve the same results.

Our goal is simple. We want everyone in South Yorkshire and Bassetlaw to have a great start in life, with the support they need to stay healthy and live longer. For more information visit: https://www.healthandcaretogethersyb.co.uk/. As a first wave ICS, in South Yorkshire and Bassetlaw progress is being made faster than in other health systems in transforming the way care is delivered to the benefit of the local population.

2019/20 has been a transition year for the ICS, with the partnership taking on more responsibilities for the health system, including increasing collective accountability for health performance and finance, and governance continues to evolve in line with these developments. The ICS is not a legal entity and each partner within the ICS is accountable to the public through its own Board or Governing Body. Whilst the ICS does not replace any legal, or statutory, responsibilities of any of the partner organisations, a number of groups discuss regional issues and agree how best to take things forward in collaboration.

Three years ago the ICS set out a number of areas which it was agreed would be the collective focus as a system. The areas of ongoing focus were: Healthy Lives, living well and prevention; Primary and community care; Mental health and learning disabilities; Urgent and emergency care; Elective and diagnostic services; Children's and maternity services; Cancer.

In 2019/20 work has continued on these priority areas, whist work has been underway to develop the new System 5 Year Plan, which is based on the NHS Long Term Plan. The new South Yorkshire and Bassetlaw Five Year Plan can be found on the ICS website.

At the spring and autumn budgets in 2017 the government announced an additional national allocation of £3.9b to speed up estates transformation, £20m of which we are already starting to benefit from in SYB. In July 2019 a further £57.5mllion investment was announced for new GP surgeries, nurse-led clinics and pharmacies. Additional investment in 2019/20 included £7m for information management and technology and £19m for equipment.

Further funding boosts for South Yorkshire and Bassetlaw included £2.5m funding pledged to South Yorkshire and Bassetlaw ICS to improve mental health services in Sheffield. The funding enables support to be offered closer to people's homes and deliver better joined-up mental health support services. The ICS, with partners NHS Sheffield Clinical Commissioning Group (CCG), Sheffield Health and Social Care Trust, Primary Care Sheffield, Sheffield MIND and Sheffield City Council, put in a bid for the funding to put mental health services into Sheffield neighbourhoods, closer to where people live and more aligned to their GP practices. If successful in the pilot areas, this approach is set to be rolled out wider.

The ICS commissioned independent review of hospital services concluded in 2018. In September 2019 the final report on the back of this work was published. The review looked at how hospital services are provided and what needs to happen to future proof them, taking into account local and national issues such as rising demand, workforce and resource challenges and consistently delivering quality standards. In signing up to the final report partners agreed that to continue providing high quality services, hospitals in Barnsley, Bassetlaw, Chesterfield, Doncaster, Rotherham and Sheffield must work together even more closely in a variety of different ways.

This included ways for the hospitals to work together better with the development of hosted networks. It also included transforming the way we use our workforce, to make the best use of the staff we have at the moment, and to ensure that people receive care as close to their own homes as possible. Work is now well underway establishing the level 1 Hosted Networks in five specialties (urgent and emergency care, maternity, paediatrics, stroke and gastroenterology). These put a stronger governance framework and support around collaboration to develop workforce planning, clinical standardisation, and innovation across the trusts, while retaining equal status of all partners.

In 2019/20 work has begun with the mental health and acute trusts to implement a new programme called QUIT. QUIT is the systematic implementation at scale of the treatment of tobacco dependency in secondary care and the provision of ongoing support for people to quit smoking. In QUIT smoking is recognised as a medical condition that can be treated, rather than a lifestyle choice. QUIT will be launched in all SYB Trusts over the course of 2020.

Developing the workforce, including the workforce of the future, continues to be a priority for the ICS and a new 'Jobs for Everyone' pilot was launched in early 2020 with six primary schools in Sheffield, Rotherham and Barnsley. The project offers a teaching package focusing on the breadth and diverse range of jobs in health and social care. The aim is to roll the project out to more schools in autumn 2020.

Research and development

We are proud that research remains part of the core business for the Trust and remains one of our organisation's strategic priorities. It also gives our patients who participate in research access to a wide range of new medications, innovations and therapies that can enhance the quality and scope of the specialist paediatric care that we offer.

At the end of March 2020, the number of patients and healthy volunteers that had consented to participate in our Trust's clinical research in 2019/20 was 992 with 302 research projects active over the year. With the onset of the COVID-19 pandemic in the last quarter of the year, recruitment to research during this period was exceptionally challenging and the portfolio of actively recruiting studies at our Trust was limited to only those studies considered essential for patient benefit and patient safety and those COVID-19 studies badged as Urgent Public Health studies. Our reduction in activity during this period reflects the guidance that was issued by the National Institute for Health Research (NIHR) calling for all non-essential research to temporarily halt.

Final figures for recruitment to our research in 2019/20 are still being collated but we fully expect this to show a significant reduction on

recruitment in 2019/20 compared with 2018/19. Despite these challenges, at the start of the new financial year we were delivering five NIHR Urgent Public Health studies established to identify and treat patients with Covid19, ensuring that the children and young people that we look after received the appropriate treatments during this unprecedented period.

We continue to work with commercial companies to expand our commercial portfolio of studies. Currently we have 47 active commercial studies (interventional and observational) open with a further 12 in the pipeline. The growth in our commercial research activity is due in part to the Trust's reputation for successfully delivering commercial studies to time and target.

During the financial year, PRA Health Sciences (a global Contract Research Organisation supporting commercially sponsored clinical trials) invited us to become a member of their Paediatric Site Network. As a member of a select group of specialist paediatric hospitals, we expect to see our collaborations with the pharmaceutical sector grow and in turn see our portfolio of commercial research develop further. This will allow us more opportunities to open more trials and offer more of our patients access to the latest developments in drug therapies. In November 2019 our Trust also became a member of the Cystic Fibrosis (CF) Clinical Trials Accelerator Platform Affiliate Centre scheme. As a member of the scheme Sheffield Children's will be able to offer our CF patients more opportunities to participate in new trials.

Our Trust continues to be a leader in the development of medical technologies for children and young people. The respiratory team are developing Asthma+Me, a digital platform and inhaler adherence tracker to help children with asthma to self-manage at home, aiming to support discharge to primary care and reduce routine out-patient follow-up appointments. The team has been awarded funding totalling over £800,000 from the NHS England SBRI (Small Business Research Initiative) and Innovate UK to develop and evaluate the product. Eighty-five patients from the Trust's asthma clinics have been recruited to a trial so far. Positive outcomes for patients have already been reported as a result of using the app, such as avoiding an emergency hospital attendance and avoiding an asthma attack due to being warned by the app about rising pollution levels. The project won the Best Patient - Focused Technological Development in the 2019 CARE Awards.

In June 2018, Sheffield Children's Sleep Team led by Professor Heather Elphick presented the "Wake up to Sleep" event in partnership with Sheffield City Council and the Children's Sleep Charity. The event show-cased the results of a combined research project to evaluate the outcomes of a sleep practitioner intervention in the community.

As a result of the project, vulnerable children with ADHD or in Looked After and Adoption services sleeping only three to four hours a night at baseline improved their sleep by an average of 2.4 hours a night. There were also significant impacts on the wellbeing of parents and children's daytime behaviour. The partnership was shortlisted for a National Health Service Journal (HSJ) award and won the 2018 Children and Young People Now award.

In 2019, the project has gone on to continue to provide valuable sleep support for children in Sheffield and the region. Results have been published in Nursing Children and Young People and the British Medical Journal; the team has won £250,000 of National Lottery money to support sleep services in the South Yorkshire and South Humber region and won the 2019 GSK Impact award. Partnership work with Sheffield City Council is ongoing with sleep champions being appointed in community parenting teams and all 0-19 Community Service staff are trained in sleep awareness.

It was another successful year for our NIHR Children and Young People MedTech Co-operative (NIHR CYP MedTech) which brings together seven NHS trusts across the country to drive child health technology development in seven key areas of child health.

In 2018/2019, NIHR CYP MedTech delivered eight workshops to identify areas of unmet clinical needs across the seven themes. These workshops were attended by 350 individuals from across the UK and included healthcare professionals, academics, small-and-medium sized enterprises (SMEs), global businesses, young people, and parents. Following on from these workshops, NIHR CYP MedTech are currently managing and collaborating on 32 multi-disciplinary projects involving multiple clinical experts. These projects are across the innovation pipeline and involve small-and-medium sized enterprises through to large multinational groups.

Children and young people are central to our co-design ethos; we have engaged with over 30 groups of children and families in 2019 alone. CYP MedTech was due to host the UK's first child health technology conference, Child Health Technology 2020 (CHT2020) in May 2020. This is now postponed in light of COVID-19 and has been rescheduled for March 2021 (CHT2021). The conference will bring together clinicians, academics, industry partners, designers, engineers, and patient representatives to engage with the latest research and developments in technology for paediatrics and child health.

TITCH (The Technology Innovation Transforming Child Health) is a joint partnership between NIHR Children and Young People MedTech Co-operative (hosted by Sheffield Children's NHS Foundation Trust) and NIHR Devices for Dignity MedTech Co-operative (hosted by Sheffield Teaching Hospitals NHS Foundation Trust). The TITCH network was created in 2014 to bring together healthcare, academia, and industry from diverse backgrounds to work collaboratively to support the development and evaluation of child health technology. During the past year, TITCH has received 26 novel innovation ideas and requests for collaboration have been received from industrial and clinical experts. The creation of a dedicated TITCH Industry Ambassador supports new collaborations between clinicians and small-and-medium sized enterprises seeking to develop new innovations for children and families.

The success of TITCH has also helped reinforce Sheffield as the go to city for child health technology, demonstrated by the support received for the proposal to build a Centre for Child Health Technology (CCHT). CCHT will form part of the Innovation Cluster at the Sheffield Olympic Legacy Park and will be the most advanced and largest child health technology centre in the world.

Key issues, opportunities and risks that could affect the foundation trust in delivering its objectives and/or its future success and sustainability

Financial stability and cash

A challenging financial year saw the Trust achieve a small surplus (£0.05m) however this was less than its original plan and included £7.5m of national Financial Recovery Funding.

Financial planning has identified a significant underlying financial deficit and therefore the Trust has developed an ambitious financial recovery plan with support from PWC.

As part of its financial recovery, the Trust has refreshed its Transformation programme which identifies our approach to improving patient experience and outcomes alongside improved efficiency and financial benefits, which includes working with our partner organisations across the region.

The Trust is cognisant of a new financial cash and capital regime for the NHS in 2020/21.

Maintaining quality of care

Maintaining quality of care in the face of many operational challenges will require focus on balancing risks.

During 2019/20, the Trust maintained its CQC 'Good' rating following inspection of our services in early 2019. A comprehensive action plan was developed, led by the Director of Nursing and Quality, that is regularly monitored by Executive Team and through divisional performance reviews with routine reports against progress presented to the Quality Committee.

A quality impact assessment process is in place overseen by our Director of Nursing and Quality and Medical Director and aligned to our transformation programme. This is to ensure that plans do not carry any material risk to patient safety or quality of care.

During the next year, the Trust will be taking forward the recommendations arising from the CQC's recent core service and Well Led inspections.

Leadership capacity and capability

We require suitably skilled, experienced and knowledgeable leaders across our organisation in order to drive forwards the NHS Long Term Plan, become a key player in the South Yorkshire and Bassetlaw Integrated Care System and deliver real transformation for the Trust.

In the past year, the Trust has invested in this area, both in terms of additional resources, and in terms of putting in place the right structures, policies and processes, for example revised executive governance arrangements, the Shadow Board programme, the 'Coaching for COVID-19 programme' and the appointment of new executive and deputy directors.

Over the coming year, the Trust will continue to strengthen its performance improvement and accountability framework for divisions and corporate staff and continue its work around senior management and wider organisational leadership development.

Clinical workforce shortages

A key challenge for the Trust is recruiting sufficient numbers of appropriately qualified clinical staff, particularly Consultants and Junior Doctors, to be able to treat our growing number of patients.

The Trust, along with local, regional and national partners, implemented a workforce strategy during 2018/19 to help address recognised shortages in some areas of the workforce and develop innovative solutions to appropriately fill these gaps.

Other measures to make Sheffield Children's an attractive place to work include the introduction of People, Culture and Behaviours and Leadership Strategies, improved appraisal, mandatory training and staff survey rates and a renewed focus on staff engagement. This has paid dividends with our highest rate of returns for the staff survey and highest number of Star awards nominations.

In relation to our nursing workforce, we continue to safely mitigate nurse vacancy levels through a proactive review of staffing to ensure that each ward area is staffed according to real-time need.

The Trust is also one of 14 trusts taking part in the NHS Improvement sponsored *Pathway to Excellence Programme*® aimed at creating the conditions in which excellence in patient care can be delivered. As part of this work the Trust will be spear-heading new shared decision-making councils alongside a new accreditation system known as Daisy Awards®.

Working with partner organisations

Our external strategic landscape continues to be driven by government policy, focused on the importance of managing systems rather than organisations; recognising the need to integrate services around the needs of the patients and the importance of out-of-hospital care.

Sheffield Children's is fully engaged in regional partnership work and we have reviewed our own strategy to ensure that we can position ourselves to take a lead role in the priorities we identify across the system.

During the recent global pandemic, the Trust supported other acute hospitals throughout South Yorkshire and beyond by temporarily taking on responsibility for children's surgery.

We will need to keep under review the financial risks and opportunities that arise from new collaborative working arrangements; in particular the implementation of shared governance and financial structures.

COVID-19

COVID-19 had a significant impact on the NHS in respect of its people, patients, operations, performance and finances.

The Trust has needed to adapt its services and work closely with its partner organisations. Inevitably waiting lists for planned surgery, procedures and appointments have grown significantly in recent weeks and will become an important part of our recovery plans.

As we move forwards, particular risks affecting the Trust relate to the impact on operational performance arising from the outbreak and the health and well-being of our people.

There is also likely to be a significant impact in relation to the refocusing on business as usual, the Trust's ability to achieve its desired aims while the risk of infection remains ongoing and the availability of capital funding from partners such as the Charity to ensure the achievement of projects such as the Helipad and refurbished Accident and Emergency Department.

At the time of writing, the Trust had made a significant contribution to the local health system's approach to dealing with the outbreak including through provision of mutual aid on paediatric emergency surgery and redeploying staff to the NHS Nightingale Hospital in Harrogate, North Yorkshire.

The Trust is also considering its response to the recovery and restoration phase of the outbreak working alongside system partners, local communities and regulators which will help to address how it deals with risks moving forwards.

Going concern

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. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Performance analysis

The Trust uses a comprehensive performance reporting framework to monitor and maintain focus on a wide range of indicators relating to quality, safe staffing, workforce and operational and financial performance.

Comprising a suite of monthly reports presented to the Board, its committees, and executive director-level groups, information is triangulated to ensure controls are put in place to manage risks to the delivery of high quality care for patients.

Within these reports exceptions in performance against targets are highlighted, and action for improvement identified with supporting narrative.

Routine Board and Executive-review of delivery of agreed plans, together with the application of quality impact assessment tools, supports focus on the tension between quality, safety, financial efficiency and risks to ensure that patient care remains uncompromised.

Our performance framework has been embedded during 2019/20 through the embedding of an Integrated Performance Report. This reflects our Caring Together Strategy aims and is produced at Trust wide and clinical division level.

Operational performance report

Patient activity

Demand for the Trust's services continues to include referrals from across the country, which highlights the Trust's role as an expert provider of healthcare for children.

The NHS care provided by Sheffield Children's NHS Foundation Trust across all settings in 2019/20 totalled almost 25,000 admissions and more than 58,000 emergency department attendances. The number of Outpatient attendances increased by one per cent from the previous year, with more than 212,000 attendances.

Fig: Trust activity by activity type

Activity type	2016/17	2017/18	2018/19	2019/20	% change in last year
Total Elective Spells	18,857	18,196	18,622	18,463	-1%
Total Non-Elective Spells	6,586	6,800	6,068	6,109	1%
Total Outpatient Attendances	181,851	186,761	209,959	212,043	1%
Emergency Department Attendances	56,837	56,959	58,916	58,721	0%
Mental Health Community Contacts	20,589	20,094	21,366	20,761	-3%
Mental Health Inpatients	9,424	7,518	8,319	7,676	-8%
Community Contacts	-	-	150,274	154,251	3%

Performance against operational targets

Sheffield Children's NHS Foundation Trust maintained strong operational performance in a number of measures during 2019/20 whilst reducing in others, most notably the Referral to Treatment standard.

Six of the seven key operational performance indicators monitored by our regulator NHS Improvement (NHSI) were met consistently throughout the year.

This included performance on waiting times in our Emergency Department, which remained very strong with the Trust achieving 97.12 per cent of our patients admitted, transferred or discharged within four hours of their arrival in the department, against a national target of 95 per cent. This made us one of the best performing A&Es in the country.

All cancer waiting targets applicable to the Trust have been met, with three of the four standards achieving 100 per cent.

During 2019/20 there were zero Trust attributable cases for *C.difficile* infection that were deemed as avoidable by the Clinical Commissioning Group. This is against a threshold of 12 for the year.

Against a target of 92 per cent, the Trust failed to meet the key target for patients waiting less than 18 weeks on an incomplete pathway at 88.48 per cent. There are a mulitutude of reasons for this, including though not exhaustively; an increasing number of referrals, a reduction in the number of extra sessions completed as a result of changes in the tax rules and unforeseen absences of key individuals in a number of specialties.

The table below summarises the Trust's performance in 2019/20 against key operational performance indicators used by NHS Improvement.

Fig: 2019/20 Operational performance

Performance Indicator	Target or Threshold	2018/19 Trust Performance	2019/20 Trust Performance
Maximum time of 18 weeks from point of referral to treatment for patients on an incomplete pathway	92%	92.88%	88.48%
A&E: maximum waiting time of four hours from arrival to admission, transfer or discharge	>95%	97.49%	97.12%
Cancer: two-week maximum wait from referral to first seen - all urgent referrals (cancer suspected)	93%	100%	99.53%
All cancers: 31-day wait from diagnosis to first treatment	96%	100%	100%
All cancers: 31-day wait for second or subsequent treatment (surgery)	94%	100%	100%
All cancers: 31-day wait for second or subsequent treatment (anti-cancer drug treatments)	98%	100%	100%
C.difficile infection	12	0	0

Financial performance analysis

The Trust commenced 2019/20 with a challenging financial plan based on growing patient care activity by £3.4m (2.1%) and delivery of £7.9m (3.9%) of efficiency savings. This assumed £5.5m of internally generated schemes and £2.4m of wider Integrated Care System (ICS) and national schemes of support.

The Trust was unable to deliver the financial plan in full. Whilst, for the first half of the year the Trust delivered its financial position, the plan for the second half of the year could not be achieved, primarily due to difficulties in delivering the level of activity growth, cost pressures and system wide efficiency schemes and national support not materialising as planned.

The Trusts annual accounts report a deficit of £17.7m. This position incorporates the impact of £17.6m impairment. The position is also supported with the contribution of £0.5m of charitable funding and £2.1m of Provider Sustainability Funding (PSF) and Marginal Rate Emergency Tariff Funding. In addition the Trust received £7.5m of national Financial Recovery Funding as incentive due to the wider system delivering its financial plan for the year.

Whilst this is good news for the Trust, it clearly highlights the on-going and underlying financial challenges the Trust faces.

The value of the Trust's building assets was revalued in 2019/20, this resulted in a devaluation of net book value and posting a significant impairment loss of £17.6m within the annual accounts.

In addition, the Trust spent £6.3m on capital projects and assets during 2019/20.

Financial Outlook

The economic challenge associated with responding to increasing levels of care demand, whilst enhancing the quality of care alongside the requirement to achieve constitutional access and delivery standards, is not diminishing. The ongoing need for efficiency savings to deliver that ambition therefore remains. NHS providers and commissioners are increasingly working together to deliver new ways of working and transforming provision to release savings.

The NHS Long Term Plan published in January 2019, set out the transformation of services and outcomes the NHS will deliver by 2023/24. For 2020/21 the system draft operational plans demonstrated a continued aligned position across the system for delivery of the next elements of the five-year strategic plan.

Over recent years the Trust has had difficulty in delivering the pace of financial savings and consequentially developed a significant underlying deficit. During 2019/20 the Trust has taken external assurance and developed a proactive approach to respond to the financial challenges it faces. A Financial Recovery Plan has been developed with PWC which describes the actions required to be implemented and the support required from system partners, over the coming three years, to enable financial sustainability and improved patient care and experience.

Since the outbreak of the COVID-19 pandemic, guidance has been issued from NHS England setting out an amended financial framework for the NHS for the period between 1 April and 31 July. This in effect has led to a block payment approach for NHS providers to cover all reasonable costs with the aim to enable the NHS and partner organisations to respond to the pandemic. This position will continue to be reviewed to reflect operational changes and feedback from the service as the response develops.

The Trust is already a leading voice for children and young people within the system, and will be looking to strengthen and enhance that position further during 2020/21.

One area where this will be particularly evident is taking forward and leading on a hosted network arrangement for children's mental health services in the region, which will seek to standardise, strengthen and enhance care for children and young people across the region.

The Trust remains committed to working with all system partners, recognising that only through continued and transparent joint working will the NHS as a whole, and this Trust individually, be able to deliver on all of the service and financial challenges.

Key Financial Risks

Achievement of the national requirement to generate break-even position by the end of 2023/24, without the support of Provider Sustainability Funding or Financial Recovery Fund, is a significant challenge for the Trust going forward alongside managing the impact of an underlying deficit on the Trust's liquidity position.

Although the interim financial arrangements in place to support NHS organisations in their response to COVID-19 mitigates financial risk for the organisation during this period, there is uncertainty as to when and if the Trust would revert to an amended version of the draft financial plan during 2020/21. The impact of COVID-19 on the Trust's ability to deliver all business as usual clinical activity may continue for some time.

The 2020/21 draft plan requires the Trust to deliver £5m (2.4%) of savings. Whilst significant progress has been made with regard to development of transformation schemes, this still requires further development and implementation, as and when the national financial framework changes in relation to COVID-19 end.

The Trust's key financial concern for 2020/21 is ensuring delivery of year one of the Financial Recovery Plan (post COVID-19) and maintaining liquidity, albeit with the likely need for revenue cash support later in the financial year in line with the monthly deficit trajectory.

Enhanced monitoring and control of cash balances are in place.

Prioritisation of proposed capital expenditure has been undertaken. This ensures that resource is allocated to the most appropriate areas to support service delivery, but at the same time managing this within the Trust's internally funding envelope. This will remain under close scrutiny and management during the year.

Other key risks with a financial consequence that the Trust is seeking to manage over the coming financial year include the following:

- Delivery of agreed activity plans and sustaining performance against required national targets.
- Managing delivery within the constraints on physical and human resources and providing alternative delivery methods where required.
- Delivery of the Commissioner Quality, Innovation, Productivity and Prevention (QIPP) targets without causing additional financial pressure on the Trust.
- Delivery of any additional activity requirements deriving from the implementation of Integrated Care System plans.
- The risk of Fraud always remains and the Trust works diligently and is supported by our local counter fraud officer to mitigate the risk.

Environmental matters

Sheffield Children's NHS Foundation Trust acknowledges the potential impact that its activities may have on the environment and is committed to ensuring that effective environmental management and sustainable development become integral parts of our service provision.

Energy

Energy accounts for 24 per cent of the NHS England carbon footprint and the Trust acknowledges that this figure is representative of its own carbon footprint in this area.

The Trust's total energy consumption was 20.9 million Kilowatt hours.

Fig: energy consumption

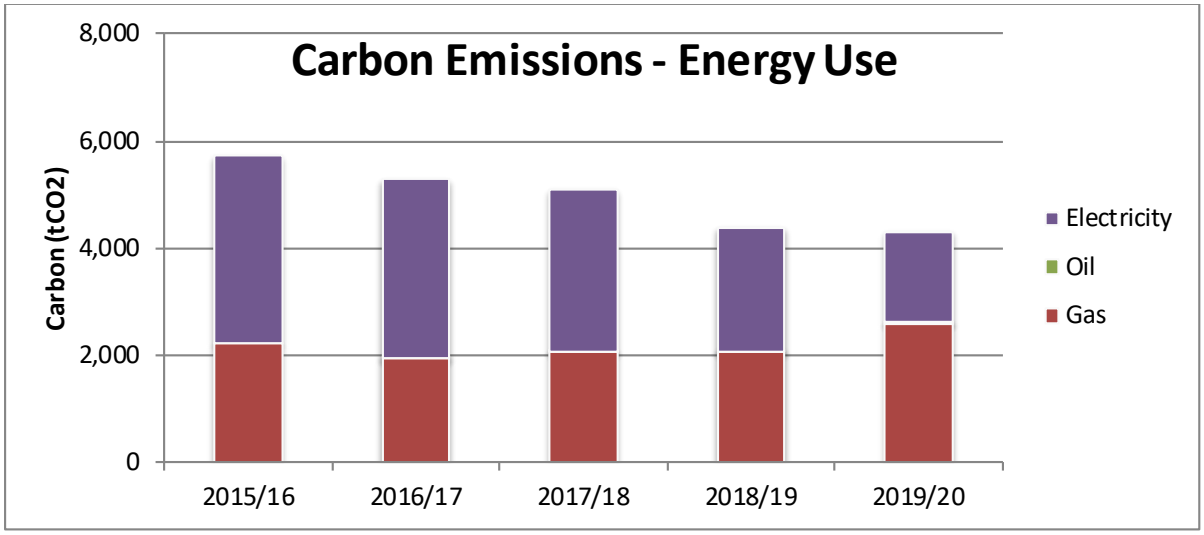
Resource		2015/16	2016/17	2017/18	2018/19	2019/20
Gas	Use (kWh)	12,195,746	10,608,351	11,289,427	11,317,405	14,174,587
	tCO_2	2,245	1,948	2,075	2,087	2,601
Oil	Use (kWh)	0	17,884	21,000	16,277	15,000
	tCO_2	0	6	7	4	4
Electricity	Use (kWh)	7,570,527	8,114,086	8,612,072	8,169,146	6,716,675
	tCO_2	3,471	3,323	3,004	2,295	1,703
Total Energy kWh		19,766,273	18,740,321	19,922,499	19,502,828	20,906,262
Total Energy tCO_2		5,716	5,276	5,085	4,377	4,308
Total Energy Spend £		1,200,062	1,068,950	1,405,192	1,471,218	1,555,847

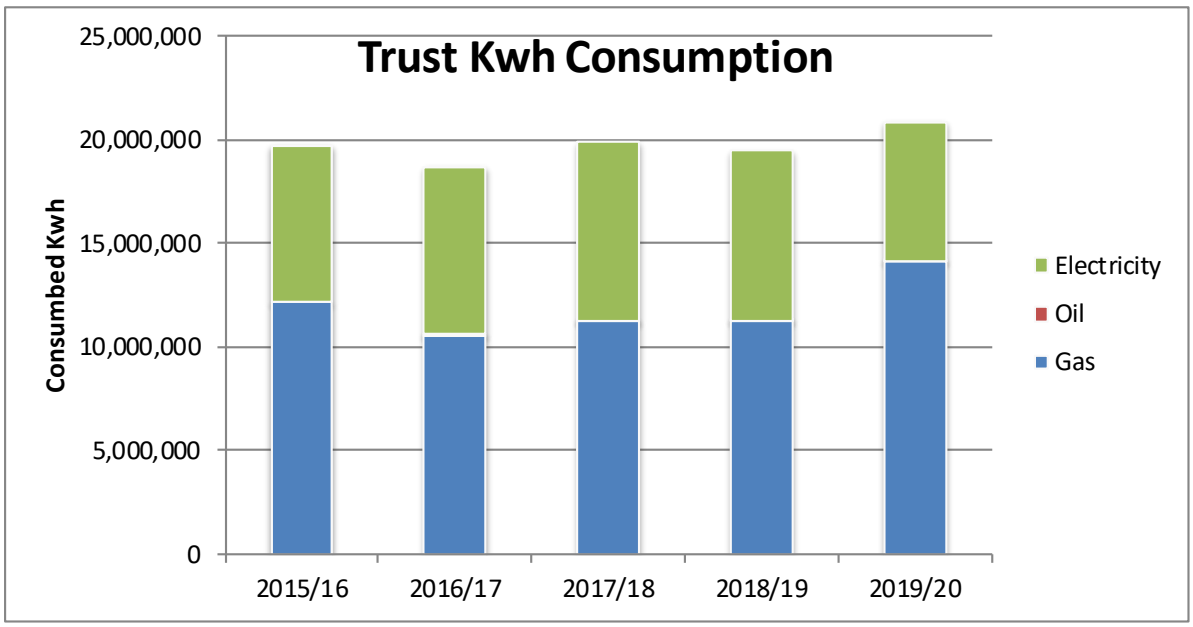
kWh – kilowatt hours, tCO_2 – tonnes of carbon dioxide. tCO_2 has been calculated using the government published emissions factors rather than the Carbon Reduction Commitment (CRC) emissions factor which was tCO2e (equivalent), Previous years have been recalculated on this basis as the CRC scheme has ended.
In previous years green electricity has been reported separately from fossil fuel derived electricity. Reporting of green electricity has changed since last year and only electricity from green energy tariffs can be reported separately. The Trust does not buy on a green tariff so electricity is reported as a single line this year.

The table and graphs show consumption of energy from external sources e.g. grid gas and electricity. On site generation is not included in these totals. It should be noted that the operation of the onsite CHP (Combined Heating and Power Plant) will cause gas consumption to increase, whilst grid electricity consumption falls. This will deliver a net saving to the Trust due to the relative cost of gas to electricity. As the CHP has only operated for part of the year the full effect is not yet visible in the yearly totals.

Whilst total energy consumption has increased slightly above the 20M kWh level it has been near for the last four years, there is a gradual decline in the tCO_2 emissions. The energy generation mix on the national grid is changing each year, as more renewables come on line and more coal plants are retired. The effect of this is to lower the emissions factor from year to year, this is reducing the emissions of the Trust on top of any on-site initiatives.

Fig: Carbon emissions





Sustainability

The UK Government has revised its emission targets last year and the 2050 target is now to achieve net zero on emissions. All public and private sector bodies are working to incrementally reduce carbon emissions between now and 2050.

The Trust's Estates Department completed its £3.9m energy saving scheme for the Trust in March 2020. This project included the upgrading of existing plant and equipment with new energy efficient technologies.

At our Becton site, good savings have been achieved from the LED lighting replacement, the 50kW of Solar PV, the new boilers and the Micro-CHP (combined heat and power). The system has been performing well over the last 12 months. On the acute hospital site, a new combined heat and power plant, was brought on line in October 2019. This was later than originally planned as there were some delays in completing some of the works. This has meant the Trust did not get the expected run hours on the CHP in this year that it had hoped. The consumption graphs only therefore show a part year of savings.

The combined heat and power approach will deliver significant energy savings over conventional gas boilers and grid supplied electricity for the next 15 years under the energy performance contract the Trust has entered into with Imtech Low Carbon Solutions Ltd through the Carbon and Energy Fund.

The Trust is pursuing other energy saving projects but on a smaller scale than the CEF project. This includes the optimisation of our building management system. Other schemes including a replacement of our electric chillers, additional solar PV and LED lighting are currently in design and procurement stages for action in 2020/21 financial year.

The Trust Board has an approved Sustainable Development Management Plan and during 2019/20 approved a refreshed 'Green Plan' focussing on the actions we will take to improve our impact on the environment and improve our sustainability. These actions are overseen by a new Green Committee, formed from a diverse group of employees and overseen by the Director of Finance as Executive Sponsor.

Progress towards Climate Change Act targets

Further work is required to establish baseline and current year emissions data for both procurement (how we buy goods and transport them to the Trust) and travel. Current data recording systems are not structured to allow straightforward measurement of emissions from procurement.

The lack of accurate data makes it difficult to establish whether the Trust met its 2015 target of an overall 10 per cent emissions reduction on 2007 levels. Future work will need to focus on obtaining reliable data in order to better monitor progress.

Waste

None of the Trusts waste goes to landfill. It is transferred to an Energy Recovery Facility (ERF) and burned to generate energy for use in Sheffield.

The Trust can report the following consumption and equivalent CO_2 emissions this year.

The four main waste streams are clinical, mixed municipal, cardboard and furniture.

Plans are in place to improve the management of waste through increasing the segregation of waste, reducing plastic use across the Trust and by developing new information available to all employees.

Mixed recycling will be introduced across the Trust following on from a successful trial.

A new clinical waste contract has been created to match the timescale of our local partners which will provide further opportunities in the future; the new contract is due to begin on the 18th May 2020.

Food waste is collected separately and used to make compost.

Food

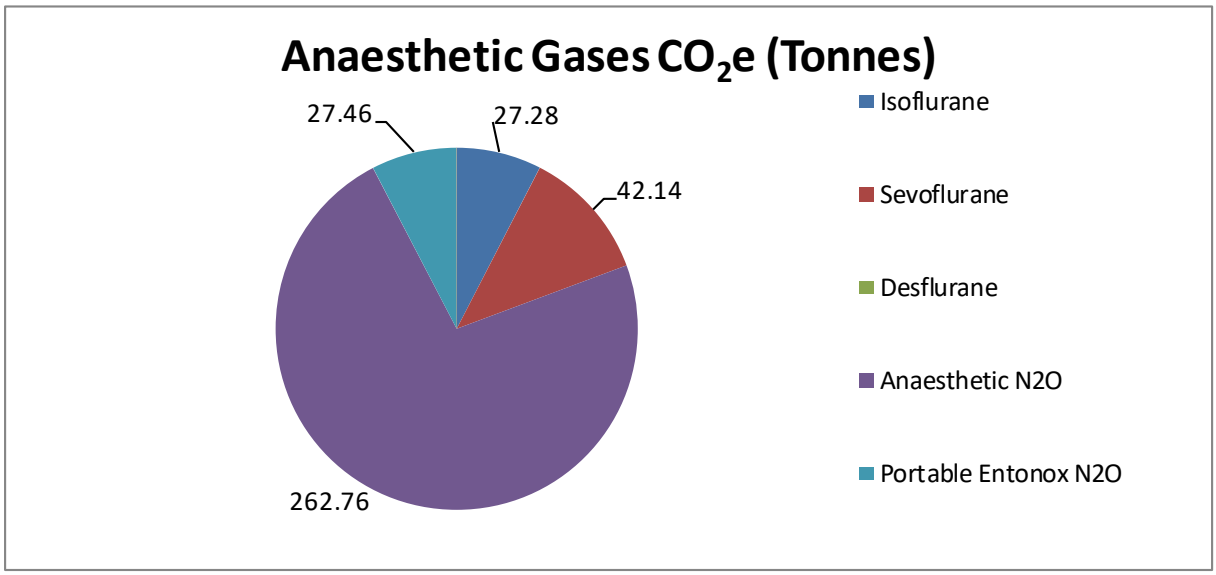
The Trust is fully compliant with NHS England's Sugar Sweetened beverages reduction scheme (SSB) and to comply with the Government Buying Standards for Food and Catering Services along with production of health food options, we hold the Soil Association's Food for Life Bronze award. We are externally audited on this award annually to provide assurance that the Trust uses sustainable and ethical food procurement.

Anaesthetic Gases

Anaesthetic gases are powerful greenhouse gases. The Trust is monitoring and seeking to reduce its use of these gases where this is appropriate and does not compromise patient care.

The relative carbon intensity (per kg of gas) varies between gases with Desflurane having the greatest effect on our atmosphere and Sevoflurane the least. The Trust has not used any Desflurane this year.

Volume of Anaesthetic Gases Used And CO_2 Equivalent Emissions			
	Litres	**CO_2e (Tonnes)**	**Percent of total CO_2e**
Isoflurane	35.75	27	8
Sevoflurane	213.25	42	12
Desflurane	0	0	0
Anaesthetic N_2O	455,400	263	73
Portable Entonox N_2O	95,200	27	8
Maternity Manifold Entonox N_2O	0	0	0
Total Nitrous Oxide	550,600	290	81
TOTAL		**360**	**100**



Travel

Within the Trust's Transformation Programme there is a theme covering sustainability and waste reduction. Incorporated within this is an Agile Working project group looking at reducing the need for travel and using technology to connect (e.g. Skype, teleconference, etc.) rather than face to face meetings.

The Trust has reported the following travel for staff who have booked via the approved travel agent. There will be additional staff travel not recorded here from the expenses system for self-booked travel and mileage.

Rail/Underground/Tram	£	67,783
Rail/Underground/Tram	miles	603,069
Air - Domestic	miles	202
Air - Short Haul International Flights	miles	14,856
Air - Long Haul International Flights	miles	34,928

Social, community, anti-bribery and human rights issues

We are committed to ensuring that services are accessible, appropriate and sensitive to the needs of the whole community, with a workforce representative at all levels of the population it serves.

The Trust is working hard to deliver services to its patients and colleagues, which reflect equality, diversity and inclusion in all areas and respect of human rights, in accordance with the requirements of the Equality Act 2010, the Equality Delivery System (EDS2), the Workforce Race Equality Scheme (WRES), the Workforce Disability Equality Scheme (WDES) and Gender Pay Reporting. Action plans to identify and address issues related to WRES, WDES and gender pay reporting are monitored by the Board.

We are committed to ensuring the advancement of equality of opportunity between different groups, whether they are people who work for us or the patients and communities we serve. As a public body we believe it is our duty to work towards eliminating discrimination and help foster positive relations between the different groups that make up society.

Our work within the Sheffield Accountable Care Partnership (ACP) is focused on partnership across the city to identify shared equality goals and reduce health inequalities.

The Trust does not tolerate any form of fraud, bribery or corruption by, or of, its people, associates or any person or body acting on its behalf. Eradicating fraud ensures that more funds are available for patient care and services.

Throughout 2019/20, the Board has remained committed to maintaining an honest and open atmosphere, ensuring that all concerns involving potential fraud have been identified and rigorously investigated. In any such cases appropriate civil, disciplinary and/or criminal sanctions have been applied, where guilt has been proven.

The Trust engages 360 Assurance as its Local Counter Fraud Specialist (LCFS) to support its work in this area. This has helped to create an anti-fraud culture, including a new Anti-Fraud Champion role held by the Deputy Director of Finance, which has enabled deterrence and prevention measures to be embedded in the organisation.

The Trust's Risk and Audit Committee agrees the annual work plan for the LCFS and receives routine reports on progress against its delivery. The Committee has agreed the Trust's policy for dealing with suspected fraud, bribery and corruption.

Slavery and Human Trafficking Statement

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business.

We expect that our supply chains have suitable anti-slavery and human trafficking policies and processes. Most of our purchases are against existing supply contracts or frameworks which have been negotiated under the NHS Standard Terms and Conditions of Contract which have the requirement for suppliers to have in place suitable anti-slavery and human trafficking policies and processes. We expect each element in the supply chain to adopt at least 'one-up' due diligence on the next link in the chain as it is not always possible for us (and every other participant in the chain) to have a direct relationship with all links in the supply chain.

Our standard invitation to tender (ITT) documentation includes a standard question asking whether suppliers are compliant with section 54 (Transparency in supply chains etc.) of the Modern Slavery Act 2015. If they are, they are required to provide evidence. If they are not, they are required to provide an explanation as to why not. In addition, our standard contract contains the following provisions:

The Supplier warrants and undertakes that it will:

(i) comply with all relevant Law and Guidance and shall use Good Industry Practice to ensure that there is no slavery or human trafficking in its supply chains; and

(ii) Notify the Authority immediately if it becomes aware of any actual or suspected incidents of slavery or human trafficking in its supply chains;

(iii) At all times conduct its business in a manner that is consistent with any anti-slavery Policy of the Authority and shall provide to the Authority any reports or other information that the Authority may request as evidence of the Supplier's compliance with this Clause 10.1.29 and/or as may be requested or otherwise required by the Authority in accordance with its anti-slavery policy.

We expect all those in our supply chain and contractors to comply with our values. The Trust will not support or deal with any business knowingly involved in slavery or human trafficking.

Senior colleagues within our Procurement Team are duly qualified as Fellows of the Chartered Institute of Procurement and Supply and have passed the Ethical Procurement and Supply Final Test.

This statement is made pursuant to section 54 (1) of the Modern Slavery Act 2015 and constitutes the Trust's slavery and human trafficking statement for the current financial year.

Important events since the end of the financial year affecting the Foundation Trust

The impact of COVID-19 was felt by trusts at the end of the 2019/20 financial year, with significant impact continuing into 2020/21. Finances, operational performance and workforce were all affected by the outbreak. This report highlights particular impacts on the Trust during the past year as well as trends and factors likely to impact in future.

Performance Report signed by the Chief Executive in his capacity as Accounting Officer

John Somers
Chief Executive

19 June 2020

Section Two: Accountability Report

Directors' report

The Board of Directors is led by the Chair and comprises five other non-executive directors and six executive directors, including the Chief Executive.

The Directors' report is presented in the name of the directors of the Board of Directors. The individuals occupying position on the Board during 2019/20, together with their attendance at Trust Board meetings is listed as:

Sarah Jones, Trust Chair

Sarah was appointed as Trust Chair in September 2016, after holding a non-executive director role on the Board from August 2008.

Sarah is a trustee of The Children's Hospital Charity. As Trust Chair, Sarah also chairs the Council of Governors, Charities Committee and the Board Nominations and Remuneration Committee.

Having served an initial three-year term, Sarah was reappointed as chair until 30 August 2022.

Outside the Trust, Sarah is Chair of Outreach Ltd, which supports the harder to reach in our communities with various campaigns. Previously Sarah was CEO and then Deputy Chair of Learndirect, the UK's largest provider of skills, training and employment services.

She is an MBA graduate and joined Learndirect with experience from BAE Systems.

Board Attendances in 2019/20: 11/11

Richard Chillery, Non-executive Director (from 1 June 2019)

Richard Chillery is a qualified clinical therapist with a background in child and adolescent mental health. He is currently Operational Director for Children's and Countywide Community Services at Harrogate and District NHS Foundation Trust where he is accountable for the UK's largest provider of the Healthy Child Programme. He is also a Technical Advisor for Public Health England.

Previously, Richard has worked therapeutically with children, young people and families/carers with high and complex needs within a number of local authority multi-disciplinary teams, voluntary sector and CAMHS in the UK and was also a CAMHS team co-ordinator and clinical lead in New Zealand.

Richard has been until recently a practicing clinician and held a number of senior clinical lead positions as well as operational roles. He holds an MA in Social Work and Non Directive Play Therapy, having lectured in both of these at Huddersfield University and York University. He is a graduate of a number of leadership programmes including the Nye Bevan with the NHS Leadership Academy.

Richard serves on the Quality Committee and Risk and Audit Committee as well as on panels convened under the Mental Health Act.

Board Attendances in 2019/20: 9/11

John Cowling, Non-executive Director (and Senior Independent Director)

John is a qualified chartered accountant. He was for many years a senior regional partner in the northern offices of Pricewaterhouse-Coopers and most recently, the partner in charge of the Sheffield office, until his retirement in June 2012.

John is currently the Chair of the Board of Music in the Round, a chamber music charity based in Sheffield, the Chair of The Sheffield Museums and Galleries Trust and a non-executive director of The Sheffield Theatres Trust.

John was appointed to the Board of Directors on 1 October 2014. He is the current Chair of the People and Performance Committee and a member of the Risk and Audit Committee and the Board Nominations and Remuneration Committee.

John's second term of office was approved by the Council of Governors in 2017 and will run to the end of September 2020.

Board Attendances in 2019/20: 11/11

Jon Eggleton, Non-executive Director (from 12 February 2020)

Jon is currently a board advisor to a number of business start-ups. Up until November 2017 he was the UK Managing Director of United Biscuits, having previously been Marketing Director.

Prior to that he held a number of senior marketing roles at Diageo, in both the UK and Singapore, and at HP Bulmer where he was a PLC board member.

Jon is married with two teenage children and is a University of Sheffield graduate. He serves on the People and Performance, Quality and Charities Committees at the Trust.

Board Attendances in 2019/20: 2/2

Scott Green, Non-executive Director

Scott is a serving senior police officer, a graduate of the University of Sheffield and the University of Leicester. He is a Trustee of Sheffield Futures and a Member of the Chorus Education Trust.

Scott was appointed as a Non-Executive Director in April 2018. He is a member of the People and Performance and Board Nominations and Remuneration Committees.

Scott is also the Trust's non-executive lead for emergency planning.

Board Attendances in 2019/20: 9/11

Peter Lauener, Non-executive Director and Deputy Chair

Until November 2017, Peter was Chief Executive of the Education and Skills Funding Agency, Interim Chief Executive of the Institute for Apprenticeships and a Board member of the Department for Education. He was then appointed as Interim Chief Executive of the Student Loans Company until October 2018, and became its chair in 2020.

Earlier in his career, Peter was Chief Executive of the Young People's Learning Agency and had several director roles in the Department for Children, Schools and Families and the Department for Education and Skills.

Peter is Chair of the Construction Industry Training Board and of the Newcastle College Group. He. is also a trustee of Educators International, an overseas development charity. He was made a Companion of the Order of the Bath (CB) in 2004.

Peter was appointed to the Board of Directors for a three-year term of office from 1 September 2016 and was reappointed for a further three years in 2019.

Peter is the Chair of Risk and Audit Committee, a member of the People and Performance Committee and the Board Nominations and Remuneration Committee. He is also the Trust's Deputy Chair.

Board Attendances in 2019/20: 11/11

Patricia Mitchell, Non-executive Director

Patricia left her legal practice as a commercial litigator and partner in private practice in 2005 after 25 years working in London and Bristol.

After completing a sponsored MBA, Patricia joined the charity sector as a result of her role as the carer for a family member with Alzheimer's.

Patricia worked for four years as the income generation manager for Alzheimer's Support before coming back to her roots in 2010 as Chief Executive Officer of Sheffield-based charity Neurocare, a role she undertook until June 2015. Both these roles involved her working closely with many different health providers in the public sector. She also served as a trustee for Age UK.

Patricia was appointed to the Board in 2014 and her second term of office was approved by the Council of Governors in 2017 and will run to the end of September 2020.

During 2018/19 Patricia chaired the Quality Committee and is a member of Board Nominations and Remuneration Committee and Charities Committee. She is also non-executive lead for Pathway to Excellence®.

Board Attendances in 2019/20: 11/11

John Somers, Chief Executive

John was appointed as Chief Executive of Sheffield Children's NHS Foundation Trust in September 2016.

He has more than 20 years of Board-level experience in both the public and private sector. He joined the Trust as Chief Finance Officer in 2014 following senior NHS roles in Rotherham, Lincolnshire and Wakefield.

John is joint chair of the Children's Health and Well-Being Board in Sheffield and is the regional lead for the Children's Health Services work-stream of the Integrated Care System in South Yorkshire and Bassetlaw.

John is also a Board member at Olympic Legacy Park Limited and an external assessor for the Care Quality Commission.

Board Attendances in 2019/20: 11/11

Ruth Brown, Deputy Chief Executive

Ruth joined Sheffield Children's as an executive director in 2017 and was appointed Deputy Chief Executive in December 2019.

Ruth is responsible for day to day leadership of the Trust alongside her executive portfolio for operations and strategy.

Ruth has worked in both provider and commissioning roles and brings over 30 years NHS experience. Her previous role was Operations Director at Sheffield Teaching Hospitals NHS Foundation Trust where she was accountable for A&E, Geriatrics, Stroke and Community Services.

Ruth led the integration of community and acute services at STH and is experienced in managing complex change and promoting improved patient experience and service transformation in and across organisations.

She works closely with colleagues on the Executive Team and in partner organisations to develop the Trust's role in the Integrated Care System across the region and Accountable Care Partnership across the city and Chaired the ACP Shadow Board this year.

Board Attendances in in 2019/20: 10/11

Nick Parker, Executive Director of People and Organisational Development (from 1 July 2019)

Nick joined Sheffield Children's on 1 July 2019 as Director of People and Organisational Development.

He had previously been the Director of People and OD (formerly known as Director of HR and Workforce) at Airedale NHS FT, having joined the Trust in May 2010.

Nick's career prior to joining the NHS was in the public sector where he worked in a number of Government Departments in senior HR roles having progressed from his early career as a Jobcentre advisor and manager.

Nick is a Chartered Member of CIPD and has been a CIPD member for over 20 years. He has a Masters of Education (MEd) in Training and Development. Nick is currently the Vice President of the Yorkshire and Humberside Branch of the HPMA (Health People Management Association), a registered charity that works in the health sector to support the development of the people management profession; and Vice Chair of the Yorkshire and Humberside HRD Network.

Board Attendances in 2019/20: 7/8

Jeff Perring, Executive Medical Director

Jeff is a consultant intensivist in the Paediatric Critical Care Unit, a post he has held since 2002. He was appointed into the role of Medical Director within the Trust in 2018. He is responsible for medical activity within the Trust

and in particular the training and development of medical staff.

Jeff is central to the Trust's lead role for paediatric training in the area and works closely with the Director of Nursing and Quality on quality and patient safety.

Board Attendances in 2019/20: 11/11

Professor Sally Shearer, Executive Director of Nursing and Quality

Sally is a registered children's nurse and has worked in the NHS for 39 years. She joined the Trust in October 2015, having previously managed children's acute and community services in London and Nottingham.

Sally has a MA from the University of Nottingham and has previously worked with the Nursing and Midwifery Council. She has a background in the education of the children and young people's workforce.

Sally is responsible for patient experience, children's safeguarding, infection control, clinical governance and regulatory compliance. Sally is also the professional lead for the nurses, health visitors and allied health professionals that work within our hospital, transport and community services.

In 2019/20, Sally received an honorary professorship from Sheffield Hallam University and a Nurses' Gold Award, both of which recognised her lifetime achievements in nursing. She is also a trustee of The Children's Hospital Charity, and is currently Chair of the Association of Children's Chief Nurses.

Board Attendances in 2019/20: 10/11

John Williams, Executive Director of Finance (from 1 July 2019)

John joined Sheffield Children's as the Executive Director of Finance in July 2019, bringing 15 years of NHS experience. John is responsible for the Finance team, Procurement services, Estates and leads our 'Green Committee' on environmental sustainability.

John previously worked at Chesterfield Royal Hospital NHS foundation Trust, most latterly as Managing Director of DSFS, the Trust's wholly owned subsidiary, and as Deputy Director of Finance where he led the Finance and Contracting teams. He has served periods as Acting Director of Finance and has also had senior roles at Derby Hospitals NHS Foundation Trust.

John is a graduate of the NHS National Graduate Training Scheme and an Associate of the Chartered Institute of Management Accountants.

Board Attendances in 2019/20: 8/8

Directors who served during the year, but who had left office before year end

Andy Baker, Non-executive Director (resigned 31 December 2019)

Andy was previously the CEO of Plusnet. He worked for the BT Group for more than ten years in a number of senior roles. He is an Advisory Board Member for Sheffield City Growth Board.

Andy was appointed to the Board of Directors for a three-year term of office in September 2016 and reappointed in 1 September 2019.

During 2018/19, he was a member of the People and Performance Committee (taking on its chairmanship from 1 April 2018) and a member of the Risk and Audit Committee and the Board Nominations and Remuneration Committee.

He left at the end of 2019 after taking up a new role with the RAC.

Board Attendances in 2019/20: 9/9

Mark Smith, Chief Finance Officer (resigned 30 June 2019)

Mark was appointed as Chief Finance Officer in December 2017; having previously been the Deputy Director of Finance at the Trust.

He managed the financial performance of the Trust and was also responsible for estates,

with overall responsibility for the New Build project.

After making a significant contribution to the Board, Mark stepped down as a director at the end of June 2019 in order to take up another role at the Trust.

Board Attendances in 2019/20: 3/3

Jane Clawson, Interim Director of Human Resources and Organisational Development (from 1 April to *30 June 2019)*

Jane has worked in the NHS in South and West Yorkshire for 19 years and joined Sheffield Children's in August 2014 from Sheffield Teaching Hospitals NHS Foundation Trust. She is a member of the Chartered Institute of Personnel and Development.

Jane led the People and Organisational Development directorate from 1 April to 30 June 2019, during which time she was responsible for all aspects of human resources, learning and development, communications, corporate governance and library service functions within the Trust.

She returned to her substantive role as Deputy Director of People and Organisational Development on 1 July following the commencement in post of Nick Parker as Director.

Board Attendances in 2019/20: 3/3

Note: Board member attendance is based on the 11 scheduled meetings for 2019/20 and does not include two further extraordinary meetings that were called at short notice to consider the Trust's financial plans.

Statement on the balance, completeness and appropriateness of the membership of the Board

In year assessment of the composition of the Board, in the context of current and anticipated issues and challenges impacting the Trust and the skills and qualities needed on the Board, has been made by the Board Nominations and Remuneration Committee. This is undertaken routinely as part of the process of considering appointments and reappointments to the Board.

In 2019/20 the balance and completeness of the Board was considered on recruitment to the position of the Deputy Chief Executive and in also recruiting to a new non-executive director vacancy.

The executive directors and non-executive directors of the Board provide a balance and breadth of knowledge.

The Board comprises individuals with senior level experience in the public and private sectors, across a range of disciplines including clinical and patient care, finance, strategic and operational planning, marketing and communications, commercial development, corporate and clinical governance, risk management, human resources and change management.

The Board is satisfied that its current membership enables it to function effectively.

Board members Register of Interests and Gifts and Hospitality

Company directorships and other declarations of interest or gifts and hospitality were declared by all Board members. The full register of interests is available on our website at https://www.sheffieldchildrens.nhs.uk/about-us/publications/

Taking into account the NHS Code of Governance, the Board considers the current Chair and all the non-executive directors to be 'independent'.

The Trust Chair, Ms Sarah Jones, is also Chair of Outreach Solutions Ltd and is a trustee of The Children's Hospital Charity.

There have been no significant changes to the Chair's commitments since appointment and the Chair is considered able to devote the appropriate time commitment to this role.

Meetings of the Board of Directors and its committees

The Board of Directors is the decision-making body for the Trust's strategic direction and the overall allocation of resources. It delegates decision making for the operational running of the Trust to the Trust's executive directors. The Board takes decisions consistent with the approved strategy.

The Board set the Trust's strategic objectives for the year 2019/20, agreed the annual operating plan and provided leadership for the Trust, ensuring that the Trust exercises its functions effectively and delivers agreed goals and targets.

The Board also acts as the body through which assurance is provided. It ensures the Trust's statutory obligations, as well as its overall performance (including safety and quality), is of the standard expected and that, where appropriate, action is taken to ensure compliance with those standards, either directly or through its committee structure.

It delegates decision-making for the operational running of the Trust to the Executive Team in accordance with the scheme of delegation. This group has both clinical and management representation from across the Trust.

The Trust's scheme of delegation sets out matters which are reserved for the Board of Directors to decide. These relate to regulation and control, appointments, strategic and business planning and policy development, financial and performance reporting arrangements, audit arrangements and investment decisions.

In addition to holding 13 formal Board meetings during 2019/20, the Board was convened on a number of occasions to hold strategy workshops, one of which was a joint meeting with the Council of Governors.

Development of the Board takes place in response to ongoing review of the effectiveness of its meetings, to outcomes from assessment of performance (both collectively and individually) as part of an annual appraisal system and through the formal review and agreement of a Board annual work programme.

During 2019/20 emphasis has been placed on engagement of Board members and other colleagues around the emerging strategic direction. Review of the standing Board agenda, strengthening of formal delegation and reporting lines from its assurance committees and continuing the development of an integrated performance report are examples of in-year enhancement of Board effectiveness.

Each of the standing assurance committees of the Board is chaired by a non-executive director to enhance independent scrutiny and challenge and each committee chair reports formally to the Board; to confirm delivery of assurance or escalate matters as necessary.

The Board committee structure includes the statutory committees of Risk and Audit and Nominations and Remuneration, and also comprises Quality, People and Performance and Charities Committees.

These committees use mechanisms to report and refer matters between themselves. This integrated governance approach is also supported by arrangements for cross non-executive membership ensuring that an individual non-executive member is able to act as a conduit of information and assurance across two committees.

The Board keeps the performance of its committees under regular review and requires each committee to consider its performance and effectiveness during the year and sets development objectives for the year ahead.

In line with this, further work has taken place to embed committee exception reporting to the Board, to formalise referral of matters arising

between committees and introduce the routine review of work. This development reflects the Board's response to governance best practice and continued regard to the Well-led Governance Framework.

In its role of overseeing the system of internal control and overall assurance process associated with managing risk, the Risk and Audit Committee annually reviews the terms of reference of aligned Board committees.

Risk and Audit Committee

The Risk and Audit Committee comprises at least three independent non-executive directors and is chaired by Peter Lauener. The requirement for at least one of its members to have recent and relevant financial experience is met by John Cowling, a qualified accountant. It met five times during 2019/20 and also undertook training facilitated by its internal auditors, 360 Assurance.

Fig: Member attendance at meetings of the Risk and Audit Committee 2019/20

NED membership	Attendances
Peter Lauener, Chair	1 from 2
Richard Chillery	3 from 4
John Cowling	5 from 5
Andy Baker	3 from 3
Scott Green	2 from 3

The Committee provides the Board of Directors with an independent and objective review of the effectiveness of internal control and the underlying assurance processes associated with managing risk.

The Committee is responsible for commissioning and reviewing work from independent external and internal audit services, counter fraud services and other bodies as required.

The Trust's internal audit service is provided by 360 Assurance. Through detailed examination, evaluation and testing of Trust systems, this service plays a key role in the Trust's assurance processes.

Local counter fraud provision is also commissioned from 360 Assurance. The local counter fraud service supports the Trust to create an anti-fraud culture: deterring, preventing and detecting fraud, investigating suspicions that arise.

The Committee is responsible for making a recommendation to the Council of Governors on the appointment and removal of the external auditors.

In November 2016, following a formal selection process overseen by a joint working group drawn from governors and members of the Risk and Audit Committee, KPMG were appointed by the Council of Governors as the Trust's external auditor for a three year period commencing with the 2016/17 audit cycle (subject to annual satisfactory evaluation) with an option to extend by two further years.

On the basis of a positive assessment in September 2019, the Risk and Audit Committee presented a recommendation to governors that KPMG be reappointed as the Trust's external auditors for a further two years. This reappointment was confirmed at the November 2019 Council of Governors meeting.

The Committee routinely receives progress reports from KPMG, including updates on key emerging national issues / developments. The statutory audit fee for the 2019/20 audit was £51,685 plus VAT. The Quality Accounts have been deferred to December 2020.

KPMG provides its services within the code of audit practice issued by the National Audit Office. The Risk and Audit Committee has delegated authority to commission additional investigative and advisory services outside this code. Where services would fall outside this code, the Committee is advised of the objectives of the work to ensure the integrity, independence and objectivity of the auditors.

During 2018/19, the Committee approved a revised policy for the engagement of external auditors in non-audit work. No non-audit work has been carried out by the Trust's external auditors in 2019/20.

Meetings of the Risk and Audit Committee are attended by internal and external auditors, local counter fraud, the Chief Executive, Deputy Chief Executive and Executive Director of Finance, Head of Legal and Governance and Associate Director - Corporate Affairs.

Other directors and senior managers attend when invited by the Committee. The Chief Executive and the Trust Chair are invited to attend the meeting at which the annual accounts are presented. The Associate Director of Corporate Affairs is the Committee Secretary.

Both the internal and external auditors have the opportunity to meet with Risk and Audit Committee members in private (without Executives present) to discuss any concerns relating to the performance of management.

Copies of the terms of reference of the Risk and Audit Committee can be obtained from the Corporate Affairs Office and are published on the Trust's website.

The following outlines the principal areas of review and significant issues considered by the Committee during 2019/20, reflecting the key objectives set out in its terms of reference.

Internal control and risk management

- Reviewing the Board Assurance Framework (BAF) prior to presentation to the Board and overseeing its ongoing development through its alignment with the Risk Appetite Statement agreed by the Board.

- Supporting the Board's focus on strategic risk by rotating consideration of the key strategic risks featured on the BAF. Over its annual work cycle the Committee has discussed the majority of BAF risks by inviting Executive risk owners to present risks and mitigations for the Committee to assess whether the Board, through its own schedule of business and that of its committees, receives satisfactory, routine assurance around the mitigations in place.

- Reviewing the annual financial statements, with particular focus given to major areas of judgement and changes in accounting policies, and the basis of the Board's determination that the Trust remains a going concern.

- Receiving assurance from the Executive Risk Management Committee on all serious incidents and high rated risks, together with routine and exception-based reports from aligned Board committees, including the Quality Committee and People and Performance Committee. This allows the Committee to discharge its responsibility for providing assurance to the Trust Board in relation to all aspects of governance, risk management and internal control, forming the basis for the Annual Governance Statement.

Internal audit

- Agreeing at the start of the financial year the internal audit work plan for 2019/20 focused on providing assurance against identified risks which could impact on the achievement of the Trust's strategic objectives.

- Reviewing the findings of internal audit's work against this work plan which encompassed reviews across a range of areas including General Data Protection Regulation compliance, absence management, Timeliness of Recruitment and Compliance with NHS Employment Check Standards and divisional risk management.

- Oversight of implementation of follow up recommendations to drive improvements in completion rates.

Local counter fraud

- Overseeing the annual counter fraud work plan and progress against identified areas for improvement through consideration of both routine progress reports and an annual report.

External audit

- Agreeing the external audit plan for 2019/20. This included an analysis of the External Auditor's assessment of significant audit risks, the proposed elements of the financial statements audit and its reporting timetable and other matters.
- Considering the key risks highlighted within the ISA 260, around valuations of buildings, revenue recognition, management override of control and expenditure recognition.

The Chief Executive, as the Accounting Officer, is responsible for the preparation of the financial statements prior to them being audited by the External Auditors. These responsibilities are detailed within the statement of Accounting Officer's responsibilities and in the Independent Auditor's report.

The Risk and Audit Committee gives full consideration to any significant risks and areas of audit focus raised in the external audit plan.

Quality Committee

The Quality Committee of the Board has been established to enable the Board of Directors to obtain assurance that high standards of care are provided by the Trust and it obtains assurance, in particular, that:

- adequate and appropriate clinical governance structures, processes and controls are in place throughout the Trust to promote safety and excellence in patient care; and

- there is effective and efficient use of resources through evidence-based clinical practice.

The Committee is chaired by Patricia Mitchell, a non-executive director, and met 11 times during the year.

Its core membership includes two further non-executive directors, the Chief Executive, the Director of Nursing and Quality and the Medical Director.

The Committee's work plan ensures routine attendance by sub-committee representatives including infection control, clinical governance and safeguarding. This supports a planned programme of quarterly deep-dive reviews, which provide greater focus and assurance on quality and safety within clinical divisions.

The Committee has spent a large part of the year supporting the Trust's CQC action planning process. Other areas of focus have included enhancing the Trust's approach towards discharge summaries and transition plans as well as overseeing development of a central database for patients transitioning from children's to adult services. The Committee has been active in ensuring that the Trust's suite of quality-related policies and clinical guidelines are up-to-date and fit for purpose.

A decision was made during the year to encompass the Trust's work around CAMHS into the existing transformation arrangements.

The Committee is also responsible for overseeing the development of the Quality Strategy and monitoring progress on quality impact assessments. It approves the Trust's clinical audit plan and has during the course of 2019/20 used clinical audit activity to seek assurance on exception reports.

People and Performance Committee

The People and Performance Committee was established to provide the Board of Directors with in-year assurance concerning the development and delivery of the Trust's annual business plan.

Previously known as the Finance and Resources Committee, this Committee undertakes a strategic advisory role in ensuring that the Trust develops effective long-term strategy in relation to people, information management and technology and capital. It ensures that financial plans address all identified business risks and opportunities and supports the provision of care and services whilst getting the best value for money and use of resources.

The Committee provides oversight of the Trust's transformation programme and has

approved revised governance arrangements in this area.

The Committee met 11 times during 2019/20 and is chaired by John Cowling, a non-executive director.

As part of the its work in gaining assurance and increasing its visibility, the Committee met with staff within Finance and People and Organisational Development teams and also held meetings at Moorfoot. Non-executives also attended divisional quality meetings on a rotational basis.

Membership includes three additional non-executive directors, the Chief Executive, Chief Finance Officer, Director of Strategy and Operations and the Director of People and Organisational Development.

In addition to its focus on developing and overseeing robust financial strategy and delivery of efficiency savings, the Committee has kept a close eye on Trust performance using the integrated performance report. It has been instrumental in the development of the Trust's work around its people and is also responsible for communications and marketing, estates and information management and technology.

Charities Committee

The Board of Directors' Charities Committee met on four occasions in 2019/20. It comprises the Trust Chair, two non-executives, the Chief Executive and Executive Director of Finance. The Associate Director of Communications and Associate Director – Corporate Affairs attend in an advisory capacity.

The Committee is responsible for providing oversight on working relationships between the Trust and Charity and steering co-ordination of charity support in line with the Trust's own strategic aims, ensuring that adequate and appropriate governance structures, processes and controls are in place.

In the past year, the Committee has ensured that unused funds within a dormant charity fund are put to good use and that senior leadership are obtaining appropriate levels of assurance about the charities that support the Trust's work.

Board Nominations and Remuneration Committee

The Board of Directors' Nominations and Remuneration Committee met five times during 2019/20.

It comprises the Chair and all non-executive members of the Board. The Chief Executive is also a member when the Committee considers non-pay related issues. The Director of People and Organisational Development attends in an advisory capacity and the Associate Director of Corporate Affairs is the Committee Secretary.

The Committee is responsible for setting the remuneration and conditions of service for the Chief Executive and other executive directors (and, where applicable, senior managers on locally determined pay). In this respect its key objective is to ensure that the remuneration packages are sufficient to recruit and retain executive directors of the quality required for the successful operation of the Trust, while avoiding paying excessively for this purpose.

This Committee also leads the process for executive Board appointments, agreeing their stretch objectives, non-executive and executive succession planning and evaluating whether the Board has the right skills and experience to effectively lead the organisation.

Across the reporting year the Committee met to agree executive remuneration for 2019/20 and to agree the process and appointment of the Deputy Chief Executive, Ruth Brown. Further details are contained within the Remuneration Report.

Committee in Common

Sheffield Children's NHS Foundation Trust Committee in Common is a formal committee of the Board. The Committee's terms of reference were agreed by the Board in September 2017 and it meets every other month. The terms of reference were updated during 2019/20 following the departure from

the Working Together Partnership of Mid Yorkshire NHS Trust.

It meets concurrently with the other NHS foundation trust committees in common in the Working Together Partnership to receive updates in relation to system wide matters.

Each committee comprises the respective chair and chief executive of that trust and has a scheme of matters delegated by the Board. Each committee may only make decisions in respect of the Trust of which it is part.

Non-executive membership of other Trust project working groups and committees

There are currently no non-executive directors involved in project working groups and committees.

Arrangements in place to ensure that the Trust's services are well led

The Board has undertaken routine annual self-assessments using Well-led guidance[1] and has used this to inform the continued development of its governance arrangements.

It has been one of the key instruments in informing reviews of the Board committee structure and supporting the development of quality governance arrangements to provide increased focus on quality.

It has helped to strengthen the underpinning quality assurance / reporting infrastructure at operational and executive levels through which the Trust is embedding ward to board arrangements in the quality agenda.

Our most recent Well-led self-assessment took place in December 2018. The Board's open and honest reflection brought into focus clear priorities for development action to further strengthen and evidence the arrangements we have to ensure services are well led.

A CQC assessment of Well-led was undertaken in April 2019 when the Trust was rated 'Good'.

Material inconsistencies

There are no material inconsistencies to report between the annual governance statement, declarations to NHS Improvement, this annual report and reports by the CQC.

[1] Developmental reviews of leadership and governance using the well-led framework: guidance for NHS trusts and NHS foundation trusts, NHSI (June 2017)

Governors' report

As an NHS foundation trust, the Council of Governors has responsibility to represent the views and interests of the membership and partnership organisations, to hold the non-executive directors to account for the performance of the Board of Directors and to ensure that it is acting in a way that will not breach its provider licence.

It consists of elected and nominated governors who provide an important link between the Trust, the population it draws its patients from and key stakeholder organisations, by sharing information and views that can be used to develop and improve Trust services.

The Council of Governors works with the Board of Directors to shape the future strategy of the organisation and is responsible for providing feedback from the membership and stakeholders on strategic developments at the Trust. It also should keep members and stakeholders informed about any developments at the Trust. At each council meeting governors receive a summary of key Trust communication messages for use in any dialogue they have with members of their constituencies.

The Trust keeps the Council of Governors fully informed on all aspects of the Trust's performance and seeks their advice on key service developments. This is done through formal council meetings, where a summary of the Board's business agenda remains a standing item on the agenda, and through working groups set up by the Council of Governors. Governors are also invited to sit on a number of Trust working groups.

The Council of Governors comprises elected and nominated Governors as shown below and has decision-making powers defined by statute. These powers are described in the Trust's Constitution and principally refer to:

- the appointment, removal and remuneration of the Trust Chair and non-executive directors on the Board;
- the appointment and removal of the Trust's external auditors;
- the approval of the appointment of the Chief Executive;
- and receiving the foundation trust's annual accounts, any report of the auditor on the accounts, and the Annual Report.

While the Council of Governors is responsible for holding the Board and, in particular, the non-executive directors, to account and ensuring that it is acting in a way that means that the Trust will meet its obligations, it continues to remain the Board's responsibility to oversee the running of the Trust.

The Council of Governors met formally four times during 2019/20 to discuss a wide range of subjects, including the environmental sustainability plan, the Trust's strategic direction and information technology. A record is kept of the number of meetings attended by individual governors.

Governors are required to declare any interests which are relevant and material to the business of the Trust. These are then entered onto the publicly available register of interests which can be accessed from the Trust's website.

Composition of the Council of Governors 2019/20

There are 32 seats on the Council of Governors: 18 to represent public members, seven to represent staff members and seven appointed by partner organisations. There is one partner governor vacancy.

The table below sets out attendance by governors at Council of Governors meetings in 2019/20.

Fig: Public Governors (elected)

Name	Constituency	Term of office	Elected from	Attendance
Joanne Arch	Sheffield	1st	Sept 2019	2 from 3
Heather Clement (resigned Sept 2019)	Sheffield	1st	Sept 2018	0 from 1
Scott Bailey	Rest of South Yorkshire	1st	Sept 2019	1 from 3
Sam Broadbent	Sheffield	1st	Sept 2018	0 from 5
Cathy Byrne	North Derbyshire	1st	Sept 2019	1 from 3
Gemma Flint	Sheffield	1st	Sept 2019	2 from 3
Tracy Gill	Sheffield	1st	Sept 2019	1 from 3
Victoria Hartley	Rest of South Yorkshire	1st	Sept 2019	2 from 3
Vince Keddie	Sheffield	1st	Sept 2018	4 from 5
Steve Kelly	Sheffield	1st	Sept 2019	2 from 3
Rebecca Kent	Rest of South Yorkshire	2nd	Sept 2017	3 from 5
Debbie Mander	Sheffield	1st	Sept 2017	0 from 5
Sue McFarlane	Sheffield	1st	Sept 2019	1 from 3
Charlotte Moore	Sheffield	1st	Sept 2019	2 from 3
Ismail Mir	Rest of England and Wales	1st	Sept 2018	1 from 5
Emma Packham	Sheffield	1st	Sept 2018	4 from 5
Phil Parkes (resigned Sept 2019)	Sheffield	1st	Sept 2017	0 from 1
Robert Peace (lead governor)	Rest of England and Wales	1st	Sept 2017	4 from 5
Mark Rooker	Sheffield	1st	Sept 2019	2 from 3
Helen Smith	Sheffield	2nd	Sept 2017	3 from 5

Fig: Staff Governors (elected)

Name	Constituency	Term of office	Elected from	Attendance
Samantha Burns	Nursing/midwifery	1st	Sept 2018	Maternity leave
Andrew Garner	Nursing/midwifery	1st	Sept 2018	3 from 5
Jacqueline Griffin	Non-clinical	3rd	Sept 2019	3 from 3
Jack Hiscock	Non-clinical	1st	Sept 2018	5 from 5
Anne Cecile-Hogg	Other clinical	1st	Sept 2019	1 from 3
Kathryn Holden	Other clinical	2nd	Sept 2017	3 from 5
Carrie MacKenzie	Medical/dental	2nd	Sept 2017	4 from 5

Fig: Partner Governors (appointed)

Name	Partner Organisation	Appointed from	Attendance
Ruth Barley	Sheffield Hallam University	Sept 2015	Maternity leave
Nikki Bates	Sheffield CCG	Jun 2014	2 from 5
Jackie Cole	Yorkshire Ambulance Service	Feb 2019	3 from 5
Charlotte Elder	University of Sheffield	July 2018	4 from 5
Bethan Plant	Sheffield City Council	Sept 2017	5 from 5
Dan White	Sheffield Futures	Feb 2019	5 from 5

Elections held within the reporting period

Council of Governors' elections took place during summer 2019 with the results declared at the end of July. Nominations were sought for 10 seats across five areas.

A record 31 nominations were received from people who wished to stand for election and all seats were contested.

The new governors began their terms of office immediately after the annual members' meeting on 17 September 2019.

The overall turnout across all contested seats was 9.34 per cent, up from 7.75 per cent the previous year.

Full details of the composition of the Council of Governors and of previous election results are posted on our website at:

http://www.sheffieldchildrens.nhs.uk/about-us/council-of-governors/.

All elections are held in accordance with the election rules set out in our constitution.

In the event of an elected governor's seat falling vacant for any reason before the end of a term of office, it shall be filled by the second placed candidate in the last election held for that seat provided that this candidate achieved at least five per cent of the vote.

Lead Governor

The Council of Governors elects one of the governors to be 'Lead Governor'. This is to act as the point of contact for NHSI/E should the regulator wish to contact the Council on an issue for which the normal channels of communication are not appropriate.

The current Lead Governor is Robert Peace, who represents the Public – Rest of England and Wales area. Robert was appointed for an initial term in 2018/19 and was then reappointed for 2019/20.

The Lead Governor receives from governors any comments, observations and concerns expressed by governors regarding the performance of the Trust or its business, other than those expressed directly by governors at meetings of the Council of Governors. The Lead Governor regularly meets with the Chair.

In addition, the Lead Governor communicates with other governors by way of regular electronic correspondence and also meets on an ad-hoc basis with small groups of governors to discuss relevant matters.

In 2019/20, the Lead Governor also observed the Board of Directors to provide assurance due to meetings being closed on grounds of safety.

Strengthening links between the Board and Governors and members

The Board of Directors continues to demonstrate a strong commitment to working in partnership with the Council of Governors, acknowledging the role of governors in encouraging openness and accountability between the Trust, patients, carers and the public.

Executive and non-executive directors are not members of the Council of Governors but have a standing invitation to attend all council meetings to listen to the views of governors. The Chair of the Trust Board also chairs the Council of Governors and provides a link between the two, supported by the Trust Secretary.

Non-executive directors lead on the presentation and facilitation of relevant agenda items, providing the opportunity for governors to question the non-executive directors on the performance of the Board.

Fig: Attendance by directors at Council of Governors meetings in 2019/20

Name		Attendance
Andy Baker	Non-executive Director *(until 31 December 2019)*	2 from 3
Ruth Brown	Deputy Chief Executive	5 from 5
Jane Clawson	Interim Deputy Director of HR and OD *(until 30 June 2019)*	1 from 1
John Cowling	Non-executive Director & Senior Independent Director	5 from 5
Jon Eggleton	Non-executive Director *(from 12 February 2020)*	0 from 0
Scott Green	Non-executive Director	3 from 5
Sarah Jones	Chair	5 from 5
Peter Lauener	Non-executive Director and Deputy Chair	3 from 5
Patricia Mitchell	Non-executive Director	4 from 5
Jeff Perring	Medical Director	4 from 5
Nick Parker	Director of People & OD *(from 1 July 2019)*	4 from 4
Sally Shearer	Director of Nursing and Quality	4 from 5
Mark Smith	Chief Finance Officer *(until 30 June 2019)*	1 from 1
John Somers	Chief Executive	5 from 5
John Williams	Director of Finance *(from 1 July 2019)*	4 from 4

Board Directors attend the Annual Members' Meeting to liaise with members. This was held on 17 September 2019. The Board and Governors also meet jointly at least annually, most recently in February 2020, as part of enabling governors to input into discussion relating to the Trust's strategic environment and direction.

Trust Board meetings are held in public and there is an open invitation for public governor observers to attend Board committees to widen opportunities for governors to observe Trust Board business, supporting them in fulfilling their statutory duty of holding the Board of Directors to account and to inform their assessment of the performance of non-executive directors.

Governors are invited to take part in the Board's Back to the Floor programme by accompanying directors on visits to areas of the hospital. Feedback from these activities is shared at Council of Governor meetings and focus has been placed on more formally capturing learning points to feed into patient experience work streams.

There has also been continued focus on involving the Council of Governors in key developments and issues impacting the Trust. A summary of the involvement of governors in the activities of the Trust during 2019/20 includes:

- Involvement in hospital cleanliness inspections and audits.
- Participation in a session with the Board of Directors to discuss forward plans and the Trust's external strategic environment;
- Reappointment process of the Chair and non-executive directors.
- Attendance at the Trust Board's committees.
- Involvement in the promotion of governor elections.
- Consultation on the development of the Trust's quality priorities.
- Participation in the Staff Awards judging panel.
- Holding an Annual Members' meeting to formally receive the Trust's Annual Report and report of the auditor.
- Attending back to the floor visits to services with executive and non-executive directors.
- Participation in a mock security exercise to test the Trust's security controls.
- Receiving regular updates on the Care Quality Commission action plan.
- Maintaining close working relationships with the Trust Youth Forum.
- Involvement in the Trust's sustainable environment strategy and Daisy® accreditation programme.
- Invitation to formally input into the appraisal of the performance of the Trust Chair and the non-executive directors.
- Taking part in Trust induction and training on NHS finance.

Membership report

The Trust is accountable to the population it serves and members of the public can be Members of the Trust. Members share their views and influence the way in which the Trust runs and develops its services. The Trust considers its membership to be a valuable asset, which helps guide its work and the decisions it makes, whilst also holding the organisation to account and ensuring we adhere to NHS values. It is one of the ways the Trust communicates with the public and staff.

The Trust has two membership categories:

- **Public**: residents over 14 years of age and living in the areas the Trust has specified as a public constituency (Sheffield, rest of South Yorkshire, rest of England and Wales and North Derbyshire). This is notwithstanding those that are individual members of one of the classes of the staff constituency

- **Staff**: employees whose contract means that they can work for the Trust for longer than 12 months. Staff that are employed by other organisations and exercising functions on behalf of the Trust are also eligible to become members, such as university staff employed on an honorary contract.

Members are able to vote and stand for election to the Council of Governors and receive other incentives including invitation to the Annual Members' Meeting and other events and regular communication from the Trust on its activities.

Membership strategy

The Trust's membership numbers stayed roughly static this year. In order to ensure that our membership is current, a routine data cleansing exercise of our membership database was conducted in each quarter during 2019/20 by our membership database provider, MES.

Our membership strategy centres on delivering a membership that is fully representative of the diverse communities the Trust provides services to, regardless of gender, race, disability, ethnicity, religion or any other groups covered under the Equality Act 2012. Our current membership broadly reflects the local and regional populations we serve. We continue to note the effectiveness of social media as a recruitment strategy and will continue to capitalise on this as a means to increase the coverage of our engagement activities in as cost effective a manner as possible.

Governors are regularly encouraged to participate in a varied Back to the Floor programme joining members of the Board in their visits to areas of the Trust. This provides an opportunity for engagement with patients and staff. Governors are also invited to be part of regional events attended by the Trust, allowing governors to engage with members and local people and hear their views first hand.

Our Board and Council of Governors will work together to ensure we can support ways to ensure the views of members and the public are taken into account in the reshaping of services to ensure that patients and local communities have access to appropriate, safe and high quality care. As in previous years, all members are invited to our Annual Members' Meeting (AMM).

Fig: Membership breakdown at 31 March 2020

constituency	sub-constituency		number of members
public membership	*in Sheffield*		
	Sheffield		5,318
	out of Sheffield		
	rest of South Yorkshire		1,306
	North Derbyshire		413
	rest of England & Wales		580
		sub-total	**7,617**
staff membership	medical and dental		431
	other clinical		1,122
	nursing		984
	non clinical		1,051
		sub-total	**3,588**
		grand total	**11,205**

Financial and other public interest disclosures

Cost allocation and charging requirements

Sheffield Children's NHS Foundation Trust has complied with the cost allocation and charging guidance issued by HM Treasury. There is no additional charge for materials made available to meet the needs of particular groups of people, e.g. in braille or other languages. The Trust does not charge a standard fee to comply with subject access requests, however where a request is manifestly unfounded or excessive, a reasonable fee to cover administrative costs is considered for the initial request and any subsequent copies as per guidance set by the Information Commissioner's Office. The Trust does not impose any fees for responding to requests under the Freedom of Information Act unless the amount of information exceeds the appropriate limit as defined in section 12 of the Freedom of Information Act.

Political donations

There are no political donations to disclose for the financial year 2019/20.

Employee benefits

Accounting policies for pensions and other retirement benefits are set out in note 10 of the accounts. Details of senior employees' remuneration can be found in the remuneration report section of this report.

Payment of creditors

The Trust aims to comply with the Better Payment Practice Code. Performance for the financial year is set out in the table on the adjacent column.

Fig: Better payment practice code table

	Actual 31/03/20 YTD Number	Actual 31/03/20 YTD £'000
Non NHS		
Total bills paid in year	46,485	84,947
Total bills paid within target	23,878	59,562
Percentage of bills paid within target	**51.4%**	**70.1%**
NHS		
Total bills paid in year	3,390	18,044
Total bills paid within target	1,238	5,273
Percentage of bills paid within target	36.5%	29.2%
Total	-	-
Total bills paid in year	**49,875**	**102,991**
Total bills paid within target	**25,116**	**64,835**
Percentage of bills paid within target	**50.4%**	**63.0%**

Non-NHS income

Section 43(2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012) requires that Trust income from the provision of goods and services for the purpose of the health service in England must be greater than its income from the provision of goods and services for any other purposes. In 2019/20, the Trust met this requirement, with 98 per cent (£210,053k) of the Trust's income generated by activities for the purpose of the health service in England.

Serious incidents involving data loss or confidentiality breach

The Trust takes its responsibility to keep personal data safe very seriously. Annual information governance training is mandated for all staff, in addition to role-specific training mandated for staff responsible for key data processing functions. The Trust is also required to annually certify the Trust's compliance with NHS information governance standards, a process which also includes mandated Internal Audit review.

There was one serious incident relating to inappropriate disclosure of personal data during 2019/20. This was reported to the Information Commissioners Office and a formal action plan was confirmed following a thorough review of the incident.

The Trust continues to monitor and assess its information and data security risks in order to identify and address any weaknesses and ensure continuous improvement of its systems.

Directors' consideration of this report

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

Remuneration report

The Remuneration Report outlines appointments and payments made to Trust Executive and Non-executive Directors in-year.

The Board of Directors delegates responsibility to a Board Nominations and Remuneration Committee to make decisions regarding the nomination, appointment, remuneration and conditions of service for executive directors including the Chief Executive.

This Committee only determines the reward package of executive directors and senior managers on locally-determined pay.

The vast majority of staff remuneration, including the first layer of management below board level, is determined in accordance with the national NHS pay framework, Agenda for Change. It is not currently anticipated that this will change.

Medical and dental staff employed by the Trust are covered by separate national terms and conditions of service set by the Doctors and Dentists Review Body.

The setting of non-executive directors' remuneration is the responsibility of the Council of Governors own Remuneration and Recruitment Committee.

The membership of the Board Nominations and Remuneration Committee comprises the Chair and all the non-executive directors.

During 2019/20, the Committee met five times and attendance at the meetings is set out in the figure below.

Fig: Board Nominations and Remuneration Committee membership attendance

Name	30 Apr 2019	26 Sept 2019	5 Nov 2019	18 Nov 2019	28 Mar 2020
Sarah Jones, Chair	P	P	P	P	P
Andy Baker, Non-executive Director	P	P	P	N/A	P
Richard Chillery, Non-executive Director (from 1 June 2019)	N/A	N/A	P	N/A	P
John Cowling, Non-executive Director	P	P	P	N/A	P
Jon Eggleton, Non-executive Director (from 12 February 2020)	N/A	N/A	N/A	N/A	P
Scott Green, Non-executive Director	P	P	P	P	P
Peter Lauener, Non-executive Director	P	P	P	P	P
Patricia Mitchell, Non-executive Director	P	P	P	N/A	P
John Somers, Chief Executive	P (part)	A	P	P	P (part)

Key: P – present; A – apologies; N/A –not required to attend.

Annual statement from the Chair of the Board Nominations and Remuneration Committee

In April 2019, the Board's Nominations and Remuneration Committee considered executive director remuneration for 2019/20 and future stretch objectives.

In the context of pay awards for other groups of Trust staff and the broader public sector, the Committee agreed that salaries for the Executive Team and Chief Information Officer be increased by 1.2%, this being the cost of living increase for Agenda for Change Band 9 staff which was consistent with the Committee's approach the previous year.

In addition, the Committee approved that the Chief Executive's pay be increased to a level commensurate with the upper quartile for chief executives of smaller acute trusts with effect from July 2019. This was subject to the Trust maintaining a CQC Good rating and meeting agreed performance objectives with ten per cent of the total sum being made subject to earn-back provisions.

Following the appointment of the Deputy Chief Executive in December 2019 the Committee agreed a ten per cent uplift on her current salary to recognise the responsibilities that came with the new role.

The executive pay policy agreed in November 2017 is based on the following principles:

- Where appropriate to set specific objectives linked to executive remuneration for monitoring and measurement of performance against these objectives.
- When setting salary on appointment to executive director roles to adopt latest NHSI median salary indicator guidance for the relevant role.
- Where market conditions dictate, and the candidate demonstrates the relevant knowledge, skill and experience, to consider appointment to the upper quartile of the recommended salary range, agreeing appropriately stretching objectives commensurate with level of experience and the salary to which they are appointed.
- In cases where it is a candidate's first executive director post, to consider appointment on the lower quartile of the recommended salary range, setting appropriate development objectives with the expectation of progression to the median recommended salary point within a determined period.

This new policy has been used to make in-year adjustments to individual executive director remuneration.

In line with guidance around pay for very senior managers, the opinion of NHSI was sought in the specific case of the adjustment of the remuneration of the Chief Executive, while noting the broader review of all executive remuneration.

As noted, the agreed pay strategy provides a framework within which stretch and development objectives can be agreed to motivate, reward and retain executive directors.

Monitoring and measurement of performance against objectives is undertaken through the annual performance review process undertaken by the Chair (where the objectives relate to the Chief Executive) or the Chief Executive (where the objectives relate to an executive director).

Sarah Jones

Chair of the Board Nominations and Remuneration Committee

19 June 2020

Senior managers' remuneration policy

The Trust is required to set out what constitutes the senior managers' remuneration policy in tabular format:

Fig: Executive directors' remuneration policy

Element	Policy
Base pay	Base pay is determined by using annual benchmarked data in order to attract and reward the right calibre of leaders to deliver the Trust's aims and priorities
Pension	Executive directors are able to join the standard pension scheme that is available to all staff
Remuneration related to performance	Specific objectives aligned to Trust aims and priorities are set where appropriate, linked to executive remuneration for monitoring and measurement of performance against these objectives.
On call payment	Board members receive on call payments in line with on call responsibilities
Benefits	The Trust operates a number of salary sacrifice schemes including childcare vouchers and a car lease scheme. These are open to all members of staff.
Travel expenses	Appropriate travel expenses are paid for business mileage
Declaration of gifts	As with all employees executive and non-executive directors must declare any gifts or hospitality according to Trust policy

The Trust has paid certain senior managers more than £150,000[2] and believes that this is appropriate given the market conditions both at the time of appointment and at present.

Executive director appointments

There were no additional executive directors appointed to the Board in 2019/20.

However to increase senior management continuity and resilience the Board Nominations and Remuneration Committee ran a process to appoint a new Deputy Chief Executive which was ring-fenced to existing executive directors. This process was run internally.

[2] The threshold set out in NHSI guidance above which NHS Foundation Trusts should make a disclosure.

Ruth Brown was successfully appointed to the role of Deputy Chief Executive on 2 December 2019. This was in addition to her substantive post as Executive Director of Strategy and Operations and includes leadership of internal Trust affairs.

In order to attract executive directors of sufficient calibre, contracts are permanent with appropriate notice periods in line with employment law rather than fixed term. This is consistent with similar contracts in the marketplace.

Planned and progressive refreshing of the Board of Directors is achieved through turnover of non-executive directors as terms expire and there is natural turnover of executive directors in the progression of their careers.

The Council of Governors' Remuneration and Recruitment Committee

The Council of Governors has previously taken the decision to combine two committees to form a single Remuneration and Recruitment Committee.

Membership of the Committee during 2019/20 comprised of the Trust Chair and seven governors. The Executive Director of People and Organisational Development and the Associate Director – Corporate Affairs are invited to attend to provide advice to the Committee.

It meets annually, or as required, to recommend to the Council of Governors the nomination of appropriate candidates for the posts of non-executive director, including the Chair. The Committee also has responsibility for making recommendations to the Council of Governors with regard to the remuneration, and other terms and conditions of office, for the Chair and non-executive directors. The Committee is also responsible for overseeing Chair and non-executive appraisals.

The Committee's work plan for 2019/20 focused on the implementation of a national approach towards chair and non-executive director remuneration and the appointment of two new non-executive directors on the Board.

Richard Chillery was appointed by the Council of Governors from 1 June 2019. This was a new non-executive role. Jon Eggleton was appointed by the Council of Governors with effect from 12 February 2020, to replace Andy Baker who resigned at the end of 2019.

Additionally, the Council of Governors approved second terms for Sarah Jones (as chair), Andy Baker and Peter Lauener (as non-executive directors) with effect from September 2019.

Remuneration of non-executive directors

The Council of Governors did not change the amount of remuneration paid to non-executive directors during 2019/20.

In December 2019 the Governors' Remuneration and Recruitment Committee met to consider NHSI/E guidance which sought to introduce a standardised approach towards chair and non-executive remuneration.

The Committee recommended, and Council of Governors agreed, that:

- Any new appointments made before 31 March 2020 would remain on the existing level of remuneration (£14,352) with any new appointments made from 1 April 2020 being aligned with the NHSI/E framework (£13,000).
- All serving non-executive directors would remain on their existing level of remuneration for the remainder of their present term, and any subsequent reappointment approved before 2022 when they would then move to the NHSI framework.
- The Chair would remain on her existing level of remuneration until the end of her current term when the remuneration for the role will be reviewed, taking account of changes in Trust turnover.
- The two supplemental payments that may be made for non-executive directors with extra responsibility would be deferred until a later date.

The Committee uses externally sourced data to satisfy the Code of Governance requirement to undertake an independent market review exercise of non-executive director remuneration.

Policy on diversity and inclusion

A new diversity and inclusion policy was due to be developed in 2019/20, as part of the Trust's People Plan but was delayed due to COVID-19. This policy will be used by the Trust's nominations and remuneration committee and tied to the Trust's strategic aims.

Annual Report on Remuneration (audited)

Current Remuneration and Pensions		Financial Year 1 April 19 - 31 March 20			
		Salary and Fees inc on-call	Taxable Benefits	Pension Related Benefits	Total
		Bands of £5,000	Total to the Nearest £100	Bands of £2,500	Bands of £5,000
Name	**Title**	**£'000**	**£'000**	**£'000**	**£'000**
John Somers	Chief Executive	185 – 190	0.1 – 0.2	102.5 – 105	290 – 295
Ruth Brown (1)	Deputy Chief Executive and Director of Strategy and Operations	120 – 125		55 – 57.5	175 – 180
Jeff Perring	Medical Director	150 - 155	0.2 – 0.3	387.5 – 390	535 - 540
Sally Shearer	Director of Nursing & Quality	110 – 115	2.8 – 2.9	25 – 27.5	140 – 145
Nick Parker (2)	Director of People and Organisational Development	80 – 85	0.1 – 0.2	37.5 – 40	120 – 125
Mark Smith (3)	Associate Director of Finance (former Chief Finance Officer)	30 – 35			30 – 35
John Williams (4)	Executive Director of Finance	85 - 90	0.1 – 0.2	97.5 –100	180 - 185
Jane Clawson (5)	Interim Director of Human Resources and Organisational Development	20 – 25		52.5 – 55	75 - 80
Sarah Jones	Chair	45 – 50			45 – 50
John Cowling	Non-executive Director	10 – 15			10 – 15
Patricia Mitchell	Non-executive Director	10 – 15			10 – 15
Peter Lauener	Non-executive Director	10 – 15			10 – 15
Andy Baker	Non-executive Director	10 – 15			10 – 15
Scott Green	Non-executive Director	10 – 15			10 – 15
Richard Chillery (6)	Non-executive Director	10 – 15			10 – 15
Jon Eggleton (7)	Non-executive Director	0 - 5			0 - 5

No directors received benefits in kind and the Foundation Trust made no contributions to stakeholder pensions

(1) Ruth Brown appointed Deputy Chief Executive and Director of Strategy and Operations from 2 December 2019

(2) Nick Parker was appointed Director of People and Organisational Development on 1 July 2019

(3) Mark Smith, left the position of Chief Finance Officer on 30 June 2019 and took on a non-executive role as Associate Director of Finance

(4) John Williams was appointed Executive Director of Finance from 1 July 2019

(5) Jane Clawson was interim Director of Human Resources and Organisational Development 1 April 2019 to 31 June 2019

(6) Richard Chillery commenced in post as Non-executive Director from 1 June 2019

(7) Jon Eggleton commenced in post as Non-executive Director from 12 February 2020

(8) Six Directors were reimbursed £2,060 for out of pocket expenses during the year (2018/19: 6 Directors reimbursed a total of £4,657)

2019/20		Real increase in pension at pension age	Real increase in pension lump sum at pension age	Total accrued pension at pension age at 31 March 2020	Lump sum at pension age related to accrued pension at 31 March 2020	Cash Equivalent Transfer Value at 1 April 2019 (or start date if later)	Real increase in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2020
Name	Title	Bands of £2,500		Bands of £5,000		Nearest £000		
John Somers	Chief Executive	5 – 7.5	0	25 – 40	0	456	88	553
Ruth Brown (1)	Deputy Chief Executive and Director of Strategy & Operations	2.5 – 5	0 - 2.5	20 – 25	40 - 45	342	43	391
Jeff Perring	Medical Director	15 – 17.5	42.5 - 45	60 - 65	170 - 175	993	392	1,404
Nick Parker (2)	Director of People and Organisational Development	0 - 2.5	0	15 – 20	0	232	33	269
Sally Shearer	Director of Nursing & Quality	0 - 2.5	2.5 - 5	50 – 55	155 - 160	1,167	54	1,244
Mark Smith (3)	Associate Director of Finance (former Chief Finance Officer)	0	0	25 – 30	55 - 60	476	(25)	461
John Williams (4)	Executive Director of Finance	2.5 – 5	5 – 7.5	20 - 25	40 - 45	226	60	291
Jane Clawson (5)	Interim Director of Human Resources and Organisational Development	2 – 2.5	2.5 - 5	20 - 25	40 - 45	349	50	405

(1) Ruth Brown appointed Deputy Chief Executive and Director of Strategy and Operations from 2 December 2019

(2) Nick Parker was appointed Director of People and Organisational Development on 1 July 2019

(3) Mark Smith, left the position of Chief Finance Officer on 30 June 2019 and took on a non-executive role as Associate Director of Finance

(4) John Williams was appointed Executive Director of Finance from 1 July 2019

(5) Jane Clawson was interim Director of Human Resources and Organisational Development 1 April 2019 to 30 June 2019

(6) Steven Ned left the position of Director of Human Resources 31 March 2019

Band of Highest Paid Director's Total Remuneration, £000	**185 – 190**
Median Total, £	**21,506**
Remuneration Ratio	**8.84**

2018/19 Comparatives (audited)

Current Remuneration and Pensions		Financial Year 1 April 18 - 31 March 19		
		Salary and Fees inc on-call	Pension Related Benefits	Total
		Bands of £5,000	Bands of £2,500	Bands of £5,000
Name	Title	£'000	£'000	£'000
John Somers	Chief Executive	165 – 170	95 – 100	265 – 270
Ruth Brown	Director of Strategy and Operations	115 – 120	70 – 75	185 – 190
Sally Shearer	Director of Nursing & Quality	110 – 115	85 – 90	195 – 200
Derek Burke (1)	Medical Director	30 – 35	55 – 60	90 – 95
Jeff Perring (2)	Medical Director	110 - 115	10 - 15	120 - 125
Mark Smith	Chief Finance Officer	105 – 110	60 – 65	170 – 175
Steven Ned	Director of HR and OD / Deputy Chief Executive	115 – 120	70 – 75	185 – 190
Sarah Jones	Chair	45 – 50		45 – 50
John Cowling	Non-executive Director	10 – 15		10 – 15
Patricia Mitchell	Non-executive Director	10 – 15		10 – 15
Peter Lauener	Non-executive Director	10 – 15		10 – 15
Andy Baker	Non-executive Director	10 – 15		10 – 15
Scott Green (3)	Non-executive Director	10 – 15		10 – 15

No directors received benefits in kind and the Foundation Trust has made no contributions to stakeholder pensions.

(1) Derek Burke was employed as the Trust's Medical Director until 30 June 2018

(2) Jeff Perring commenced as Medical Director on 2 July 2018

(3) Scott Green commenced in post 1st April 2018

2018/19		Real increase in pension at pension age	Real increase in pension lump sum at pension age	Total accrued pension at pension age at 31 March 2019	Lump sum at pension age related to accrued pension at 31 March 2019	Cash Equivalent Transfer Value at 1 April 2018 (or start date if later)	Real increase in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2019
Name	Title	Bands of £2,500		Bands of £5,000		Nearest £000		
John Somers	Chief Executive	2.5 – 5	0	30 – 35	0	343	114	456
Ruth Brown	Director of Strategy & Operations	2.5 – 5	2.5 - 5	20 – 25	40 - 45	258	84	342
Derek Burke	Medical Director	2.5 - 5	7.5 – 10	65 – 70	205 - 210	1556	N/A	N/A
Steven Ned	Director of HR & OD	2.5 - 5	2.5 – 5	45 – 50	120 - 125	814	148	962
Sally Shearer	Director of Nursing & Quality	2.5 – 5	10 - 12.5	50 – 55	150 - 155	981	186	1167
Mark Smith	Chief Finance Officer	2.5 – 5	2.5 – 5	25 – 30	60 - 65	333	143	476
Jeff Perring	Medical Director	0 – 2.5	0	45 - 50	125 - 130	901	93	993

In relation to Directors, 6 were reimbursed a total of £4,657 for out of pocket expenses during the year. (2017/18: 4 Directors reimbursed a total of £2,355). In relation to Governors, none claimed for out of pocket expenses during the year. (2017/18: None).

Band of Highest Paid Director's Total Remuneration, £000	**165 - 170**
Median Total, £	**29,608**
Remuneration Ratio	**5.70**

The banded remuneration of the highest-paid director in Sheffield Children's NHS FT in the financial year 2019/20 was £185k - £190k (2018/19 was £165k - £170k). This was 8.96 times (2018/19: 5.70) the median remuneration of the workforce, which was £21,219 (2017/18 was £29,608).

In 2019/20, two employees received remuneration in excess of the highest-paid director and in 2018/19 no employees were paid more.

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions, employer national insurance contributions and the cash equivalent transfer value of pensions.

There are no performance related bonuses in either 2019/20 or 2018/19.

There are no service contract obligations for the Trust with regards to senior managers.

The Trust has a risk based assessment as to whether assurance is required that the individuals are paying the right amount of tax, and, where necessary, that assurance has been sought. All individuals identified above, as with all off-payroll individuals do not hold any financial responsibly within the Trust. As a result of IR35 regulations which came into effect on 6th April 2017, the Trust has done a review of all such arrangements and is satisfied that it will remain compliant in the future.

Pension Scheme

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

Remuneration report signed by the Chief Executive
John Somers

19 June 2020

Our People report

The people we employ and our volunteers of Sheffield Children's NHS Foundation Trust are the reason for our continued success. Our 3500-plus workforce is vital to ensuring we continue to deliver high quality care. Without them we would not be able to deliver high quality patient care or offer the range of clinical services that we do.

Our values

Throughout this year we have continued the work to develop and embed our organisational values.

'Together we care'

Excellence	*Accountability*	*Compassion*	*Teamwork*	*Integrity*
We will seek to improve the way we work and deliver a high quality standard of care We will be open to new ideas, through innovation, research, education – nationally and internationally	We will create a supportive working environment where everyone take responsibilities for their own actions	We will show empathy and understanding, treating everyone with dignity and courtesy We will respect each other and those we care for	We will work together with and for our patients and their families We will work to the best of our ability and take pride in our achievements	We will value differences and treat everyone with a fair and consistent approach We will take an open, honest and ethical approach

Employees in post

At the end of the year we had 3529 employees in the Trust. This equated to 2900 whole time equivalents. A breakdown of whole time equivalents by staff group is listed below.

Fig: Number of employees (whole time equivalent basis)

	2019/20			2018/19
	Permanent	Other	Total	Total
Add Prof Scientific and Technical	160	28	**188**	166
Additional Clinical Services	379	34	**413**	388
Administrative and Clerical	618	48	**666**	632
Allied Health Professionals	173	14	**188**	186
Estates and Ancillary	179	3	**183**	174
Healthcare Scientists	112	5	**117**	106
Medical and Dental	169	174	**343**	337
Nursing and Midwifery Registered	781	16	**797**	785
Students	2	3	**5**	3
Total average numbers	**2574**	**326**	**2900**	**2777**

Please note: The above table excludes people on maternity leave and career break

Fig: Breakdown of total employees by gender

as at 31 Mar 2020	Female		Male	
Directors	4	31%	9	69%
All employees (including the above)	2884	82%	645	18%

Average annual sick days per full time employee for the year January to December 2019 was 13.8 days (compared to 14.0 days in the previous year).

For the same period the Trust has reported a sickness absence rate of 3.8 per cent compared to 3.9 per cent in the previous year. The national average is 4.4 per cent.

We have continued to develop our health and wellbeing offer to colleagues, and in this year have concentrated on mental wellbeing. Our aim is to prevent and reduce instances of ill health where we can and help our colleagues manage and control their own health and wellbeing, through flexible working, healthy eating and access to self-help and support mechanisms. We continue to be one of the better performing trusts in the region in respect of managing sickness absence.

Employee costs

Fig: Analysis of employee costs

	2019/20			2018/19
	Permanent £000	Other £000	Total £000	Total £000
Salaries and wages	112,647	6,665	**119,312**	104,290
Social security costs	11,223	-	**11,223**	10,462
Apprenticeship levy	544	-	**544**	507
Employer's contributions to NHS Pensions	20,214	-	**20,214**	13,247
Pension cost – others	-	80	**80**	34
Other post-employment benefits	-	-	**-**	-
Other employment benefits	-	-	**-**	-
Termination benefits	-	-	**-**	7
Temporary staff	-	3,316	**3,316**	-
Total gross staff costs	**144,628**	**10,061**	**154,689**	**128,547**
Recoveries in respect of seconded staff	-	-	-	-
Total staff costs	**144,628**	**10,061**	**154,689**	**128,547**
Of which				
Costs capitalised as part of assets	731		**731**	748

Working with our people

In 2019 we developed the five themes of our people strategy into action plans with key deliverables over 2020 and 2021. The five themes are:

- *workforce planning and development;*
- *health and wellbeing;*
- *education and development;*
- *equality diversity and inclusion; and*
- *colleague engagement*.

Alongside the people strategy sits our new culture and behaviour strategy with the four key cultural ambitions of '*Feel Safe, Team Up, Keep Learning, and Lead Together".* These ambitions were 'soft launched' into the Trust in 2019 as part of action learning sets, team away days, decision making, people policy content and style. In 2020 key actions were developed and these complement and support the people strategy and together form our people plan. Key deliverables will continue throughout 2020 and 2021.

Our approach to engaging with colleagues

The Trust has a well-established Joint Negotiating and Consultative Committee where policies and proposed changes that impact on colleagues are discussed and agreed. Another forum for consultation and feedback is our Council of Governors, membership of which includes colleague representatives and this annual report outlines the involvement of governors in the review of our corporate objectives, plans for embedding our Trust values and the development of our quality priorities.

The Trust's communication strategy supports effective communication with colleagues and patients, developing our brand as a Trust and supporting our people strategy. In 19/20 the Communication Team have refreshed our internet and intranet sites, have introduce a smart phone app called SCH on the Go to give colleagues easy access to information and advice.

Staff awards

Each year the hard work, commitment and dedication of our people is recognised through our annual Star Awards ceremony. This year we received over 800 nominations, a further increase year or year. Our awards have been reviewed to recognise colleague work on inclusion and diversity. Unfortunately, our awards ceremony was postponed because of the corona virus pandemic social distancing arrangements and plans are in place to hold the popular event at a later date.

Back to the Floor programme

Throughout this year we have continued with our programme which sees members of the Trust Board experience the services we deliver from the 'sharp end'. The programme enables executive and non-executive directors to experience the services we provide rather than just hearing about them in the boardroom.

The programme also enables colleagues to communicate directly with Board members about the challenges and opportunities of delivering front line services. Regular feedback from these visits is provided to the Council of Governors, members of which have also taken the opportunity to undertake visits to service areas, including visits to ward areas.

The executive directors have delivered a series of open sessions on how we are doing, to which all colleagues are invited and these continue in 2019/20.

National staff survey

Our 2019 results show a significant increase in our response rate compared to the previous year, jumping from 53.5 to 61%. Our overall staff engagement score moved slightly to 7.2/10 (from 7.1/10) Our results are broadly similar to the previous year, but with a positive improvement in the number of colleagues who would recommend the Trust as a place to work, and those who believe patient care is our top priority. The results are analysed to look for themes and areas for improvement and our staff engagement group lead on this work with representatives from across the Trust. Our full survey results are available at www.nhsstaffsurvey.co.uk

Supporting our staff

The Trust continues to provide education, learning and development opportunities for all staff. In 2019 we fully reviewed our approach to on-boarding new colleagues and this led to a smoother and more efficient process from advertising a vacancy to the induction of the new colleague. The new arrangement has saved time for colleagues through removal of tasks, and improved time to recruit through slicker processes. The success of the project to date has been through the collaboration of several corporate departments. Colleagues are now 'Day One Ready'.

Our mandatory training requirements are now aligned to the Health Skills Framework along with other NHS trusts so we can streamline our mandatory training requirement and passport this between health care organisations. Our new process has saved thousands of hours as we don't repeat mandatory training. We have also achieved our 90% compliance target.

In early 2020 we increased our capacity for leadership and management development training with the introduction of a new role, and we are now working at pace to understand the needs of our leaders and managers and develop our offer for 2020/21.

We have refreshed our approach to appraisal, as feedback was telling us that the quality of appraisal conversations could be better. For 2020 our refreshed policy and process is to start an appraisal season from April 2021 and to balance the conversation between individual performance, behaviour and development needs. Training on holding appraisal conversations has been increased. The new arrangement should also help to achieve our target of 90% of appraisals completed within 12 months, as we missed the target this year with only 78% of appraisals completed in the timescale.

Maintaining an environment that is safe for staff, patients and visitors is of the utmost importance to us. We place a strong focus on providing a safe and healthy working environment for staff. In 2019 we expanded our health and wellbeing offer with a focus on mental wellbeing, introducing mental health awareness training for managers, introducing 30 mental health first aiders to the Trust and introducing a 24/7 helpline for colleagues to access professional support. Our face to face counselling service continued to provide sessions and was over-subscribed in 19/20. Our staff survey results reflected positively on our steps to improve health and wellbeing.

We continue to provide a free to staff fast-track physiotherapy service, and financial wellbeing providers for colleagues to access confidentially for advice on managing debt and saving schemes

Through our occupational health service provider we offer a confidential service for employees to discuss health related matters and the impact of this on their work.

Speaking Up

Sheffield Children's has had a Freedom to Speak Up Guardian (FTSU) working across the Trust since March 2017, meeting the requirements of the Francis Review (2015) and NHS Standard Contract. The FTSU Guardian builds on the Raising Concerns Policy, assists staff to speak up and raise their concerns around patient safety and quality of care.

In October 2019 the National Guardians Office released the Freedom To Speak Up Index Report – a scored rating of all hospital Trusts and their Raising Concerns cultures, based on the results of the Staff Survey. SCH was the highest rated stand-alone Paediatric Trust nationally and also the highest rated NHS Trust throughout Sheffield plus South Yorkshire and Bassetlaw. This is reflected in the increasing department and local team based resolution of concerns, with FTSU derived positive changes in Trust culture and behaviours impacting across the Trust.

Activity in 2019/20 included:

- Supporting over 80 colleagues to raise their concerns and speak up.
- Inclusion of FTSU presentation on 'Day One' of monthly Trust Induction process for all new staff
- Relocation of office space on the acute site, resulting upturn in visibility and 'walk in' queries

- Increasing awareness of FTSU following inclusion in the Trust 'Health and Wellbeing' offer to all colleagues, referrals received from Mental Health First Aiders
- Whole Team approach to awareness raising sessions with over 400 staff attending sessions
- Bus Stop stall and involvement in Clinical Summit, contact with 500+ colleagues
- Involvement in Paediatric Critical Care Unit/team 'wellbeing' away days, providing safe space discussions and thoughts on FTSU for whole teams
- Sheffield Local FTSU Guardian Network established across partner organisations
- Speaking Up Month held throughout October: Information stalls held, poster campaign, and sign up to 'Staff Champion' team role.
- Refresh of the *'Everyone Deserves to be Heard'* poster and sticker campaign
- Regular 'Drop In' sessions held at Becton, Centenary House and Acute sites.
- Continued support from Board, Chair and Senior Independent Director to enable implementation of the FTSU Strategy and Vision: *To embrace an everyday culture of openness and transparency that enables staff to feel safe, free and encouraged to speak up and raise concerns: "Everyone Deserves to be Heard".*

A total of 61 concerns were raised via the FTSU Guardian during 2019/20, from both individuals and whole teams. The staff group reporting the most concerns were Nursing, aged 40-49 and of White British ethnicity - this cohort reflects the Trust's largest employee group. Increases in reporting concerns can be seen from both Admin and Clerical colleagues and also Clinicians.

Fig. FTSU Concern Totals by Directorate.

	Total
MEDicine	26
Surgery & Critical Care	4
PDG	5
CWAMH	19
Other (if applicable)	7
Trust Total	**61**

The majority of concerns raised were 'preventative' and not reactive to patient safety incidents per se.

Five investigations have occurred following intervention from a concern raised via the FTSU Guardian. Staff are showing greater confidence and awareness of speaking up via requesting investigations commence prior to contacting the FTSU Guardian. Themes from concerns have included mental health and wellbeing, safe staffing/workload, competencies, administration procedural issues and behaviours linked to communication.

Volunteering

We continue with our successful volunteer service. Some of our volunteers have been with us for many years; others come for one year and transfer their valuable experience to university, back into employment or onto other volunteering opportunities. Our volunteers work across all areas, including patient-facing and corporate roles and at any one time we have more than one hundred volunteers actively working within the Trust. Our volunteers are subject to the same stringent recruitment process and safeguarding checks as our employees and are easily identified by their red t-shirt uniform.

We recognise the valuable work of our volunteers through a specific volunteering category in our annual Star Awards. We also host an annual event where Trust executive directors meet our volunteers to thank them for their support to the Trust. We are one of a few NHS foundation trusts who have been accredited with the Investing in Volunteers (IIV) award.

Apprenticeships

Our apprenticeship programme enables the Trust to 'grow our own' talent, traditionally through attracting young people to the NHS including those who are looking for a career change. Our apprenticeship programme has been a real success in 2018 and now 2019. We continue to have double the number of apprentices in place since 2017. We have 50 apprentices, with a target of 70. We have expanded the range of apprenticeships from two to 15. Apprenticeships now include existing staff developing in their role and enabling the Trust to succession plan and

have an in-house solution to roles that are difficult to recruit in. We offer a variety of apprenticeships including administration, customer care, healthcare, pharmacy, health and social care (mental health and wellbeing), healthcare science in laboratory services and allied healthcare, theatres and our new nursing associate apprenticeship. We are continuing to review and expand the type of apprenticeships offered by the Trust to meet the demands of our services, and to take advantage of the opportunities provided by the apprenticeship levy.

Work placements

The Trust recognises the need for young people to gain an overview of the behaviours, skills and values that are required when joining the NHS as an employee. We offer work placements and workshops, where suitable, to students aged 16 to 24 (and occasionally people outside of this age group seeking a career change) to help them make informed career choices. We continue our partnership with the Master Cutler's scheme which enables groups of sixth-form students to engage with a variety of Trust staff to gain an insight into working life in the NHS.

Equality, Diversity and Human Right

Our key aim for colleagues to feel more included underpins all the other themes of our people strategy. In 2019 we have given priority to setting up arrangements to listening to how colleagues feel about working at SCH and how this can be improved, and to do this we have refreshed our BAME network group and introduced LGBT+, disability and gender network groups. The groups are still growing in participation, but the enthusiasm for supporting colleagues is apparent. In 2019 the NHS Rainbow Badge launch highlighted the support for LGBT+ patients and the call to expand support for colleagues. Our Leadership Forum has had guest speakers on inclusion and the importance of diversity in effective teams. We joined the Stonewall Diversity Champion Programme to ensure we had expert support and guidance on our practices, our policies and events, and this work is evident in some of our policies and practices and will continue.

The Board, through its People and Performance Committee, receives regular updates on our work in this area and is keen to support our continued progress.

Our Workforce Race Equality Scheme (WRES) action plan is a live document that addresses a number of issues including those identified through workforce data, for example our recruitment profile, leavers and diversity amongst senior leaders, as well as themes raised through staff feedback, such as our national staff survey or network groups. Improving feedback is a theme of our 2020 actions for all colleagues, and with an emphasis on inclusion.

Charitable support

The Trust continues to receive support from The Children's Hospital Charity, whose fundraising efforts support and enhance the Trust's services.

The charity funds four key areas: specialist medical equipment, research into the prevention and cure of childhood illnesses, new facilities to extend the range of treatment provided and improvements to the hospital environment.

Artfelt, The Children's Hospital Charity's arts programme, continues to support the hospital through workshops and improving the hospital environment.

Charity highlights over the last year have included:

- Donating £850,000 to the Trust for the relocation, expansion and development of a new Safeguarding Support Unit. The design of this state-of-the-art facility was devised by Artfelt to provide the best possible environment for the assessment and support of children and young people where there have been safeguarding concerns. Working with staff in the unit and psychologists, Artfelt created a unique space which is welcoming, neutral and safe. As well as play equipment for all ages, the unit also has innovative digital pieces for children during their visit.

Produced by digital arts studio Megaverse, the 'Colour Wall' in the main waiting room allows anyone who uses it to colour-in using only movement of their hand, whilst inside the treatment rooms, a mesmerising ceiling of bubbles move and bounce off inanimate objects.

- The charity launched the Build a Better Future appeal in July 2018. Within the first 18 months over £5,615,000 had been raised to transform the Emergency Department, Ward 6 and build a new Helipad. The money was raised through charitable trust donations including over £1million from the Help appeal, one off donations from individual supporters, charity events such as Theo's Inflatable 5k and Chatsworth Walk.

- Following a hugely successful Winter Ball, The Children's Hospital Charity raised £200,000 for operating theatres equipment. The specialist equipment will enable the integration of both flexible and rigid surgical scopes into the operating theatres, complete with a specialist HD camera system. The cameras will be four times the resolution of the existing systems, and with advances in technology, the new pieces of equipment will support surgical outcomes for years to come. The specialist pieces of equipment will also enable operations to be broadcast internationally, helping surgeons across the world learn from the world-class experts based in Sheffield.

- The charity also funded vCreate - a Secure Video Messaging service that allows the clinical teams to send video updates to parents for those times when they are unable to be with their child – for the Neonatal Surgery Unit. Parents access videos of their child without the worry of missing out but also to receive reassurance of their child's wellbeing and minimise any separation anxiety. It is safe, secure and parents download their child's videos to keep when they leave the unit.

- The charity has partnered with Sheffield Hallam University's Advanced Wellbeing Research Centre (AWRC) with a commitment to invest £50,000 into a Feasibility and Proof of Concept Fund. The purpose of the scheme is to fund technical concepts in aspects of children and young people's treatment that are:

    - Designed to improve child health outcomes
    - Able to be developed into a product or service with commercial potential
    - Able to secure future funding.

- A pilot study of four children with Autism Spectrum Disorder (ASD) was funded to observe interactions with two social robots. The robots were: a Softbank Robotics humanoid called NAO, which speaks, dances and gives instructions to the child; and the pet-like MiRo, which behaves like a pet dog, moving around, making noises and barking. Research has shown that children with ASD respond positively to robots, which can help lower anxiety levels, and aid the child's communication and attention skills. Robots have an advantage over standard technology because they have a physical presence, can interact with the environment and simulate a social interaction, including non-verbal cues such as eye gaze, gestures and posture.

- Artfelt uses art and creativity to transform the experience of being in hospital. It fills the hospital's walls and spaces with bright art, helping children recover in an environment tailored to them and puts on workshops to provide distraction during anxious moments - such as before an operation, and to break up long stays on the wards. In 2019/20, they delivered numerous projects across the Trust, including:

    - An extension to their award-winning tangram project into two refurbished spaces in the hospital's Theatre Department. Now patients undergoing dentistry and oncology treatments in the Procedure Room can enjoy an underwater world created with tangram shapes. Whilst central to the post-operative Recovery Room is a magnetic wall, which gets children out of their chairs and making characters from magnetic shapes; whilst allowing staff to check their mobility and suitability for discharge.

    - Artfelt commissioned local architects Studio Polpo to update the High

Dependency Unit. Following staff and patient consultation, Studio Polpo designed a scheme which helps children in the cubicles feel less isolated, provides solutions for the lack of natural light and storage, plus installation of an additional nurses' station. The scheme included decoration throughout and light boxes behind the bed bays that work with the circadian rhythms.

- 1,817 active participants joined in with workshops, which are on offer across all Trust sites.

- Artfelt secured £40,000 to launch Artfelt Sounds, a two-year music programme, which began with a summer festival and is part of efforts to diversify our participation offer. We also increased our focus on live streaming and virtual projects to ensure as many patients as possible benefit from our work and looked to strengthen links with other cultural organisations within the city. One of our highlights of the year was the live streaming of the Lyceum Theatre's Christmas pantomime in collaboration with Sheffield Theatres.

- The Long Gallery hosted two exhibitions, the continuation of 'Collective', which celebrated the 20 leading artists from around the world who were commissioned across the new wing, and 'Family Matters' by popular Sheffield artist and Artfelt patron, Pete McKee.

Consultancy

The Trust expenditure on consultancy services was £449k. This was for a range of activities including recruitment searches, advice and benchmarking.

Off payroll engagements

The Trust has no off-payroll engagements in relation to members of staff as a result of IR35 regulations which came into effect on 6 April 2017. The Trust has done a review of all such arrangements and is satisfied that it will remain in this position.

Exit packages

Two exit packages were paid out during the year 2019/20.

Fig: Compensation scheme - exit packages

Staff exit packages	2019/20			2018/19		
Exit package cost band (including any special payment element)	Compulsory redundancies	Other departures agreed	Total exit packages	Compulsory redundancies	Other departures agreed	Total exit packages
< £10,000	0	0	0	1	0	0
£10,001 - £25,000	0	0	0	0	0	0
£25,001 - £50,000	1	0	1	0	0	0
£50,001 - £100,000	1	0	1	0	0	0
Total number by type	**2**	**0**	**2**	**1**	**0**	**0**
Total resource cost (£000)	**189**	**0**	**189**	**7**	**0**	**7**

Fig: Exit packages: other (non-compulsory) departure payments

	2019/20		2018/19	
	Payment agreed	Total value of	Payment agreed	Total value of
Voluntary redundancies including early retirement contractual costs		£000		£000
Mutually agreed resignation (MARS) contractual costs	-	-	-	-
Early retirements in the efficiency of the service contractual costs	-	-	-	-
Contractual payments in lieu of notice	-	-	-	-
Exit payment following Employment Tribunals or court orders	-	-	-	-
Non contractual payments requiring HMT approval				
Total	**0**	**0**	**0**	**0**
Of which:				
Non-contractual payments requiring HMT approval made to individuals where payment value was more than 12 months' of their annual salary	-	-	-	-

Trade union facilities time

The Trust reports annually on its facilities time for trade union representatives in accordance with The Trade Union (Facility Time Publication Requirements) Regulations 2017

Table 1 - Relevant union officials

What was the total number of your 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*
21	2900

Table 2 - Percentage of time spent on facility time

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

Percentage of time	*Number of employees*
0%	3
1-50%	11
51%-99%	0
100%	1

Table 3 - Percentage of pay bill spent on facility time

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

First Column	*Figures*
Provide the total cost of facility time	£40,139
Provide the total pay bill	£154,725,000
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.03%

Table 4 - Paid trade union activities

As a percentage of total paid facility time hours, how many hours were 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* 76.87%

Compliance with NHS Foundation Trust Code of Governance

Sheffield Children's NHS Foundation Trust has applied the principles of the NHS Foundation Trust Code of Governance on a 'comply and 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.

The Board continues to seek to comply with the code and through the Risk and Audit Committee has reviewed compliance against provisions of the code.

The Board made the required disclosures within this Annual Report and considers it is compliant with the NHS Code of Governance, with the exception of paragraphs B6.2 and B.6.5.

Further details of how the Trust has applied the code principles and complied with its provisions are set out here.

The responsibilities of both the Trust Board and the Council of Governors are also laid out in the Trust's Constitution which can be downloaded from: https://www.sheffieldchildrens.nhs.uk/about-us/publications/

Provision	Description	How the Trust complies	Assurance
A1.1	The board of directors should meet sufficiently regularly to discharge its duties effectively.	The board of directors holds part one and two board meetings each month. 'Part three' strategy sessions are held two months out of every three.	Board timetable Board agenda
	There should be a schedule of matters specifically reserved for its decision.	The scheme of delegation details the matters reserved for the board of directors.	Scheme of delegation
	The schedule of matters reserved for the board of directors should include a clear statement detailing the roles and responsibilities of the council of governors (as described in section B).	A clear statement of the roles and responsibilities of the board of directors and the council of governors is included in the scheme of delegation and is based on legislation, the constitution, terms of authorisation and the latest guidance published by NHS Improvement.	Scheme of delegation
	This statement should also describe how disagreements between the council of governors and the board of directors will be resolved.	A clear statement explaining how disagreements between the council of governors and the board of directors will be resolved is included in the constitution.	Constitution
	The annual report should include this schedule of matters or a summary statement of how the board of directors and the council of governors operate, including a summary of the types of decisions to be taken by each of the boards and which are delegated to the executive management by the board of directors. These arrangements are to be kept under review at least annually.	The annual report details how the board of directors and the council of governors operate and includes a high-level statement of which types of decisions are taken by each of the bodies. The scheme of delegation details the decisions delegated by the board of directors to the executive management of the Trust.	Annual report Scheme of delegation
A1.2	The annual report should identify the chairperson, the deputy chairperson (where there is one), the chief executive, the senior independent director (see A 4.1) and the chairperson and members of the nominations, audit and remuneration committees.	The annual report identifies the chair, deputy chair, chief executive, senior independent director and the chair and members of the relevant committees.	Annual report

	It should also set out the number of meetings of the board and those committees and the individual attendance by directors.	A record is kept of the number and attendance of directors at board of directors meetings; it is included in the annual report. A record is also kept of the attendance of non-executive directors' at committee and board meetings.	Annual report
A5.3	The annual report should identify the members of the council of governors, including a description of the constituency or organisation that they represent, whether they were elected or appointed, and the duration of their appointments. The annual report should also identify the nominated lead governor. A record should be kept of the number of meetings of the board and the attendance of individual governors and it should be made available to members on request.	The annual report identifies the governors and the lead governor and includes a description of the constituency/organisation they all represent.	Annual report

B1.1	The board of directors should identify in the annual report each non-executive director it considers to be independent. The board should determine whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. The board of directors should state its reasons if it determines that a director is independent despite the existence of relationships or circumstances which may appear relevant to its determination, including if the director: • has been an employee of the NHS foundation trust within the last five years; • has, or has had within the last three years, a material business relationship with the NHS foundation trust either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the NHS foundation trust; • has received or receives additional remuneration from the NHS foundation trust apart from a director's fee, participates in the NHS foundation trust's performance-related pay scheme, or is a member of the NHS foundation trust's pension scheme; • has close family ties with any of the NHS foundation trust's advisers, directors or senior employees; • holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; • has served on the board of the NHS foundation trust for more than six years from the date of their first appointment; or • is an appointed representative of the NHS foundation trust's university medical or dental school.	The non-executive directors are identified in the annual report. The board has recently considered the matter of those of its directors that it considers independent. None of the non-executive directors have been employed by the foundation trust prior to their appointment as non-executive directors. The interests declared by the non-executive directors are updated regularly, are available for inspection and are reported to board on an annual basis. The remuneration of the chair and non-executive directors is set by the council of governors and consists of the directors' fee. All directors are required to declare any close family ties with any of the foundation trust advisors, directors or senior managers. The directors declare such interests on the register of interests where they exist. The non-executive directors are required to undergo a re-appointment process every three years and thereafter are subject to annual re-election to ensure they remain independent.	Report to Board regarding independence of directors Annual report - NED biographies BoD declaration of interests Constitution

B1.2	At least half the board of directors, excluding the chairperson, should comprise non-executive directors determined by the board to be independent.	The board of directors comprises six executive directors including the Chief Executive and seven non-executive directors including the Chair.	Constitution Annual report
B1.4	The board of directors should include in its annual report a description of each director's skills, expertise and experience. Alongside this, in the annual report, the board should make a clear statement about its own balance, completeness and appropriateness to the requirements of the NHS foundation trust. Both statements should also be available on the NHS foundation trust's website.	The annual report includes a description of each director's expertise and experience. A statement about the board's own balance, completeness and appropriateness to the requirements of the NHS foundation trust has been agreed by the board, is in the annual report and is included on the Trust's website.	Annual report
B2.10	A separate section of the annual report should describe the work of the nominations committee(s), including the process it has used in relation to board appointments. The main role and responsibilities of the nominations committee should be set out in publicly available, written terms of reference.	The annual report describes the work of the council of governors' remuneration and recruitment committee including the process for the appointments to the board.	Annual report
B3.1	For the appointment of a chairperson, the nominations committee should prepare a job specification defining the role and capabilities required including an assessment of the time commitment expected, recognising the need for availability in the event of emergencies. A chairperson's other significant commitments should be disclosed to the council of governors before appointment and included in the annual report. Changes to such commitments should be reported to the council of governors as they arise, and included in the next annual report. No individual, simultaneously whilst being a chairperson of an NHS foundation trust, should be the substantive chairperson of another NHS foundation trust.	A job description for the chairperson is prepared and agreed with the council of governors. The chair's other significant commitments are disclosed to governors and included in the annual report. The chair is not a chair of any other foundation trust.	The role specification of the chairperson BoD declarations of interests Annual report

B 5.6	Governors should canvass the opinion of their members, and for appointed governors the body they represent, on the NHS foundation trust's forward plan, including its objectives, priorities and strategy, and their views should be communicated to the board of directors.	Governors' views on the refreshed strategic direction were canvassed via a special workshop and fed back to directors. Views from members are canvassed through the Back to the Floor programme and regular emails. Future plans are shared in formal meetings while strategies are taken through committees (where governors are observers) prior to consideration at board of directors.	CoG agenda papers Board committee minutes Joint strategy session
B.6.1	The board of directors should state in the annual report how performance evaluation of the board, its committees, and its directors, including the chairperson, has been conducted, bearing in mind the desirability for independent assessment, and the reason why the NHS foundation trust adopted a particular method of performance evaluation.	Details of board, committee and director evaluation is provided in the annual report.	Annual report
B.6.2	Evaluation of the boards of NHS foundations trusts should be externally facilitated at least every three years. The evaluation needs to be carried out against the board leadership and governance framework set out by NHS Improvement. The external facilitator should be identified in the annual report and a statement made as to whether they have any other connection to the trust.	The Board has carried out two self-assessments with assistance from its internal auditors which have led to action plans that have been monitored at Board and its committees. There are plans for an externally facilitated review in autumn 2020.	Reports of IA well-led reviews Report on timetable for Well Led review

B 6.5	Led by the chairperson, the council of governors should periodically assess their collective performance and they should regularly communicate to members and the public details on how they have discharged their responsibilities, including their impact and effectiveness on: • holding the non-executive directors individually and collectively to account for the performance of the board of directors. • communicating with their member constituencies and the public and transmitting their views to the board of directors; and • contributing to the development of forward plans of NHS foundation trusts. The council of governors should use this process to review its roles, structure, composition and procedures, taking into account emerging best practice. Further information can be found in NHS Improvement's publication: *Your statutory duties: A reference guide for NHS foundation trust governors*.	The council of governors reviewed its roles, structure, composition and procedures as part of the February 2019 review of the constitution. A wider effectiveness review is planned for 2020.	Review of constitution report
C 1.1	The directors should explain in the annual report their responsibility for preparing the annual report and accounts and state that they consider the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for patients, regulators and other stakeholders to assess the NHS foundation trust's performance, business model and strategy. There should be a statement by the external auditor about their reporting responsibilities. Directors should also explain their approach to quality governance in the Annual Governance Statement (within the annual report).	These requirements are met.	Annual report

C 2.1	The board of directors should maintain continuous oversight of the effectiveness of the NHS foundation trust's risk management and internal control systems and should report to members and governors that they have done so in the annual report. A regular review should cover all material controls, including financial, operational and compliance controls.	The board receives a regular report on the high level risks and board assurance. The BAF is reviewed each quarter while all operational risks above 20 are notified to board each month. The Trust's annual report includes an annual governance statement which sets out a review of the Trust's internal control processes.	Agenda papers for BoD Annual report
C 2.2	A trust should disclose in the annual report: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Details in the annual report identify that an internal audit function is in place and gives brief details of its work during the year. Full details can be found in the reports presented to the Risk and Audit Committee (RAC).	Annual report RAC reports and minutes
C 3.5	If the council of governors does not accept the audit committee's recommendation, the board of directors should include in the annual report a statement from the audit committee explaining the recommendation and should set out reasons why the council of governors has taken a different position.	This has not arisen but if it were to happen the council of governors would follow this process.	--

C 3.9	A separate section of the annual report should describe the work of the committee in discharging its responsibilities. The report should include: • the significant issues that the committee considered in relation to financial statements, operations and compliance, and how these issues were addressed; • an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or re-appointment of the external auditor, the value of external audit services and information on the length of tenure of the current audit firm and when a tender was last conducted; and • if the external auditor provides non-audit services, the value of the non-audit services provided and an explanation of how auditor objectivity and independence are safeguarded.	The work of the RAC is included in summary form in the annual report. The terms of reference are available on request.	Annual report Committee terms of reference
D 1.3	Where an NHS foundation trust releases an executive director, for example to serve as a non-executive director elsewhere, the remuneration disclosures of the annual report should include a statement of whether or not the director will retain such earnings.	The situation has not arisen but a disclosure would be made in the annual report if such a situation did occur.	Annual report
E 1.4	The board of directors should ensure that the NHS foundation trust provides effective mechanisms for communication between governors and members from its constituencies. Contact procedures for members who wish to communicate with governors and/or directors should be made clearly available to members on the NHS foundation trust's website and in the annual report.	Contact advice is included on the website and in the annual report. Governors have a range of mechanisms to communicate with members including the annual members meeting.	Annual report Website

E 1.5	The board of directors should state in the annual report the steps they have taken to ensure that the members of the board, and in particular the non-executive directors, develop an understanding of the views of governors and members about the NHS foundation trust, for example through attendance at meetings of the council of governors, direct face-to-face contact, surveys of members' opinions and consultations.	The board of directors provides a statement in the annual report of the steps taken by the board of directors in understanding the views of the governors.	Annual report
E 1.6	The board of directors should monitor how representative the NHS foundation trust's membership is and the level and effectiveness of member engagement and report on this in the annual report. This information should be used to review the trust's membership strategy, taking into account any emerging best practice from the sector.	The annual report provides detailed information on the Trust's membership and membership activities. The Trust's membership strategy is reviewed on a regular basis.	Annual report Membership strategy

NHS oversight framework

NHS England and NHS Improvement's NHS 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 one to four, where 'four' reflects providers receiving the most support, and 'one' reflects providers with maximum autonomy. A foundation trust will only be in segments three or four where it has been found to be in breach or suspected breach of its licence.

Segmentation

NHS England and NHS Improvement has reviewed the Trust's performance and information available to it and placed the Trust in Segment 2. This segmentation information is the Trust's position as at 31 March 2020. Current segmentation information for NHS trusts and foundation trusts is published on the NHS Improvement website.

Finance and use of resources

The finance and use of resources theme is based on the scoring of five measures from one to four, where one 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 NHS Oversight Framework, the segmentation of the Trust disclosed above might not be the same as the overall finance score here.

Fig: Finance and use of resources scorings

Area	Metric	2019/20 Scores			
		Q4	Q3	Q2	Q1
Financial stability	Capital service capacity	4	4	4	3
	Liquidity	1	1	1	1
Financial efficiency	Income and Expenditure (I&E) margin	4	4	4	2
Financial controls	Distance from financial plan	1	1	4	2
	Agency spend	1	1	1	1
Overall		**2**	**3**	**2**	**2**

John Somers
Chief Executive
19 June 2020

Accountability Report signed by the Chief Executive in capacity as Accounting Officer

Statement of accounting officer's responsibilities

Statement of the Chief Executive's responsibilities as the accounting officer of Sheffield Children's NHS Foundation Trust

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

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

John Somers, Chief Executive

19 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 the NHS foundation trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS foundation trust is administered prudently 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 the policies, aims and objectives of Sheffield Children's NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in Sheffield Children's NHS Foundation Trust for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

Leadership

The Board is responsible for reviewing the effectiveness of the system of internal control including systems and resources for managing all types of risk.

A robust board-approved risk management strategy and policy clearly sets out the accountability and reporting arrangements to the Board for the identification, evaluation and management of risk within the Trust.

This strategy provides the Board with assurance that appropriate structures are in place to assess and minimise risk within the organisation. It clarifies individual and collective responsibility for risk management; starting with the Chief Executive having overall responsibility, and delegation to named executive directors, with leadership further embedded by ownership at local level through managers taking responsibility for risk assessment and analysis to all staff within the organisation having a responsibility for the identification and reporting of risks and incidents.

The Risk Management Strategy also sets out the Trust's attitude to risk and includes guidance on risk identification, risk assessment, risk scoring and risk monitoring, as well as outlining the agreed principles for effective risk management within the Trust, along with clarity of roles of the Board committees and groups within the Trust executive sub-structure.

Incident reporting is openly encouraged through staff training and the Trust promotes open and honest reporting of incidents, risks and hazards through its incident reporting policy.

This is supported by a clear and structured process and the Trust can evidence a strong reporting culture and sharing of learning across the divisions and departments. Root cause analysis from serious incidents is routinely used to learn from incidents and tailor standard operating procedures.

The Trust is committed to using information such as trends in incidents, complaints and claims to continually enhance and improve its services and standards of patient care.

Internal audit reports and clinical audit work are used to provide assurance that changes to practice have become embedded. Major reports from healthcare regulators are used to identify learning from significant incidents. With Datix we are able to utilise the service level data we hold in real time relating to incidents, risks and complaints to enhance learning. The Quality Committee has oversight of serious incidents and a standing exception report on actions following serious incident investigations is monitored by the Risk and Audit Committee.

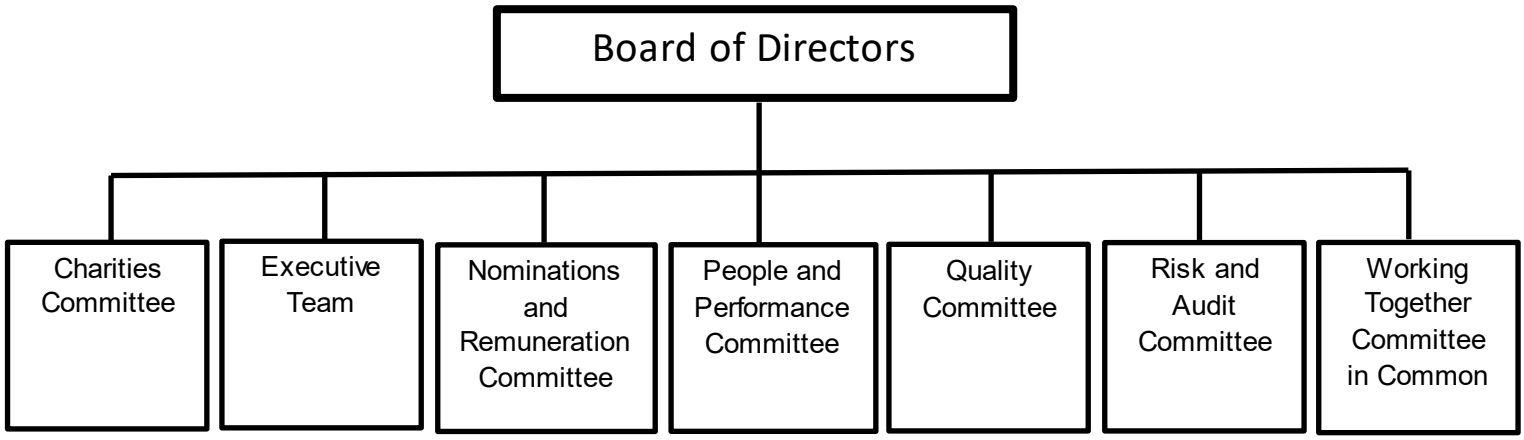
Evidence for compliance against NHS Resolution and Care Quality Commission (CQC) standards is held electronically and updated annually. Changes to National Institute of Clinical Excellence (NICE) guidance, national audit recommendations, information governance toolkit performance and the output from serious incidents are analysed and incorporated into policies and training.

As noted above, the Board has established a committee structure to provide assurance on and challenge to the Trust's risk management process. These integrated committees of the Trust Board are the key structures in ensuring quality, safety and management of risk and provide the mechanism for managing and monitoring risk throughout the Trust and reporting through to the Trust Board.

Each of the standing committees of the Board, other than Executive Team, is chaired by a Non-executive Director to enhance independent scrutiny and challenge and Committee chairs report formally to the Board; to confirm delivery of assurance or escalate matters as necessary.

Executive directors provide leadership on the management of key areas of risk commensurate with their roles and are represented across the Board committee structure.

Fig: Trust Board Committee structure



The Risk and Audit Committee oversees the system of internal control and overall assurance process associated with managing risk. It receives assurance from the Executive Risk Management Committee on all serious untoward incidents and routine and exception-based reports from aligned Board committees.

This allows this Committee to discharge its responsibility for providing assurance to the Trust Board in relation to all aspects of governance, risk management and internal control.

The composition of the Board as a whole remains relatively stable with two changes in year.

Impact of COVID-19

During the latter part of 2019/20, the Trust's operations were impacted significantly by the impact from the COVID-19 global pandemic.

The Trust's governance structure allowed a prompt response with Gold, Silver and Bronze commands set up alongside specific working groups on clinical operations, people and personal protective equipment.

The Board and its committees continued to meet virtually and gain assurance whilst risk and internal control systems adapted to the new environment with streamlined processes being put in place.

To date the pandemic has not led to the emergence of any new significant control issues.

Staff training and guidance on the management of risk

Risk management training and awareness is incorporated within the Trust's induction programme for new starters and is a key element of annual mandatory training for all staff. The frequency and level of risk management training is identified through training need assessments, which ensures that individual members of staff have the relevant training to equip them for their duties and level of responsibility.

Additionally, a range of policies are in place and available to staff via the Trust intranet which describe the roles and responsibilities in relation to the identification, management and control of risk. Staff are made aware of these policies and actively encouraged to access them to ensure that they understand their own roles and responsibilities in this area.

Risk management and the Board assurance framework

A robust and on-going risk management process, embedded across the organisation, is the basis for the Trust's system of internal control.

As referenced above, a comprehensive board-approved risk management strategy and policy clearly describe a structured and systematic approach to the identification, evaluation and control of risk. The document describes the Trust's overall risk management process, within which the operation of a Board Assurance Framework (BAF) and risk registers ensure that risk management is an integral part of clinical, managerial and financial processes across the Trust.

The Trust's risk appetite matrix has been defined by the Risk and Audit Committee and adopted by the Trust's Board of Directors. This clearly articulates what risks the Board is willing or unwilling to take in order to achieve the Trust's strategic objectives and defines tolerances for balancing different elements of risk, including patient safety, reputation, workforce, innovation and financial / value for money, based on how much, or little the Trust wishes to commit in terms of risk.

The definition of this risk appetite informs discussion of controls and assurances in place in relation to our key strategic risks set out within our BAF and, on embedding further, will be a tool in the future consideration of service changes or investment decisions.

The use of a single standard assessment tool to identify risks ensures a consistent approach is taken to the evaluation and monitoring of risk.

Using a grading matrix of likelihood and consequence to produce a risk score enables risks to be prioritised against other risks on risk registers. Low scoring risks (less than 12) are managed by the area in which they are found, while higher scoring risks are actively discussed at the Executive Risk Management Committee. Risk scores over 16 are reported to the Risk and Audit Committee and those over 20 to the Board of Directors.

To support reporting of risks from Ward to Board, the risk escalation process through our governance structure is defined within the risk management strategy, with top scoring risks being additionally reported to the Trust Board monthly. All risk control measures are identified, implemented and monitored to reduce the potential for adverse consequences.

The BAF is a mechanism for proactively assessing risk and control at the very highest level and provides the structure for the evidence to support the annual governance statement.

It focuses on a core set of broad overarching risks identified by the Board as risks to the achievement of the Trust's key strategic aims. Throughout the course of the year scrutiny is given to associated controls in place and sources of assurance through which the controls can be seen to be effectively working. This allows assessment by the Board of areas where gaps in control exist and consideration of any measures the Trust would wish to introduce to reduce identified risks.

The Risk and Audit Committee has continued, as a standing item on its agenda, to rotate the consideration and review of key BAF risks during the year.

This has brought together, and documented, evidence that routine discussion relating to key strategic risks takes place across the wider agenda of the Trust Board and its committees. Where the Committee has not been able to satisfy itself that adequate discussion is taking place, these assurance gaps can be addressed within the work programme of the Board or its most appropriate committee.

As part of the ongoing use of the BAF, the Board's risk appetite statement has been utilised to review target risks scores for each BAF risk. This work ensures that the Board is clear on actions to be taken to reduce risk scores in line with agreed timelines.

Quality governance arrangements

The Trust's commitment to quality governance is embedded in its values and strategic aims, which clearly reference providing high quality patient experience and outcomes. The Board takes clear responsibility for ensuring the quality and safety of the Trust's services and ensuring that there are robust structures in place in relation to quality performance management and clear quality risk management processes/ reporting mechanisms.

The Board committee arrangements for quality governance were reviewed during 2019 with ongoing work to strengthen the divisional governance processes underway, temporarily interrupted the Trust reaction to COVID-19.

A staff engagement piece was also undertaken to inform the Trust Quality Strategy which will align with the Trust's new Strategy and the Quality Priorities for 2020/21. This will be the final piece of governance improvement following the dissemination of responsibility to divisions last year with the implementation of Datix.

Embedding of a clear, effective and transparent process for sharing the learning from complaints, serious incidents, audits, patient feedback, incidents and Trust quality priorities that cascade from the Board to the clinical and non-clinical areas further supports integrated governance reporting.

Policies for risk management, complaints management, Serious Incidents and Duty of Candour have all been refreshed during 2019/20, together with the risk management strategy and a refresh of the risk appetite matrix. Undoubtedly the learning from COVID-19 will additionally be integrated into these processes during 2020/21.

The continued development of detailed quality governance reporting at divisional level allows quality metrics across risk management, patient experience and clinical effectiveness to be reported alongside performance and finance within the integrated performance report. Each month divisional performance review meetings are held where executive directors meet senior clinical and managerial staff from each division to review performance against a range of measures. Divisional performance scorecards containing in-month data and historical trends allow quality indicators to be triangulated alongside other performance measures to identify achievement and identify where improvement is necessary.

Observations of the quality of care are undertaken through a Back to the Floor programme where Trust Board members visit clinical and non-clinical departments to maintain an oversight on performance. These visits also provide a valuable opportunity for members of the Board to discuss specific aspects of day-to-day challenges and ideas for improving patient experience and staff productivity. The Medical Director and the Director of Nursing and Quality also undertake a routine programme of walk-arounds which support Ward to Board engagement and the identification of quality risks.

The Trust is also one of 14 NHS organisations in England to be undertaking the Pathway to Excellence® accreditation programme. This programme embeds the improvement of quality and measurement of key metrics at ward or department level and over the forthcoming year will also review the Nursing Quality Dashboard and refresh the Nursing and Allied Health Professional Strategy.

Monitoring of quality impact is aligned to the eleven Transformation work-streams which were refreshed at the close of the financial year. A standing item on the agenda of the Quality Committee is exception reporting in relation to quality impact assessments as a means of Board oversight of the quality impact assessment process. The quarterly divisional deep-dive reviews presented to the Quality Committee provide a further opportunity to assess the cumulative impact of schemes.

The Trust's quality impact assessment policy sets out an agreed process for assessing the impact on quality of cost improvement or service development plans. Key elements of this policy are:

- clear guidelines for schemes that require a quality impact assessment;
- template project documentation which includes a description of the benefit to patients, quality indicators, patient safety issues to be considered, impact on clinical outcomes for consideration, impact on patient experience and any implications for the health, safety and performance of staff;
- where an adverse impact is identified, a risk assessment of the current position must be provided together with any controls taken to mitigate the risk. The risk assessment process follows the standard Trust format;
- risks are recorded and any projects with scores of 12 and over should be reviewed monthly;
- an overview of approved quality impact assessments are discussed at the monthly Quality Committee, with any high risks being discussed in full; and
- documentation with omitted information, lack of clarity or areas of clinical concern are not approved and are returned to the division for further work if appropriate.

The Trust last underwent a CQC Well Led inspection in April 2019 and is currently working to the action plan submitted to the regulator in July 2019.

Quality of Performance Information

As part of our quality governance arrangements, a framework exists for the management and accountability of data quality. This is supported by a formal Data Quality Group which develops and prioritises a work programme each financial year that addresses data quality issues within the Trust.

The work programme is presented for consideration by the Trust's Information Governance Committee which reports into the People and Performance Committee. Reports against agreed data quality standards include:

- completeness and accuracy of data submitted to the secondary uses service, including the use of that data under the payment by results system;
- comparison of data to externally produced data quality reports and to external benchmarking information;
- the accuracy of Trust's activity coding.

Reviews of data quality and the accuracy, validity and completeness of Trust performance information are also considered by the Risk and Audit Committee through in-year review of work undertaken by internal and external audit.

CQC compliance

The last CQC inspection undertaken at the Trust was between 29 February 2019 and 4 April 2019. This involved inspections of four core services, Urgent and Emergency Care, Surgery, Outpatients and Transition. A further inspection of specialist community child and adolescent mental health services and inpatient child and adolescent mental health services (CAMHS) was also undertaken. The 2019 process closed on 4 April 2019 following a three day 'well led' review. The Trust was rated as 'Good' in the report published on 18 July 2019.

The Trust received a 'Requires Improvement' rating for the community Child and Adolescent Mental Health Services and also for the Safe domain on the acute site.

The Trust has responded to the issues raised by the CQC through the implementation of a comprehensive action plan, driven and closely monitored by executive leads, reported upwards to the Trust Board and Quality Committee.

The organisation's major risks

The Board Assurance Framework (BAF) bases itself around an assessment of the Trust's future risk profile and describes the key risks which, if not managed, would impact on the Trust's ability to deliver its high-level strategic ambitions.

Each BAF risk consolidates a number of individual key current and future organisational risks. The mapping of relevant high level risks entered onto the Trust risk register identifies current risks which would impact on the delivery of strategic aims.

As at 31 March 2020, these risks can be categorised under the following twelve themes:

- Failure to effectively deliver healthcare impacts on the safety and quality of patient experience, regulatory compliance and loss of confidence of the wider community

- Risk that we do not maintain financial stability due to failure to deliver our financial plan or the negative impact of movement to a system-wide financial planning regime, resulting in requirements for additional CIPs or reduction in level and standard of quality of our services.

- Failure to ensure that the Trust has a motivated, suitably trained and engaged workforce impacts on operational performance, transformational change and achievement of strategic objectives.

- Failure to ensure that the Trust recruits and retains staff in the right numbers and with the appropriate breadth of skills and competencies to deliver high quality services now and in the future.

- Risk that insufficient leadership capacity and capability prevents necessary transformational change to deliver efficient, high quality services.

- Risk to clinical service viability due to failure to meet nationally defined standards or changes to the

commissioning and / or configuration of services.

- Failure to engage effectively with partner organisations and the local community threatens the ability of the Trust to deliver its strategic ambition.

- Failure to engage with our clinicians prevents the development / implementation of an effective clinical strategy to deliver high quality services that responds to the needs of patients and other health and social care partners and prevents us from capitalising on the use of research, innovation and technology.

- Failure to ensure that the required IT infrastructure and strategy is in place to safeguard patient safety, deliver clinical services and support clinical strategy and transformation impacts on the Trust's ability to improve quality and transform services.

- Failure to develop our leadership, management and governance arrangements to ensure delivery of sustainable high quality person-centred care, support learning and innovation and promote an open and fair culture prevents the Trust from demonstrating that it is a 'Well Led' organisation.

- Operational constraints and failure to deliver transformation impact on our ability to deliver planned activity and manage demand impacting on operational efficiency, service quality and financial performance.

- Failure to maintain the Trust's cash position would result in the Trust not being able to satisfy its obligations in respect of pay and non-pay costs.

- Lack of operational capacity affects the Trust's ability to lead mental health provision for young people leading to adverse patient outcomes, negative impact on staff well-being and reputational damage

These risks are being mitigated through close monitoring, but will continue to be some of the risks for the organisation in the year ahead.

More details around the key risks that the Trust will seek to manage over the coming year in the context of our current financial and operating environment are outlined within the performance section of this annual report.

Compliance and validity of the NHS Foundation Trust condition 4 (FT Governance): Corporate Governance Statement

The Board annually considers the corporate governance statement with a view to confirming compliance with condition FT(4) of the provider licence. To assure validity of this statement, a schedule of evidence of compliance with each element of the declaration is prepared by the executive team for review by the Board prior to final sign off.

Each element of the corporate governance Board statement is presented alongside sources of assurances which include internal audit work, routine reports and papers to the Board and Trust practice. This documents any risks to compliance identified on the Board Assurance Framework / Risk Register and corresponding mitigating actions.

All statements were confirmed in the May 2020 review with no unmitigated risks to compliance identified.

The Trust believes that effective systems and processes are in place to maintain and monitor the following:

- The effectiveness of governance structures.

- The responsibilities of directors and committees.

- Reporting lines and accountabilities between the Board, its committees and the executive team.

- The submission of timely and accurate information to assess risks to compliance with the Trust's licence.

- The degree and rigour of oversight the Board has over the Trust's performance.

Public involvement in risk management

The views of our public stakeholders are very important to the Trust. Learning from many varied sources external to the Trust enable the organisation to learn and develop practices in response to genuine need.

As a foundation trust the organisation aims to make best use of its membership and of its Council of Governors. We take opportunities to involve the public in all aspects of our business and all public Board documents are available on the Trust website at:

www.sheffieldchildrens.nhs.uk/about-us/board-of-directors.htm

We take opportunities to engage the Council of Governors to ensure that the Trust's operational strategy is being developed in line with membership expectations. Included routinely on council meeting agendas are items on areas of risk.

The level of public and patient involvement in the development of our services provides assurance that the Trust is not operating in isolation and is putting the needs of children and their families at the centre of our services.

Examples of where public stakeholders have been actively engaged by the Trust during 2019/20 in an effort to bring continuous improvement to the Trust include:

- engagement sessions held quarterly in the acute site outpatients department to gather feedback from families;
- inviting external partners, patients and their families and organisations such as Chilypep to our Clinical Summits, held quarterly on a variety of themes;
- inviting CCG representatives to attend meetings of the Trust Board Quality Committee on a quarterly basis;
- inviting young people from local schools into the Trust as part of Children's Takeover Day.
- actively involving the Youth Forum in Trust activities such as executive interviews and how pharmacy services are delivered;
- actively involving Chilypep and Sheffield Futures in our engagement activities. They have also been integral to our patient involvement work across our mental health services;
- regular presentation of patient stories at Trust Board meetings;
- quarterly Council of Governors meetings to review Trust operations and plans;
- Governor representation on key board committees including People and Performance, Quality and Risk and Audit Committees;
- Engagement with Local Authority Overview and Scrutiny Committee.

People strategies

Good workforce planning is having the right people with the right skills in the right place at the right time.

The Trust has systems in place to manage short term operational nurse staffing changes and service leaders risk assess concerns about staffing levels and escalate as necessary. The Trust has daily huddles and uses the Safe Care acuity tool daily. The Trust has improved systems to provide short-notice additional capacity with people that are suitably qualified, competent and safe through in-house bank developments and centrally control use of medical agency workers through a master vendor model.

Our nursing establishment is fully reviewed annually and has a 6-monthly review. Any changes are quality impact assessed and the establishment is reported to the Board. Quality Committee, a committee of the Board, receives monthly safe staffing reports through the nursing dashboard and this is provided to the Board for information. Any proposed reduction in service as a result of staffing levels would be escalated to Executive Directors and reported to the Board.

As part of our workforce planning approach, and in response to national shortages in some clinical professions, we have made effective use of the apprenticeship levy to attract people to 'difficult to fill roles' such as operating

department practitioners and clinical coders; introduced new roles, such as the trainee nursing associate, and developed our people into advanced roles, such as the advanced clinical practitioner. Each of these changes undergoes a quality impact assessment as part of the service change process. We have expanded the number of apprenticeships we offer from 2 to 15 over the last two years and have doubled the number of apprentices in post to 50 (our target is 70). We already have an established undergraduate programme for medical, nursing and allied health professional students, and have done the preparatory work to expand our student numbers in 2019/20 (nursing have doubled from 45 to 90 students).

We have an annual workforce plan as part of our operational delivery planning cycle which considers our anticipated activity based on commissioning requirements, service developments and efficiency programmes.

In 2019, the Trust started the implementation of our plan to extend our e-rostering tool to all staff and introduce the self-service element of our electronic staff record (ESR). This has been in place within nursing for four years. In addition, we aim to move our establishment data under one workforce planning information tool.

Workforce planning and development is a key theme in our new people strategy and an additional area of focus is working with professional leads internally and with external partners to develop career pathways, developing further our governance structure for the implementation of new roles and exploring working across boundaries as a leader of children's services in the South Yorkshire and Bassetlaw Integrated Care System.

Aligned to this, our people strategy also reflects our desire to increase and expand our focus on inclusion to ensure that all colleagues feel valued and part of the team. Our people plan includes our commitment to EDI internships, a new programme in development that will provide a platform and opportunity for colleagues to develop their career path with focussed support from the Trust. The programme will help the Trust increase opportunity for colleagues who find promotion and opportunity less accessible, and will help the Trust increase diversity in teams and across the Trust as a whole.

Information governance

Information governance is the responsibility of the Chief Information Officer, who is the Trust's designated senior information risk owner (SIRO), supported by a network of information assets owners who ensure the integrity of the systems.

The reporting and management of both data and security risks are supported by ensuring that all employees are reminded of their data security responsibilities through education and awareness. This includes mandated annual information governance training. Regular reminders and lessons learned are shared through staff communications.

In addition to mandatory staff training, a range of measures are used to manage and mitigate information risks, including: physical security, data encryption, access controls, audit trail monitoring, departmental checklists and spot checks. In addition, a comprehensive assessment of information security is taken annually as part of the Data Security and Protection Toolkit (albeit subsequently deferred from March 2020 to September 2020 deadline due to national COVID-19 response) and further assurance is provided from internal audit and other reviews.

The effectiveness of these measures is reported to the Information Governance Committee. This includes details of any personal data-related serious incidents, the Trust's Data Security and Protection Toolkit assessment and reports of other information governance incidents and audit reviews.

There was one serious incident relating to information governance (inappropriate disclosure of personal data) during the 2019/20 financial year. This was reported to the Information Commissioners Office, along with the Trust's action plan to contain the incident impact on data subjects and to prevent re-occurrence. The case has subsequently closed with no further action.

Registers of interest

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

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

Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

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

The Trust has undertaken risk assessments and has a sustainable development management plan in place which takes account of UK Climate Projections 2018 (UKCP18). The Trust ensures that its obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

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

Key processes are in place to ensure that resources are used economically, efficiently and effectively. In 2019/20 these have included:

- monthly monitoring of delivery of a Board approved financial plan and at both Trust level at Board and via a performance management / escalation framework incorporating divisional performance reviews led by the Executive team;
- monthly reporting to the Trust Board on key performance indicators including finance, activity, quality and performance;
- participation in an external benchmarking club, which analyses the comparative resource use in paediatric centres;
- the scheme of delegation and reservation of powers approved by the Board sets out the decisions, authorities and duties delegated to officers of the Trust;
- standing financial instructions detail the financial responsibilities, policies and procedures adopted by the Trust. They are designed to ensure that an organisation's transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness;
- robust competitive processes are used for procuring non-staff expenditure items. Above £35k, procurement involves competitive tendering;
- application of controls around the use of agency and temporary staffing;
- use of external agency to test the Trust's financial recovery plan;
- assessment of efficiency schemes for their impact on quality with local clinical ownership and accountability; and
- use of internal and external audit services to support governance arrangements to deliver economic, efficient and effective use of resources at the Trust.

The Trust Board has gained assurance from the Risk and Audit Committee in respect of financial and budgetary management across the organisation. The Risk and Audit Committee receives as standing items on its agenda reports regarding losses, special payments and compensations, write-off of bad debts and contingent liabilities.

In year we implemented a range of temporary controls around discretionary expenditure in order to mitigate risks relating to the delivery of our year-end financial position.

The Trust has continued to embed enhanced governance and process around cash management overseen by a Cash Committee which meets monthly and reports into People and Performance Committee. Continued focus has been placed on overdue debts and there has been a push on settling outstanding amounts, which has yielded positive results.

In the context of work being undertaken in partnership with other organisations in Sheffield and the region to deliver high quality and sustainable services, the Trust recognises that its systems of control and arrangements

for governance and the management of risk will need to continue to develop in the coming year, to reflect increasing cross-organisation and sector partnerships.

A Transformation Programme is in place. Further engagement work with managers and clinicians has helped identify savings plans structured around eleven programme work-streams, all with executive director lead responsibility.

Further information on the Trust's financial future regarding the going concern assessment is included in the performance analysis section within the body of this annual report. This draws specific attention to the Trust's financial performance and the challenging financial context facing the Trust.

Internal audit continues to review systems and processes in place during the year and publishes reports detailing specific actions to ensure the economy, efficiency and effectiveness of the use of resources is maintained. The outcome of these reports and the recommendations therein are also graded according to their perceived level of risk to the organisation, therefore assisting management action.

These have included internal audit reports on governance and policy, financial reporting and systems and budgetary control. These have all been reported to the Risk and Audit Committee.

In accordance with NHS internal audit standards, the Head of Internal Audit is required to provide an overall annual opinion statement to the Trust, based upon and limited to the work performed on the overall adequacy and effectiveness of the Trust's risk management, control and governance processes. This is one component that is taken into account in making this annual governance statement.

The Trust has received a statement from its internal auditors that, *based on work undertaken in 2019/20, they can give significant assurance that there is a generally sound framework of governance, risk management and control designed to meet the organisation's objectives, and that controls are generally being applied consistently.*

They have moderated the internal audit plan outturn element of our opinion primarily in relation to the financial systems reviews. They acknowledge that the Trust has made improvements to the finance control systems during the year. However, they issued two limited assurance opinions in year on core reviews; this was for Accounts Payable and Budgetary Control.

Budgetary control was also limited in the previous year.

During 2019/20, 12 internal audit reports have been reported to the Risk and Audit Committee with one deferred to 2020/21 (Learning from Deaths). No high risk issues have been identified from internal audit reports issued in 2019/20.

Internal audit work has been supplemented by the external audit reports which provide assurance on the Trust's arrangements for achieving economy, efficiency and effectiveness in its use of resources as part of the value for money element of its annual audit work.

The annual external audit review by KPMG, as stated in their ISA 260 report, provides an unmodified opinion on the Trust's financial statements. The report also provides an unqualified Value for Money assessment.

The Board of Directors also received assurances on the use of resources from outside agencies including NHSI and the Care Quality Commission. NHSI requires the Trust to self-assess on a monthly basis.

Annual Quality Report (including Quality Accounts)

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year. NHS Improvement (in exercise of the powers conferred on Monitor) has issued guidance to NHS foundation trust boards on the form and content of annual

Quality Report (including Quality Accounts) which incorporate the above legal requirements in the *NHS Foundation Trust Annual Reporting Manual*.

Due to the COVID-19 pandemic, NHS England / Improvement issued further guidance regarding reporting schedules that should be relaxed in order to enable NHS providers to focus upon frontline care delivery. The preparation of an annual Quality Report was one process that was removed for Trusts at that time, whilst retaining the requirement to prepare Quality Accounts on a new timetable.

Steps had been taken to commence the preparation the Quality Report 2019/20 (including Quality Accounts), under the direction of the Director of Nursing and Quality, who has been appointed by the Board of Directors as the executive lead for the Quality Report.

This work included:

- a narrative of progress towards achieving the quality improvement indicators agreed in consultation with our key stakeholders in April 2019.
- consideration of quality priority indicators for 2020/21, although due to the COVID-19 pandemic those indicators will now need to be reviewed to ensure that they are the relevant priorities given the current situation.
- data provided by nominated leads in the Trust which includes the Head of Legal and Governance, the Head of Planning and Performance and the Clinical Governance department. These leads are responsible for ensuring the accuracy of the data they provide. The quality data reflects that which has generally been available in summary to the Trust Board or, in more detail, to the Board committees. Once compiled, the Quality Report (including Quality Account) is scrutinised by the Director of Nursing and Quality who is ultimately responsible to the Trust Board and its committees for the accuracy of the Quality Report.

Procedures that would ordinarily also occur, but have not taken place during 2020 due to the suspension of reporting procedures:

- the Quality Report is usually subject to robust challenge at a meeting of the Quality Committee on both substantive issues and on data quality. Where a variance against a specific quality target is identified an explanation is provided by the lead for the individual metric. Following scrutiny at this Committee the draft report is also presented to the Risk and Audit Committee who are responsible for determining the report's completeness, objectivity, integrity and accuracy before it is submitted to the Board of Directors for approval.

- the Quality Report is usually subject to scrutiny that it has been prepared in accordance with NHS Improvement's annual reporting guidance as well as the standards to support data quality for the preparation of the Quality Report. The report is usually reviewed by external auditors KPMG prior to submission to NHS Improvement and the Department of Health.

The 2019/20 Quality Accounts have not undergone the two processes described above due to suspension during the COVID-19 pandemic.

Following guidance issued by NHS Improvement in April 2020 the Quality Accounts will now be issued in December 2020. This will be preceded by consultation in October 2020. The requirements under the Quality Report have been removed.

Review of effectiveness

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

I have drawn on the content of the performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports.

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

The system of internal control has been reviewed and modified in the past year. The Trust committee structure provides balance between the three areas of quality, finance and performance management, something which was recognised by the CQC in our recent inspection. Internal audit has been routinely used to clarify issues where assurance is required.

My review is also informed by:

- the Board Assurance Framework.
- regular executive reporting to Board and escalation processes through the Board committees.
- audit reports prepared independently by both the internal and external audit agencies. In particular, the ISA audit highlight memorandum produced by KPMG, our external auditor.
- the published results of the quarterly performance management processes undertaken by NHSI under the NHS Oversight Framework.
- the Trust's compliance with annual performance indicators published by the Department of Health.
- the inspection report and progress made against recommendations following the CQC's announced visit in July 2019 and follow up visits.
- external validations and peer reviews.
- investigation reports and action plans following serious incidents and learning events and deep dive reviews.
- the Board of Directors' further consideration of the Well Led Framework based upon self-assessment work.
- responses to all formal complaints.
- patient surveys undertaken by an independent organisation.
- the results of the NHS Staff Survey.

Conclusion

The system of internal control has been in place in Sheffield Children's NHS Foundation Trust for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts.

In summary, I am assured that the NHS Foundation Trust has an overall sound system of internal control in place, which is designed to manage the key organisational objectives and minimise the NHS Foundation Trust's exposure to risk.

There are no significant control issues identified. Actions are in place to address recommendations for improvement to this system made within internal audit limited assurance reports and we also continue to review and update the governance assurance processes to further strengthen arrangements to ensure our services are well led.

The Board of Directors is committed to continuous improvement and enhancement of the system of internal control.

Signed

John Somers
Chief Executive

19 June 2020

KPMG

Independent auditor's report

to the Council of Governors of Sheffield Children's NHS Foundation Trust

. REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. Our opinion is unmodified

We have audited the financial statements of Sheffield Children's NHS Foundation Trust ("the Trust") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement 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 Trust's affairs as at 31 March 2020 and of its income and expenditure for the year then ended; 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 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: financial statements as a whole	£2.985m (2018/19:£2.85m) 1.39% (2018/19:1.47%) of total income from operations

Risks of material misstatement		vs 2018/19
Recurring risks	Valuation of Land and Buildings	◄►
Recurring risks	Fraudulent Expenditure Recognition	◄►

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 other key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Valuation of Land and Buildings (£74.4 million; 2018/19: £56.4m) Land and buildings *Refer to page 11, note 1.6 (accounting policy) and page 34, note 15 (financial disclosures)*	**Subjective valuation:** Land and buildings are required to be maintained at up to date estimates of year- end market value in existing use (EUV) for non-specialised property assets in operational use, and, for specialised assets where no market value is readily ascertainable, the depreciated replacement cost (DRC), of a modern equivalent asset that has the same service potential as the existing property (MEA). The Trust's accounting policy requires an annual review for impairment, a periodic desk top valuation every year and a full valuation (usually in five yearly intervals). When considering the cost to build a replacement asset the Trust may consider whether the asset would be built to the same specification or in the same location. Assumptions about changes to the asset must be realistic. The valuation is undertaken by an external expert engaged by the Trust, using construction indices and so accurate records of the current estate are required. The Trust engaged a new external expert in the year to assist the valuer in carrying out this exercise and reassessing the specification of the modern equivalent asset. A valuation was carried out as at 31st March 2020. There is a risk that the methodology, assumptions and underlying data, are not appropriate or correctly applied. 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. **Accounting Treatment** 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. **Disclosure Quality** There is a risk that uncertainties expressed by the Trust's valuers around the impact of the Covid-19 pandemic on the values of land and buildings will be inappropriately disclosed.	Our procedures included: — **Assessing valuer's credentials**: We assessed the competence, capability, objectivity and independence of the Trust's external valuer and other consultants involved in the valuation process. — **Test of detail:** We critically assessed the Trust's formal consideration of indications of impairment and surplus assets within its estate, including the process undertaken. — **Test of detail:** We tested the accuracy of the estate base data provided to the valuer to complete the desktop valuation to ensure it accurately reflected the Trust's estate. — **Methodology choice:** We critically assessed the assumptions used in preparing the desktop valuation of the Trust's land and buildings to ensure they were appropriate, including assessing the reasonableness of assumptions underpinning the alternative site model used as a basis for valuation. — **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 Department of Health and Social Care Group Accounting Manual 2019/20. — **Assessing transparency:** We considered the adequacy of the disclosures about the key judgements and degree of estimation involved in concluding whether there has been any material movement in the value of land and buildings since 31 March 2019. — *Specifically 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 ensured that 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.*

2. Key audit matters: our assessment of risks of material misstatement (continued)

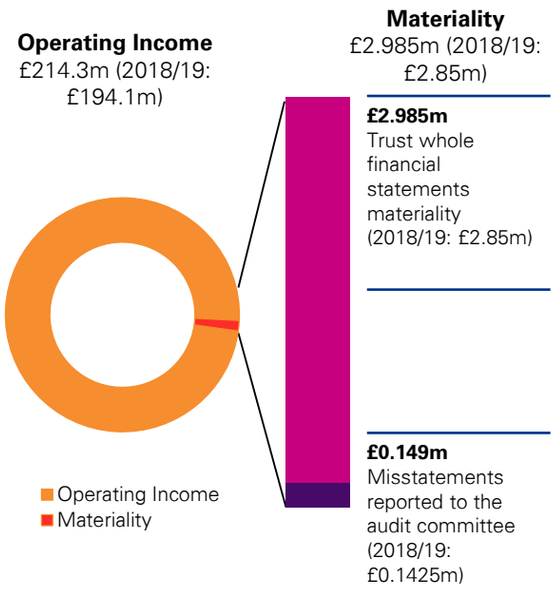
	The risk	Our response
Fraudulent Expenditure Recognition (£74.6 million; 2018/19: £58.1m) Non-pay expenditure *Refer to page page 27, note 7 (financial disclosures)*	**Effects of Irregularities** As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk that the Trust may manipulate expenditure to meet externally set targets and we had regard to this when planning and performing our audit procedures. This risk does not apply to all expenditure in the period. The incentives for fraudulent expenditure recognition relate to achieving financial targets and the key risks relate to the manipulation of creditors and accrued non-pay expenditure at year-end, as well as the completeness of the recognition of provisions or the inappropriate release of existing provisions.	Our procedures included: – **Test of detail:** We inspected all individually material items of expenditure in the March and April 2020 cashbooks and to agree these had been accounted for correctly by evaluating when the service had been delivered; – **Test of detail:** We inspected all material items of expenditure in the April 2020 bank statements to identify if there were any unrecorded liabilities that should have been accounted for in the 2019/20 financial statements; – **Test of detail:** We performed a year-on-year comparison of accruals posted in 2019/20 to those posted in 2018/19 to evaluate the completeness of the accruals balance, as well as agreeing a sample to supporting documentation; – **Test of detail:** We considered the completeness of provisions based on our cumulative knowledge of the Trust, inquiries with Directors, and inspection of legal correspondence where relevant. We considered whether there were events that would require a contingent liability disclosure in the accounts. We also considered the appropriateness of releases of provisions made in year by critically assessing the justification for the release against the relevant accounting standards; – **Test of detail:** We vouched a sample of journals posted before and after the year end to supporting documentation to confirm inclusion in the correct period and to critically assess whether any manual adjustments to expenditure were appropriate; – **Test of detail:** We vouched a sample of creditor balances to supporting documentation to agree the correct treatment as a payable at year-end; and — **Test of detail:** We inspected confirmations of balances provided by the Department of Health as part of the AoB exercise and compared the relevant payables recorded in the Trust's financial statements to the receivables balances recorded within the accounts of other providers and other bodies within the AoB boundaries. Where applicable we investigated variances and reviewed relevant correspondence to assess the reasonableness of the Trust's approach to recognising expenditure to other providers and other bodies within the AoB boundaries.

3. Our application of materiality

Materiality for the Trust financial statements as a whole was set at £2.985 million (2018/19: £2.85 million), determined with reference to a benchmark of total income from operations (of which it represents approximately 1.39%). We consider operating income to be more stable than a surplus- or deficit-related benchmark.

We agreed to report to the Risk and Audit Committee any corrected and uncorrected identified misstatements exceeding £0.149 million (2018/19:(£0.1425 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Trust was undertaken to the materiality level specified above and was performed at the Trust's headquarters in Sheffield.



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 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 Trust will continue in operation.

In our evaluation of the Accounting Officer's conclusions, we considered the inherent risks to the Trust's business model, including the impact of Brexit, and analysed how those risks might affect the Trust's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the Accounting Officers statement in the 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, and we did not identify going concern as a key audit matter.

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 2019/20.

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 Trust'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 Trust and other information of which we are aware from our audit of the financial statements.

We have nothing to report in these respects.

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6. Respective responsibilities

Accounting Officer's responsibilities

As explained more fully in the statement set out on page 78 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 Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity.

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 for securing 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.

The significant risks identified during our risk assessment are set out overleaf together with the findings from the work we carried out on each area.

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Significant Risk	Description	Work carried out and judgements
Quality & Sustainability of Delivery	The Trust had recently undergone a full CQC inspection prior to planning our audit. The inspection provided an overall 'Good' rating with some areas identified for improvement predominantly, although not exclusively, with regards to safeguarding and meeting the mental health needs of patients. At the time of our audit planning the Trust were on track for delivery of non-recurrent CIP savings. These were back-loaded in the financial year according to the plan so it was anticipated that the margin of undelivered CIPs would increase. Both these aspects led to us identifying a risk that the Trust is unable to deliver the required quality and efficiency of service for VFM to be obtained moving forward	Our work included: - An evaluation of both the outcome and the resultant action plan following the CQC inspection, including understanding how actions are being delivered, monitored and reported throughout the Trust; - Review of the general quality monitoring arrangements in place at the Trust; - Review of the management arrangements put in place by the Trust to oversee the identification and delivery of CIP savings; - Review of the in year reporting of the CIP shortfall and mitigating actions; - Review of the final Trust outturn position and whether this met the budgeted control total; and - Consideration of internal audit and other regulatory findings in the year. **Our findings on this risk area:** The Trust had developed and delivered an action plan following receipt of the CQC inspection report. The Trust was monitoring the delivery of the action plan with this being appropriately reported through its governance structures. The Trust had adequate arrangements in place with regards the governance and monitoring of CIP delivery. However, we noted that in year the Trust delivered £5.5m of an £7.9m CIP target. Which represents delivery of 70% compared to 81% in the prior period. The Trust had begun to embed new governance and monitoring structures in the prior year to help an improved delivery of CIP when compared to the previous period, however these improvements had not led to an improved delivery of CIP in the 19/20 period. The Trust did not meet the control total agreed with NHSI. The Trust delivered an underlying operating deficit of £9.5m that was circa £7.2m below the agreed control total. The Trust had transparently reported its financial position throughout the year and had sought to mitigate the identified financial under performance. Mitigating actions included the introduction of additional controls and approval processes around non standard spend and staff vacancy / agency staff approvals. The Trust obtained an internal audit opinion of Significant Assurance, individual limited assurance opinions were provided with regards to Budget Setting & Monitoring and Purchasing/Accounts Payable arrangements. **We concluded that the Trust had adequate arrangements in place for planning finances effectively to support the quality and sustainable delivery of its strategic priorities.**

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 Sheffield Children's NHS Foundation Trust 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 (Statutory Auditor)
Chartered Accountants
1 Sovereign Square
Leeds
LS1 4DA
19 June 2020

Section 4: Annual Accounts

Sheffield Children's NHS
NHS Foundation Trust

Annual accounts for the year ended 31 March 2020

Foreword to the accounts

Sheffield Children's NHS Foundation Trust

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

Signed 

Name **John Somers**
Job title **Chief Executive**
Date **19 June 2020**

Statement of Comprehensive Income

	Note	31 March 2020 £000	31 March 2019 £000
Operating income from patient care activities	3	179,833	162,966
Other operating income	4	34,514	31,120
Operating expenses	7, 9	(230,548)	(194,515)
Operating surplus/(deficit) from continuing operations		**(16,201)**	**(429)**
Finance income	12	144	121
Finance expenses	13	(1,137)	(1,173)
PDC dividends payable		(496)	(1,157)
Net finance costs		**(1,489)**	**(2,209)**
Surplus / (deficit) for the year from continuing operations		**(17,690)**	**(2,638)**
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Revaluation downwards	8,15.3	(2,139)	(3,402)
Revaluation upwards	15.3	774	3,484
Other reserve movements		4	-
Total comprehensive income / (expense) for the period		**(19,051)**	**(2,556)**

Adjusted financial performance to aid interpretation of the Financial Statements		31 March 2020 £000	31 March 2019 £000
Reported Surplus / (Deficit)		(17,690)	(2,638)
Remove impact of asset impairments	8,15.3	17,594	6,068
Reported Surplus (Defict) excluding impact of impairments		**(96)**	**3,430**
Remove impact of Donated Assets on the Income and Expenditure account - Donated income received	4	(502)	(1,406)
Remove impact of Donated Assets on the Income and Expenditure account - Depreciation charged on donated assets	15	822	697
Remove impact of prior year PSF post accounts reallocation	4	(174)	(5,812)
Adjusted financial performance surplus / (deficit)		**50**	**(3,091)**
Remove impact of PSF and MRET funding received	4	(2,122)	-
Remove Impact of FRF funding received	4	(7,501)	-
Adjusted financial performance surplus / (deficit) excluding PSF, FRF and MRET		**(9,573)**	**(3,091)**

Statement of Financial Position

	Note	31 March 2020 £000	31 March 2019 £000
Non-current assets			
Intangible assets	14	4,223	1,823
Property, plant and equipment	15	71,907	91,814
Receivables	17	575	-
Total non-current assets		**76,705**	**93,637**
Current assets			
Inventories	16	3,272	3,291
Receivables	17	22,195	16,525
Cash and cash equivalents	18	6,277	14,536
Total current assets		**31,744**	**34,352**
Current liabilities			
Trade and other payables	19	(18,005)	(18,182)
Borrowings	20	(2,309)	(2,314)
Provisions	22	(68)	(242)
Other liabilities	19	(1,338)	(1,027)
Total current liabilities		**(21,720)**	**(21,765)**
Total assets less current liabilities		**86,729**	**106,224**
Non-current liabilities			
Trade and other payables	19	-	-
Borrowings	20	(38,389)	(40,516)
Provisions	22	(1,206)	(477)
Other liabilities	19	-	(33)
Total non-current liabilities		**(39,595)**	**(41,026)**
Total assets employed		**47,134**	**65,198**
Financed by			
Public dividend capital		41,983	40,996
Revaluation reserve		2,983	4,350
Income and expenditure reserve		2,168	19,852
Total taxpayers' equity		**47,134**	**65,198**

The notes on pages 7 to 51 form part of these accounts.

Signed .....

Name **John Somers**

Job title **Chief Executive**

Date **19 June 2020**

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

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2019 - brought forward	**40,996**	**4,350**	**19,852**	**65,198**
Surplus/(deficit) for the year	-	-	(17,690)	**(17,690)**
Other transfers between reserves	-	(2)	2	**-**
Revaluation downwards	-	(2,139)	-	**(2,139)**
Revaluation upwards	-	774	-	**774**
Public dividend capital received	987	-	-	**987**
Other reserve movements	-	-	4	**4**
Taxpayers' and others' equity at 31 March 2020	**41,983**	**2,983**	**2,168**	**47,134**

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

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2018 - brought forward	**39,804**	**4,268**	**22,490**	**66,562**
Surplus/(deficit) for the year	-	-	(2,638)	**(2,638)**
Impairments	-	(3,402)	-	**(3,402)**
Revaluations	-	3,484	-	**3,484**
Public dividend capital received	1,192	-	-	**1,192**
Taxpayers' and others' equity at 31 March 2019	**40,996**	**4,350**	**19,852**	**65,198**

Information on reserves

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

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

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

Statement of Cash Flows

	Note	31 March 2020 £000	31 March 2019 £000
Cash flows from operating activities			
Operating surplus / (deficit)		(16,201)	(429)
Non-cash income and expense:			
Depreciation and amortisation	7	4,815	4,715
Net impairments	8,15	17,594	6,068
Income recognised in respect of capital donations	4	(502)	(1,406)
(Increase) / decrease in receivables and other assets		(5,529)	(1,134)
(Increase) / decrease in inventories		19	(628)
Increase / (decrease) in payables and other liabilities		786	(2,716)
Increase / (decrease) in provisions		545	(68)
Other movements in operating cash flows		5	-
Net cash flows from / (used in) operating activities		**1,532**	**4,403**
Cash flows from investing activities			
Interest received		144	121
Purchase of intangible assets		(68)	(129)
Purchase of PPE and investment property		(6,382)	(9,386)
Receipt of cash donations to purchase assets		-	1,242
Net cash flows from / (used in) investing activities		**(6,306)**	**(8,152)**
Cash flows from financing activities			
Public dividend capital received		987	1,192
Movement on loans from DHSC		(2,127)	(1,877)
Interest on loans		(1,132)	(1,177)
PDC dividend (paid) / refunded		(1,212)	(807)
Net cash flows from / (used in) financing activities		**(3,484)**	**(2,669)**
Increase / (decrease) in cash and cash equivalents		**(8,258)**	**(6,418)**
Cash and cash equivalents at 1 April - brought forward		**14,536**	**20,954**
Prior period adjustments			-
Cash and cash equivalents at 1 April - restated		**14,536**	**20,954**
Cash and cash equivalents at 31 March	18	**6,277**	**14,536**

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

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

Note 1.1.1 Accounting convention

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

Note 1.1.2 Going concern

These accounts have been prepared on a going concern basis.

After making enquiries, the directors have a reasonable expectation that Sheffield Children's NHS Foundation Trust has adequate resources to continue in operational existence for the foreseeable future. Whilst the Trust is operating in a difficult environment, it believes that it has sufficient resources, including central support, and plans in place to ensure continuity of operation.

On 2 April 2020, as a result of the COVID-19 pandemic, the Department of Health and Social Care (DHSC) and NHS England / Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During the outbreak the Trust will be funded through a block contract (covering the Trust's cost base) and national top-up payment with reimbursement for any genuinely additional COVID-19 costs. DHSC revenue support should not be needed during this period but will be available as a safety net if required.

Once the system returns to business as usual providers will be expected to deliver a breakeven or surplus position, either by reaching balance or agreeing an achievable financial improvement trajectory with NHS England / Improvement to make reasonable progress towards this goal before the start of each financial year. This is temporarily suspended for the duration of the COVID-19 response but will be re-established once the threat has passed. Upon this return to a normal operating environment the Trust is satisfied that it has the ability to deliver the requirements set out by NHS England / Improvement.

Note 1.1.3 Critical judgements in applying accounting policies

In the application of the Trust's accounting policies, management are required to make judgements, estimates and assumptions about 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 relevant. Actual results may differ from those estimates and thus the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which they are revised if the revision affects that period only or in the period of the revision and subsequent periods if the revision affects both current and future periods.

Note 1.1.4 Sources of estimation uncertainty

Key sources of estimation uncertainty concerning the future at the end of the reporting period, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are as follows:

- The carrying value of the property portfolio and the assumptions used in the determination of fair value at the Statement of Financial Position date. The Trust commissioned a property revaluation as at 31 March 2020 which carries a 'material valuation uncertainty' declaration by the Trust's valuers (see note 15.3) due to the COVID-19 pandemic. However, this does not result in an unreliable valuation which remains based on the best information available at the time.

- Clinicians who are members of the NHS Pension Scheme and who as a result of work undertaken in this tax year (2019/20) face a tax charge in respect of the growth of their NHS pension benefits above their pension savings annual allowance threshold will be able to have this charge paid by the NHS Pension Scheme. The Trust will make a contractually binding commitment to pay them a corresponding amount on retirement, ensuring that they are fully compensated in retirement for the effect of the 2019/20 Scheme Pays deduction on their income from the NHS Pension Scheme in retirement. The Trust has created a provision broadly equal to the tax charge owed by clinicians who want to take advantage of the 2019/20 commitment. At the reporting date, it is unclear how many and which clinicians this will involve. This will be offset by the commitment from NHS England and the Government to fund the payments to clinicians as and when they arise.

Note 1.2 Revenue from contracts with customers

Where income is derived from contracts with customers, it is accounted for under IFRS 15. The GAM expands the definition of a contract to include legislation and regulations which enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS). As directed by the GAM, the transition to IFRS 15 in 2019/20 has been completed in accordance with paragraph C3 (b) of the Standard: applying the Standard retrospectively but recognising the cumulative effects at the date of initial application (1 April 2018).

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 further factors other than the passage of time, a contract asset will be recognised. Where consideration received or receivable relates to performance obligations that are to be satisfied in a future period, the income is deferred and recognised as a contract liability. Where performance obligations have been satisfied the associated credit terms will determine the timing of payment.

Note 1.2.1 Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners for health care services. Performance obligations relating to delivery of spells of health care are generally satisfied over time as healthcare is received and consumed simultaneously by the customer as the Trust performs it. The customers in such contracts are the commissioners and the customers benefit as services are provided to their patients. Even where a contract could be broken down into separate performance obligations, healthcare generally aligns with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that are substantially the same and have a similar pattern of transfer.

At the year end, the Trust accrues income relating to activity delivered in that year where a patient care spell is incomplete.

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

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

The Trust does not receive income where a patient is readmitted within 30 days of discharge from a previous planned stay. This is reflected as an underlying adjustment to the original contracted transaction price.

The Trust receives income from commissioners under Commissioning for Quality and Innovation (CQUIN) schemes. The Trust agrees schemes with commissioners 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.

Note 1.2.2 Revenue from research contracts

Where research contracts fall under IFRS15, 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. Some research income alternatively falls within the provisions of IAS 20 for government grants.

Note 1.2.3 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.

Note 1.2.4 Revenue from the Provider Sustainability Fund (PSF)

The Trust receives income from the centrally funded Provider Sustainability Fund which is allocated to support and incentivise the sustainable provision of efficient, effective and economic care by the Trust. The Trust, together with NHS Improvement, agree a financial control total at the outset of the financial year, delivery of which forms a core part of the NHS Improvement Single Oversight Framework. Achievement of the control total is rewarded financially on a quarterly basis. Revenue is recognised to the extent that the collection of consideration is probable based on performance against the agreed control total.

Note 1.3 Other Income

Note 1.3.1 Grants and donations

Government grants are considered grants through other government bodies other than commissioners or Trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure. Where grants are used to fund capital expenditure, they are credited to the consolidated statement of comprehensive income once conditions attached to the grant have been met.

The Trust does not receive direct donations which are receipted through the associated Children's Hospital Charity.

Note 1.3.2 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, the corresponding notional expense is also recognised at the point of recognition for the benefit.

Note 1.3.3 Other income

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

Note 1.4 Expenditure on employee benefits

Note 1.4.1 Short-term employee benefits

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

Note 1.4.2 Pension costs – NHS pension Scheme

Past and present employees are covered by the provisions of two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. The schemes do not have provision for employers to identify their share of the underlying scheme assets and liabilities. The schemes are, therefore, accounted for as though they are defined contribution schemes. The cost to the Trust is taken as equal to the employer's pension contributions payable to the schemes for the accounting period. The contributions are charged to operating expenses as they become due. Employers pension cost contributions are charged to operating expenses as and when they become due.

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

Note 1.5 Expenditure on other goods and services

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

Note 1.6 Property, plant and equipment

Note 1.6.1 Recognition

Property, plant and equipment is capitalised where:

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

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

Note 1.6.2 Measurement

Note 1.6.2.1 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 assets are measured subsequently at valuation. The current year valuation basis is identified in Note 15. An item of property, plant and equipment which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 of IFRS 5.

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

Current values in existing use are determined as follows:

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

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

The Trust value their assets net of Value Added Tax (VAT) in line with guidance issued by the Royal Institute of Chartered Surveyors.

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

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

Note 1.6.2.2 Subsequent expenditure

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

Note 1.6.2.3 Depreciation

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

Property, plant and equipment which have been reclassified as 'held for sale' cease to be depreciated upon reclassification. Assets under construction are not depreciated until they are brought into use. Assets fully depreciated but still in use are revalued based on their material value to the Trust.

Note 1.6.2.4 Revaluation gains and losses

Revaluation gains are recognised as revaluation reserves, except where 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 when and if there is an balance available in reserves for the particular asset. If there is no balance in reserves the losses are charged to operating expenses.

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

Note 1.6.2.5 Impairments

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

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

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

1.6.3 De-recognition

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

- an asset is deemed to be of no value to the Trust in their delivery of service for the foreseeable future
- 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, that is:
  - management are committed to a plan to scrap or 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 where a sale is expected
  - the sale is expected to be completed within 12 months of the date of classification as 'held for sale' and
  - the actions needed to complete the plan indicate it is unlikely that the plan will be abandoned or significant changes made to it.

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

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

1.6.4 Donated and grant funded assets

Donated and grant funded property, plant and equipment assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor. In such a case, the donations/grants are deferred within liabilities and carried forward to future financial years until the conditions are met. The donated and grant funded assets are accounted for in the same manner as other items of property, plant and equipment.

1.6.5 Useful lives of property, plant and equipment

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

	Min life Years	Max life Years
Land	Lease Term	
Buildings, excluding dwellings	5	55
Plant & machinery	5	15
Information technology	5	7
Furniture & fittings	5	7

Finance-leased assets (including land) are depreciated over the shorter of the useful life or the lease term, unless the Trust expects to acquire the asset at the end of the lease term in which case the assets are depreciated in the same manner as owned assets above. From 1 April 2020 the requirement of IFRS 16 will require depreciation to be charged on all leases taken onto the Balance Sheet.

Note 1.7 Intangible assets

1.7.1 Recognition

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

Note 1.7.1.1 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, for example, 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 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

Note 1.7.1.2 Software

Software which is integral to the operation of hardware, such as a computer operating system, is capitalised as part of the related item of property, plant or equipment. Software, which is not integral to the operation of hardware such as application software, may be capitalised as an intangible asset.

Note 1.7.2 Measurement

Intangible assets are recognised 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 the Trust.

Subsequent measurement is at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluation gains, losses and impairments are treated in the same manner as property, plant and equipment. Intangible assets that are surplus to requirement and with no plan to bring into use, are valued at fair market value if there are no restrictions on sale at the reporting date and if they do not meet the definition of investment properties or assets 'held for sale'.

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

Note 1.7.3 Amortisation

Intangible assets are amortised over their expected useful lives in a manner consistent with the consumption of economic or service delivery benefits. Due to nature of development attached to intangible assets, expected life is adjusted in line with use and value to the Trust.

Note 1.7.4 Useful economic life of intangible assets

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

	Min life Years	**Max life Years**
Intangible assets - internally generated		
Information technology	5	5
Intangible assets - purchased		
Software	5	5
Licences & trademarks	5	5

Note 1.8 Inventories

Inventories are valued at the lower of cost and net realisable value using the first-in first-out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

Note 1.9 Cash and cash equivalents

Cash is cash in hand and cash 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. Cash, bank and overdraft balances are recorded at current values.

Note 1.10 Carbon Reduction Commitment scheme (CRC)

The CRC scheme is a mandatory cap and trade scheme for non-transport CO^2 emissions. The Trust is registered with the CRC scheme, and is therefore required to pay an allowance to Government for every tonne of CO^2 emitted during the financial year. Liabilities and related expenses are recognised in respect of this obligation as CO^2 emissions are made.

The carrying amount of the liability at the financial year end will therefore reflect the CO2 emissions that have been made during that financial year, less the allowances (if any) surrendered voluntarily during the financial year in respect of that financial year.

The liability will be measured at the amount expected to be incurred in settling the obligation. This will be the cost of the number of allowances required to settle the obligation.

Note 1.11 Financial assets and financial liabilities

Note 1.11.1 Recognition

Financial assets and financial liabilities arise where the Trust is party to the contractual provisions of a financial instrument, and as a result has a legal right to receive or a legal obligation to pay cash or issue 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 taxes by the Office of National Statistics (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, that is, when receipt or delivery of goods or services is made.

Note 1.11.1.1 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 and liabilities are classified as subsequently measured at amortised cost or fair value through income and expenditure.

Note 1.11.1.2 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 case of loans held with the Department of Health and Social Care, the effective interest rate is the nominal rate of interest charged on the loan.

Note 1.11.1.3 Impairment of financial assets

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

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

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

At the Statement of Financial Position date, the Trust assesses whether any financial assets, other than those held at "fair value through income and expenditure" 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 cash flows of the asset.

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

1.11.2 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.

Note 1.12 Leases

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

Note 1.12.1 The Trust as lessee

Note 1.12.1.1 Finance leases

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

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

The annual rental charge is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to finance costs in the Statement of Comprehensive Income. The lease liability, is de-recognised when the liability is discharged, cancelled or expires.

Note 1.12.1.2 Operating leases

Operating leases are those leases where ownership and risk of an asset remains with the lessor. Payments for operating leases are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Note 1.12.1.3 Leases of land and buildings

Land components are separated from the building components and the classification for each is assessed separately.

1.12.2 The Trust as lessor

Note 1.12.2.1 Finance leases

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

Note 1.12.2.2 Operating leases

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

Note 1.13 Provisions

The Trust recognises provisions where there are legal or constructive obligations 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 obligations. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the discount rates published and mandated by HM Treasury. The following discount rates for general provisions on a nominal rate basis, effective 31 March 2020 are:

Nominal general provision discount rates		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%

Expected future cash flows are required to be adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates set by HM Treasury, effective 31 March 2020 are:

General provision inflation rates	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.

Note 1.13.1 Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the Trust pays an annual contribution for NHS Resolutions to handle and settle all clinical negligence claims against the Trust. NHS Resolution is administratively responsible for handling these claims. Legal liability for these claims remains with the Trust. The total value of clinical negligence claims carried by NHS Resolution on behalf of the Trust is disclosed in Note 23 though this value is not recognised in the Trust's accounts.

Note 1.13.2 Non-clinical risk pooling

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

Note 1.14 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Trust's direct control) are not recognised as assets, but are disclosed on Note 24 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in Note 24, 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 Trust's control; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

Note 1.15 Public dividend capital

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

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

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

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

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

Note 1.16 Value added tax

Most of the activities of the Trust are outside the scope of Value Added Tax (VAT) and, in general, output tax does not apply and most of the 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 processed into the Trust's financial reports are net of VAT.

Note 1.17 Foreign exchange

The functional and presentational currency of the Trust is sterling (£).

Transactions that are denominated in foreign currency are translated into the functional currency at the spot exchange rate on the date of the transaction.

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

- monetary items 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 on the date of the transaction and
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate on 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 as income or expenditure 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.

Note 1.18 Third party assets

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

Note 1.19 Losses and special payments

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

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

Note 1.20 Gifts

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

Note 1.21 Early adoption of standards, amendments and interpretations

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

Note 1.22 Standards, amendments and interpretations in issue but not yet effective or adopted

1.22.1 IFRS 16 Leases

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

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

On transition to IFRS 16 on 1 April 2021, the Trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the trust's incremental borrowing rate (1.27%). The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. No adjustments will be made on 1 April 2021 for existing finance leases.

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

The Trust, in line with Department of Health and Social Care recommendations, will adopt and account for IFRS16 in the financial year 2021/22. Work on the implementation and impact of the standard began for the Trust in 2019/20 and will continue into the 2020/21 financial year in preparation for adoption in 2021/22.

IFRS 14 Regulatory Deferral Accounts

The European Financial Reporting Advisory Group recommended in October 2015 that the Standard should not be endorsed as it is unlikely to be adopted by many EU countries. The standard applies to first time adopters of IFRS after 1 January 2016 and is therefore not applicable to DHSC group bodies.

IFRS 17 Insurance Contracts

Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted.

Note 1.23 Adjusted financial performance to aid interpretation of the Financial Statements

Provider Sustainability Fund (PSF) income is allocated to support and incentivise the sustainable provision of efficient, effective and economic care by the Trust. The Trust, together with NHS Improvement, agree a financial control total at the outset of the financial year, delivery of which forms a core part of the NHS Improvement Single Oversight Framework. The Single Oversight Framework incorporates a suite of both financial and quality targets against which the Trust's performance is assessed.

In 2019/20, a target control total to deliver a £2.385m deficit position (excluding the impact of impairments, donated assets and PSF) was agreed between the Trust and NHS Improvement. Against this control total, the Trust delivered a position of £9.573m deficit with a resulting shortfall of £7.188m against delivery of the control total target for the year.

Achievement of control total and the resulting financial benefit is assessed on a quarterly basis in year. 2019/20 saw the Trust achieving all required targets to quarter two. The Trust was unable to deliver the required position for the final two quarters. The wider combined position within the regional South Yorkshire and Bassetlaw Integrated Care System (SYB ICS), of which the Trust is an active member, was sufficient to off-set the Trust's own shortfall against target using equivalent over-achievement in other member organisations.

The combined SYB ICS position means that the Trust was eligible to receive Incentive Financial Recovery Funding (FRF) at the year-end totalling £7.501m. Although this does not change the Trust's financial performance against the control total, the adjusted financial performance including PSF, FRF and MRET is a reported surplus of £50k instead of a deficit of £7.451m.

Note 2 Operating Segments

The Trust Board, as the chief operating decision maker as defined by IFRS 8, consider that all of the Trust's activities fall under the single segment of 'Provision of Healthcare'. They consider that this is consistent with the core principle of IFRS 8 which is to enable users of the financial statements to evaluate the nature and financial effects of business activities and economic environments. No further segmental analysis is therefore required.

Note 3 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.2

Note 3.1 Income from patient care activities (by nature)	2019/20 £000	2018/19 £000
Elective income	29,053	28,756
Non elective income	19,502	16,653
First outpatient income	16,027	12,011
Follow up outpatient income	19,585	19,865
A & E income	7,023	6,291
High cost drugs income from commissioners (excluding pass-through costs)	11,942	9,418
Other NHS clinical income	38,974	43,643
Mental health services		
Cost and volume contract income (1)	6,964	-
Block contract income	9,463	15,115
Community services		
Community services income from CCGs and NHS England (2)	6,166	825
Income from other sources (e.g. local authorities)	7,935	7,904
All services		
Private patient income	90	68
Agenda for Change pay award central funding (3)	-	1,612
Additional pension contribution central funding (4)	6,157	-
Other clinical income (5)	952	805
Total income from activities	**179,833**	**162,966**

(1) Mental health service income was recorded as block contract in 2018/19

(2) Community service income from CCGs and NHS England was classed as other NHS clinical income.

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

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

(5) Other clinical income comprises income from Injury Benefit Scheme (£0.3m) and income from other NHS providers for radiology service (£0.3m) and neurophysiology service (£0.3m)

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	2019/20 £000	2018/19 £000
NHS England	117,164	102,452
Clinical commissioning groups	52,629	48,953
Department of Health and Social Care	-	1,961
Other NHS providers	610	473
Local authorities	8,886	8,888
Non-NHS: private patients	90	68
Non-NHS: overseas patients (chargeable to patient)	27	74
Injury cost recovery scheme	301	96
Non NHS: other	126	1
Total income from activities	**179,833**	**162,966**
Of which:		
Related to continuing operations	179,833	162,966
Related to discontinued operations	-	-

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

	2019/20	2018/19
	£000	£000
Income recognised this year	27	74
Cash payments received in-year	-	9

Note 4 Other operating income

	2019/20	2018/19
	£000	£000
Research and development	2,056	1,861
Education and training	5,772	5,567
Non-patient care services to other bodies (1)	7,187	6,893
Provider sustainability fund (PSF) (2) - see note 1.23	824	5,812
Financial recovery fund (FRF) (3)	7,501	-
Marginal rate emergency tariff funding (MRET)	1,472	-
Income in respect of employee benefits accounted on a gross basis	6,392	6,611
Receipt of capital grants and donations (4)	502	1,406
Rental revenue from operating leases	343	330
Other income (5)	2,465	2,640
Total other operating income	**34,514**	**31,120**
Of which:		
Related to continuing operations	**34,514**	**31,120**
Related to discontinued operations	**-**	**-**

(1) Non-patient care services to other bodies consists of diagnostic test income (£6.7m) and radiologist, physio & phlebotomy staffing support provided to STH (£0.3m)

(2) Receipt of Provider Sustainability Funding relates to quarters 1 and 2 only. Funding was significantly reduced in 2019/20 as a result of the Trust failing to achieve its control totals in quarters 3 and 4

(3) FRF income recognised on notifcation of wider ICS year end position balance

(4) Receipt of capital grants and donations are from The Children's Hospital Charity and Sheffield Hospitals Charitable Trust

(5) Other income is inclusive of catering, car parking and clinical excellence awards

Note 5 Additional information on contract revenue (IFRS 15) recognised in the period

	2019/20	2018/19
	£000	£000
Revenue recognised in the reporting period that was included within contract liabilities at the previous period end	1,027	160

Note 5.1 Income from activities arising from commissioner requested services

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

	2019/20	2018/19
	£000	£000
Income from services designated as commissioner requested services	172,634	160,481
Income from services not designated as commissioner requested services	41,713	33,605
Total	**214,347**	**194,086**

Note 5.1 Profits and losses on disposal of property, plant and equipment

The Trust has not disposed of any property, plant and equipment which is used in the provision of commissioner requested services.

Note 6 Fees and charges

The Trust does not have any material fees or charges in 2019/20 (2018/19: £0).

Note 7 Operating expenses

	2019/20	2018/19
	£000	£000
Purchase of healthcare from NHS and DHSC bodies (1)	5,779	5,993
Purchase of healthcare from non-NHS and non-DHSC bodies (2)	1,511	1,859
Staff and executive directors costs - see note 9	153,678	136,252
Remuneration of non-executive directors	138	129
Supplies and services - clinical (excluding drugs costs) (3)	15,471	14,151
Supplies and services - general	1,982	1,938
(4)	13,651	10,958
Inventories written down	7	-
Consultancy costs	449	503
Establishment (5)	4,734	3,315
Premises (6)	4,294	3,425
Transport (including patient travel) (7)	1,126	1,263
Depreciation on property, plant and equipment - see note 15	4,411	4,300
Amortisation on intangible assets - see note 14	404	415
Net impairments - see note 15	17,594	6,068
Movement in credit loss allowance: contract receivables / contract assets	75	(284)
Increase/(decrease) in other provisions	144	(85)
Change in provisions discount rate(s)	64	(43)
Audit fees payable to the external auditor		
audit services- statutory audit	62	54
other auditor remuneration (external auditor only)	2	36
Internal audit costs	100	86
Clinical negligence (8)	2,488	1,982
Legal fees	203	210
Insurance	270	145
Research and development	368	466
Education and training	774	423
Rentals under operating leases - see note 11	618	796
Redundancy	-	7
Car parking & security	88	65
Hospitality	43	37
Losses, ex gratia & special payments	20	51
Total	**230,548**	**194,515**
Of which:		
Related to continuing operations	230,548	194,515
Related to discontinued operations	-	-

(1) Inclusive of diagnostic tests, supplies and medical equipment from other NHS bodies

(2) Inclusive of Rowlands Pharmacy dispensing fees(£0.5m) and Synergy Healthcare service charges (£0.5m). Other expenditure consists of interpreter fees, equipment and services.

(3) Increase in year on medical/surgical equipment (£1m) and diagnostic equipment and materials expenditure (X-ray £0.3m). Other expense includes physio equipment, appliances and blood.

(4) New pass through drugs coming on stream in year in Cystic Fibrosis, Metabolic Bone Disease and Neurology. Costs reimbursed via contracted commissioning income.

(5) Increase in year on IT hardware and infrastructure relating to COVID-19. Other expenditure consists of printing and stationary, telecomms, postage, furniture, fittings, reclassification of healthcare.

(6) £0.28m Energy (cost rate increase plus new build additional usage); £0.12m Waste (MITIE contract additional cost); £0.15m Additional works (CWAMH add CQC plus other)

(7) Ambulance expenditure, patent and staff travel

(8) Increase in clinical negligence litigation insurance premiums in year

Note 7.1 Other auditor remuneration

	2019/20	2018/19
	£000	£000
Other auditor remuneration paid to the external auditor:		
1. Audit of accounts of any associate of the trust	-	-
2. Audit-related assurance services	2	14
3. Taxation compliance services	-	-
4. All taxation advisory services not falling within item 3 above	-	-
5. Internal audit services	-	-
6. All assurance services not falling within items 1 to 5	-	-
7. Corporate finance transaction services not falling within items 1 to 6 above	-	-
8. Other non-audit services not falling within items 2 to 7 above	-	22
Total	**2**	**36**

Note 7.2 Limitation on auditor's liability

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

Note 8 Impairment of assets

	2019/20	2018/19
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Loss or damage from normal operations	-	-
Over specification of assets (1) - see note 15.3	17,594	-
Abandonment of assets in course of construction	-	-
Unforeseen obsolescence	-	-
Loss as a result of catastrophe	-	-
Changes in market price	-	-
Other - see note 15	-	6,068
Total net impairments charged to operating surplus / deficit	**17,594**	**6,068**
Impairments charged to the revaluation reserve	2,139	3,402
Total net impairments	**19,733**	**9,470**

(1) Downwards valuation reflects involvement of QE Facilities' services in the valuation commissioned by the Trust. The engagement of QE Facilities lends significant experience and expertise in hospital design and specification utilising more granular site and performance information. The key underlying assumptions in this piece of work have been reviewed and agreed by Trust management who can confirm that the output, resulting in the downwards valuation, reflect current and future operations and service provision.

Note 9 Employee benefits

	2019/20 Total £000	2018/19 Total £000
Salaries and wages	119,574	110,336
Social security costs	11,223	10,462
Apprenticeship levy	544	507
Employer's contributions to NHS pensions	20,214	13,247
Pension cost - other	80	34
Termination benefits	-	7
Temporary staff (including agency)	3,316	2,414
Total gross staff costs (1)	**154,951**	**137,007**
Recoveries in respect of seconded staff	-	-
Total staff costs	**154,951**	**137,007**
Of which		
Costs capitalised as part of assets	731	748

Note 9.1 Retirements due to ill-health

During 2019/20 there were 2 early retirements from the trust agreed on the grounds of ill-health (2 in the year ended 31 March 2019). The estimated additional pension liabilities of these ill-health retirements is £80k (£55k in 2018/19). These estimated costs are calculated on an average basis and will be borne by the NHS Pension Scheme.

(1) Year on year increase due to: pay award/inf £4.3m; add 6.3% pension £6.157m; agency/bank £0.9m increase; CWAMH £0.5m nursing cover required 3-4 mths; NHS recharges £0.9m inc £0.17m pay award/inflation; £1.04m nursing recruitment (ave 28 wte inc); £1.0m capacity planning posts; £0.15m R&I pay costs (inc offset); £0.4m PDG recruitment (semi freeze previously in 18/19); £0.1m increase in annual leave accrual

Note 10 Pension costs

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

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

a) Accounting valuation

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

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

b) Full actuarial (funding) valuation

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 at 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.

c) Alternative pension schemes

As a result of "automatic enrolment", the Trust has taken steps to ensure those members of staff who are not eligible for the NHS Pension Scheme, are enrolled into a pension scheme. The Trust is a member of the government-operated National Employment Savings Trust (NEST) pension scheme. Since October 2013, a minority of Trust employees have joined this scheme.The Trust treats such pension arrangements as a defined contribution pension and as such, no actuarial assumptions are required to measure the obligation or the expense and there is not possibility of any actuarial gain or loss.

Note 11 Operating leases

Note 11.1 Sheffield Children's NHS Foundation Trust as a lessor

This note discloses income generated in operating lease agreements where Sheffield Children's NHS Foundation Trust is the lessor.

	2019/20	2018/19
	£000	£000
Operating lease revenue		
Minimum lease receipts	343	330
Contingent rent	-	-
Other	-	-
Total	**343**	**330**

	2019/20	2018/19
	£000	£000
Future minimum lease receipts due:		
- not later than one year;	343	330
- later than one year and not later than five years;	716	746
- later than five years.	-	-
Total	**1,059**	**1,076**

Note 11.2 Sheffield Children's NHS Foundation Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where Sheffield Children's NHS Foundation Trust is the lessee.

	2019/20	2018/19
	£000	£000
Operating lease expense		
Minimum lease payments (1)	618	796
Contingent rents	-	-
Less sublease payments received	-	-
Total	**618**	**796**

	2019/20	2018/19
	£000	£000
Future minimum lease payments due:		
- not later than one year;	540	832
- later than one year and not later than five years;	1,759	2,141
- later than five years.	-	156
Total	**2,299**	**3,129**
Future minimum sublease payments to be received	-	-

(1) Lease and salary sacrifice car schemes, whereby the Trust acts as an intermediary for employees, are now held on the balance sheet under payables and managed via a control account. Expenditure balances with scheme providers are cleared by deductions from staff salaries in line with other similar payroll transactions.

Note 12 Finance income

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

	2019/20	2018/19
	£000	£000
Interest on bank accounts	144	121
Total finance income	**144**	**121**

Note 13 Finance expenditure

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

	2019/20	2018/19
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	1,127	1,173
Total interest expense	**1,127**	**1,173**
Unwinding of discount on provisions	10	-
Total finance costs	**1,137**	**1,173**

Note 14 Intangible assets - 2019/20

	Software licences £000
Valuation / gross cost at 1 April 2019 - brought forward	**4,973**
Additions	68
Reclassifications (1)	2,736
Valuation / gross cost at 31 March 2020	**7,777**
Amortisation at 1 April 2019 - brought forward	**3,150**
Provided during the year	404
Amortisation at 31 March 2020	**3,554**
Net book value at 31 March 2020	**4,223**
Net book value at 1 April 2019	**1,823**

(1) Take on of the Electronic Document Management System (EDMS) post implementation of remaining module, e-form and workflow go live in November 2019. Previously this scheme was classified as an 'Asset Under Construction' under Property Plant and Equipment.

Note 14.1 Intangible assets - 2018/19

	Software licences £000
Valuation / gross cost at 1 April 2018 - as previously stated	**4,844**
Additions	129
Valuation / gross cost at 31 March 2019	**4,973**
Amortisation at 1 April 2018 - as previously stated	**2,735**
Provided during the year	415
Amortisation at 31 March 2019	**3,150**
Net book value at 31 March 2019	**1,823**
Net book value at 1 April 2018	**2,109**

Note 15 Property, plant and equipment - 2019/20

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2019 - brought forward	**3,128**	**71,293**	**3,146**	**24,695**	**9**	**9,958**	**649**	**112,878**
Additions	-	2,308	1,929	307	14	1,597	44	**6,199**
Impairment charged to I&E as a result of downwards revaluation	-	(17,594)	-	-	-	-	-	**(17,594)**
Revaluations upwards to reserve	350	424	-	-	-	-	-	**774**
Revaluations downwards to reserve	-	(2,139)	-	-	-	-	-	**(2,139)**
Reclassifications (1)	-	-	(2,736)	-	-	-	-	**(2,736)**
Valuation/gross cost at 31 March 2020	**3,478**	**54,292**	**2,339**	**25,002**	**23**	**11,555**	**693**	**97,382**
Accumulated depreciation at 1 April 2019 - brought forward	**-**	**1,713**	**-**	**15,779**	**9**	**4,798**	**478**	**22,777**
Provided during the year (2)	-	1,360	-	1,543	1	1,463	44	**4,411**
Disposals / derecognition (3)	-	(1,713)	-	-	-	-	-	**(1,713)**
Accumulated depreciation at 31 March 2020	**-**	**1,360**	**-**	**17,322**	**10**	**6,261**	**522**	**25,475**
Net book value at 31 March 2020	**3,478**	**52,932**	**2,339**	**7,680**	**13**	**5,294**	**171**	**71,907**
Net book value at 1 April 2019	**3,128**	**71,293**	**3,146**	**8,916**	**-**	**5,160**	**171**	**91,814**

(1) See Note 14

(2) Depreciation charges include £822k of charges in relation to donated assets.

(3) Disposal of carried forward depreciation due to revaluation

Note 15.1 Property, plant and equipment - 2018/19

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2018 - as previously stated	**4,256**	**75,678**	**3,106**	**22,934**	**9**	**6,662**	**581**	**113,226**
Valuation / gross cost at 1 April 2018 - restated	**4,256**	**75,678**	**3,106**	**22,934**	**9**	**6,662**	**581**	**113,226**
Additions	-	2,186	410	1,391	-	3,296	68	**7,351**
Impairment charged to I&E as a result of downwards revaluation	(1,288)	(4,780)	-	-	-	-	-	**(6,068)**
Revaluations upwards to reserve	204	3,280	-	-	-	-	-	**3,484**
Revaluations downwards to reserve	(44)	(3,358)						**(3,402)**
Reclassifications	-	-	(370)	370	-	-	-	**-**
Valuation/gross cost at 31 March 2019	**3,128**	**73,006**	**3,146**	**24,695**	**9**	**9,958**	**649**	**114,591**
Accumulated depreciation at 1 April 2018 - as previously stated	**-**	**-**	**-**	**14,193**	**9**	**3,839**	**436**	**18,477**
Provided during the year (1)	-	1,713	-	1,586	-	959	42	**4,300**
Accumulated depreciation at 31 March 2019	**-**	**1,713**	**-**	**15,779**	**9**	**4,798**	**478**	**22,777**
Net book value at 31 March 2019	**3,128**	**71,293**	**3,146**	**8,916**	**-**	**5,160**	**171**	**91,814**
Net book value at 1 April 2018	**4,256**	**75,678**	**3,106**	**8,741**	**-**	**2,823**	**145**	**94,749**

(1) Depreciation charges include £697k of charges in relation to donated assets.

Note 15.2 Donations of property, plant and equipment

The Trust has received capital donations of £502k in year (2017/18: £1,406k) relating to medical equipment and upgrades of clincial environments.

Note 15.3 Revaluations of property, plant and equipment

All land and buildings are revalued using professional valuations in accordance with IAS 16 to ensure that property is stated at fair value. The default frequency of these valuations is currently every five years, in accordance with the FT ARM. However, interim valuations are also carried out as deemed appropriate by the Trust. Valuations are performed by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisals and Valuation Manual.

In 2018/19 the Trust commissioned a full on-site valuation of its land and buildings, which was undertaken by independent valuers Cushman & Wakefield. For the Trusts 2019/20 valuation, Cushman & Wakefield were instructed to perform a desktop valuation of Trust owned land and buildings in collaboration with QE Facilities. The engagement of QE Facilities serves to benefit from significant experience and expertise in hospital design, utilising more granular site and performance information and ensuring the Trust has the most accurate reflection of market values and asset lives.

The valuation undertaken by the Trust is based on a Depreciated Replacement Cost methodology. This approach assumes assets would be replaced with a modern equivalent and not a building of identical design, though with an equal existing service potential. A modern equivalent may be smaller in size to the existing asset, due to technological advances in plant and machinery for example. A resulting net reduction on the residual value of the Trust's assets can be seen below. This valuation reflects economic conditions and location factor appropriate to the region at the valuation date.

The valuation exercise was carried out in January 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. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, the Trust will keep the valuation of these properties under frequent review. The values provided in the valuation 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 therefore remains the best information available to the Trust.

Revaluation of Land and Buildings by Asset Group as at 31 March 2020

	Valuation Movement Charged to Reserve		Valuation Movement Charged to I&E	Total Valuation Movement
	Increase	Decrease		
	£000	£000	£000	£000
Land: Main Site	350	-	-	**350**
Land: Individual Buildings (inc. Northumberland Rd. properties…)	-	-	-	**-**
Main Site	272	-	(12,980)	**(12,707)**
External Works			(477)	**(477)**
Individual Buildings (inc. Northumberland Rd. properties…)	60	(12)	(280)	**(232)**
Ryegate	92	-	(510)	**(418)**
Becton		(2,127)	(3,347)	**(5,474)**
Total Valuation Movement	**774**	**(2,139)**	**(17,594)**	**(18,959)**

Revaluation of Land and Buildings by Asset Group as at 31 March 2019

	Valuation Movement Charged to Reserve		Valuation Movement Charged to I&E	Total Valuation Movement
	Increase	Decrease		
	£000	£000	£000	£000
Land: Main Site	-	-	(1,234)	**(1,234)**
Land: Individual Buildings (inc. Northumberland Rd. properties…)	204	(44)	(54)	**106**
Main Site	-	(2,264)	(2,994)	**(5,258)**
External Works	1,153	(986)	(1,734)	**(1,567)**
Individual Buildings (inc. Northumberland Rd. properties…)	-	(108)	(52)	**(160)**
Ryegate	-	-	-	**-**
Becton	2,127			**2,127**
Total Valuation Movement	**3,484**	**(3,402)**	**(6,068)**	**(5,986)**

Note 15.4 Property, plant and equipment financing - 2019/20

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2020								
Owned - purchased	3,478	48,110	2,139	4,255	13	5,043	29	**63,067**
Finance leased	-	-	-	-	-	-	-	**-**
Owned - donated	-	4,822	200	3,425	-	251	142	**8,840**
NBV total at 31 March 2020	**3,478**	**52,932**	**2,339**	**7,680**	**13**	**5,294**	**171**	**71,907**

Note 15.5 Property, plant and equipment financing - 2018/19

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2019								
Owned - purchased	3,128	65,771	3,112	5,055	-	4,849	58	**81,973**
Owned - donated	-	5,522	34	3,861	-	311	113	**9,841**
NBV total at 31 March 2019	**3,128**	**71,293**	**3,146**	**8,916**	**-**	**5,160**	**171**	**91,814**

Note 16 Inventories

	31 March 2020	31 March 2019
	£000	£000
Drugs	583	566
Consumables	2,689	2,724
Total inventories (1)	**3,272**	**3,291**
of which:		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £29,371k (2018/19: £24,663k). Write-down of inventories recognised as expenses for the year were £7k (2018/19: £0k).

(1) The Trust endeavoured to conduct business as usual annual stock counts as far as was possible during the COVID-19 pandemic despite the associated staffing capacity issues. Figures disclosed in these accounts are an accurate representation of Trust wide stock levels at 31 March 2020.

Note 17 Receivables

	2019/20	2018/19
	£000	£000
Current		
Contract receivables	20,492	14,385
Allowance for impaired contract receivables / assets	(216)	(141)
Prepayments (non-PFI)	917	1,822
PDC dividend receivable	716	-
VAT receivable	286	459
Total current receivables	**22,195**	**16,525**
Non-current		
Other receivables (1)	575	-
Total non-current receivables	**575**	**-**
Of which receivable from NHS and DHSC group bodies:		
Current	18,767	11,625
Non-current	575	-

(1) Clinicians who are members of the NHS Pension Scheme and face an annual allowance tax charge for work undertaken in 2019/20 can elect to have this charge paid by the NHS Pension Scheme. The employing trust will make a contractually binding commitment to pay a corresponding compensated amount on retirement to offset the impact on their pension. The Trust has provided for this future obligation in note 22, which will be nationally funded and as such a receivable asset has been recognised with NHS England.

Note 17.1 Allowances for credit losses

	2019/20	2018/19	
	Contract receivables and contract assets	Contract receivables and contract assets	All other receivables
	£000	£000	£000
Allowances as at 1 April - brought forward	**141**	**-**	**442**
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018		442	(442)
Changes in existing allowances	75	(284)	-
Utilisation of allowances (write offs)	-	(17)	-
Allowances as at 31 Mar 2020 (1)	**216**	**141**	**-**

(1) IFRS 9 requires the recognition of impairments on an expected losses basis for financial assets that are debt instruments measured at amortised cost or at fair value through other comprehensive income. The Trust uses the HM Treaury mandated 'simplified approach' to calculate allowances. Allowances for credit losses are calculated as probability weighted losses expected from credit loss events occurring within a defined period. For instance, 12-month expected credit losses are the total losses expected from any event occurring in the next twelve months, whilst lifetime expected credit losses are the total losses expected from any event occurring within the lifetime of the financial asset. For financial assets with a term of less than twelve months, these are the same.

Note 18 Cash and cash equivalents movements

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

	2019/20	2018/19
	£000	£000
At 1 April	**14,536**	**20,954**
Net change in year	(8,259)	(6,418)
At 31 March	**6,277**	**14,536**
Broken down into:		
Cash at commercial banks and in hand	26	79
Cash with the Government Banking Service	6,251	14,457
Total cash and cash equivalents as in SoFP	**6,277**	**14,536**

Note 18.1 Third party assets held by the trust

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. The Trust held no such assets during the year.

Note 19 Trade and other payables

	2019/20 £000	2018/19 £000
Current		
Trade payables	11,072	10,941
Capital payables	829	1,514
Accruals	3,196	3,086
Social security costs	1,850	1,451
Other taxes payable	1,176	1,190
Other payables	(118)	-
Total current trade and other payables	**18,005**	**18,182**
Of which payables from NHS and DHSC group bodies:		
Current	5,998	5,252
Non-current	-	-

Note 19.1 Early retirements in NHS payables above

There are no early retirements included in NHS payables for 2019/20 (2018/19: £0)

Note 19.2 Other liabilities

	2019/20 £000	2018/19 £000
Current		
Deferred income: contract liabilities	1,338	1,027
Total other current liabilities	**1,338**	**1,027**
Non-current		
Deferred income: contract liabilities	-	33
Total other non-current liabilities	**-**	**33**

Note 20 Borrowings

	2019/20	2018/19
	£000	£000
Current		
Loans from DHSC	2,309	2,314
Obligations under finance leases	-	-
Total current borrowings	**2,309**	**2,314**
Non-current		
Loans from DHSC	38,386	40,513
Obligations under finance leases	3	3
Total non-current borrowings	**38,389**	**40,516**

A loan facility of £8 million was arranged with the Independent Trust Financing Facility (formerly Foundation Trust Financial Facility) in 2009/10 to fund a new mental health services development. £1 million was drawn down in 2009/10 and a further £4 million was drawn down in 2011/12. The loan repayment terms were renegotiated prior to the second drawdown and the remainder of the loan is now repayable over 20 years, commencing in January 2014. Previously, the loan was repayable over 25 years commencing in July 2011.

Additional loan facilities, again with the Independent Trust Financing Facility were agreed, to assist with funding the construction of the new hospital wing development. The first facility is up to a sum of £25 million, repayable over 25 years. A further £10 million loan to cover additional costs related to the project were also secured and subsequently drawn down in 2015.

The Independent Trust Financing Facility also agreed to the provision of a loan facility for a further £10m drawn down by the Trust in April 2017 for capital programme support.

Note 20.1 Reconciliation of liabilities arising from financing activities - 2019/20

	Loans from	Finance	Total
	£000	£000	£000
Carrying value at 1 April 2019	**42,827**	**3**	**42,830**
Cash movements:			
Financing cash flows - payments and receipts of principal	(2,127)	-	**(2,127)**
Financing cash flows - payments of interest	(1,132)	-	**(1,132)**
Non-cash movements:			
Application of effective interest rate	1,127	-	**1,127**
Carrying value at 31 March 2020	**40,695**	**3**	**40,698**

Note 20.2 Reconciliation of liabilities arising from financing activities - 2018/19

	Loans from DHSC	Finance leases	Total
	£000	£000	£000
Carrying value at 1 April 2018	**44,517**	**3**	**44,520**
Carrying value at 1 April 2018 - restated	**44,517**	**3**	**44,520**
Cash movements:			
Financing cash flows - payments and receipts of principal	(1,877)	-	**(1,877)**
Financing cash flows - payments of interest	(1,177)	-	**(1,177)**
Non-cash movements:			
Impact of implementing IFRS 9 on 1 April 2018	191	-	**191**
Application of effective interest rate	1,173	-	**1,173**
Carrying value at 31 March 2019	**42,827**	**3**	**42,830**

Note 21 Finance leases

Note 21.1 Sheffield Children's NHS Foundation Trust as a lessor

The Trust has not entered into any finance leases as a lessor.

Note 21.2 Sheffield Children's NHS Foundation Trust as a lessee

Obligations under finance leases where the trust is the lessee.

	2019/20 £000	2018/19 £000
Gross lease liabilities	**9**	**10**
of which liabilities are due:		
- not later than one year;	-	-
- later than one year and not later than five years;	-	-
- later than five years.	9	10
Finance charges allocated to future periods	(6)	(7)
Net lease liabilities	**3**	**3**
of which payable:		
- not later than one year;	-	-
- later than one year and not later than five years;	-	-
- later than five years.	3	3

Note 22 Provisions for liabilities and charges analysis

	Pensions: early departure costs (1)	Pensions: injury benefits (1)	Legal claims (2)	Redundancy	Other (3)	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2019	**6**	**332**	**48**	**182**	**151**	**719**
Change in the discount rate	**-**	**64**	**-**	**-**	**-**	**64**
Arising during the year	**-**	**2**	**41**	**-**	**575**	**618**
Utilised during the year	-	(11)	(32)	(182)	99	**(126)**
Reversed unused	**(4)**	**(7)**	**-**	**-**	**-**	**(11)**
Unwinding of discount	**-**	**10**	**-**	**-**	**-**	**10**
At 31 March 2020	**2**	**390**	**57**	**-**	**825**	**1,274**
Expected timing of cash flows:						
- not later than one year;	-	11	57	-	**-**	**68**
- later than one year and not later than five years;	2	40	-	-	**190**	**232**
- later than five years.	-	339	-	-	**635**	**974**
Total	**2**	**390**	**57**	**-**	**825**	**1,274**

(1) Calculated based on information provided by the NHS Business Services Authority - Pensions Division. There are uncertainties surrounding these provisions as the amounts incorporate assumptions made concerning the life expectancy of the individuals.

(2) Legal claims is in respect of employer's liability and public liability cases made against the Trust. This figure is based on information provided by NHS Resolution which represents the Trust's best assessment of likely future costs associated with processing claims. The eventual settlement costs and legal expenses may be higher or lower than that provided.

(3) Provisions for anticipated dilapidations costs (£250k) on short leasehold property and consultants pension tax liability (£575k) (see note 1.1.4)

Note 23 Clinical negligence liabilities

At 31 March 2020, £55,223k was included in the provisions of NHS Resolution in respect of clinical negligence liabilities of Sheffield Children's NHS Foundation Trust (31 March 2019: £53,502k).

Note 24 Contingent assets and liabilities

	2019/20	2018/19
	£000	£000
Value of contingent liabilities		
NHS Resolution legal claims	(31)	(14)
Gross value of contingent liabilities	**(31)**	**(14)**
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	**(31)**	**(14)**

Note 25 Financial instruments

Note 25.1 Financial risk management

International Financial Reporting Standard 7 (IFRS 7) requires disclosure of the role that financial instruments have had during the period in creating and changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with Clinical Commissioning Groups (CCGs) and the way those CCGs are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also, financial instruments play a much more limited role in creating and changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change risks facing the Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the Finance department, within parameters defined formally in the Standing Financial Instructions and policies agreed by the Board of Directors. Trust treasury activity is subject to review by the Trust's internal auditors.

Currency risk

The Trust is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and pound sterling based. The Trust has no overseas operations. The Trust therefore has low exposure to currency rate fluctuations.

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 trade receivables. As the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The carrying amount represents the maximum credit exposure.

Interest Rate Risk

All of the Trust's financial liabilities carry nil or fixed rates of interest. In addition, the only element of the Trust's financial assets that is currently subject to a variable rate is cash held in the Foundation Trust's main bank accounts and in a short term deposit account. The Trust is therefore not exposed to significant risk of fluctuations in interest rates.

Liquidity risk

The Trust's operating costs are incurred under contracts with Clinical Commissioning Groups and other NHS or Government bodies, which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from cash reserves or loans. All major capital expenditure is supported by detailed financial assessment including the assessment of cash flow requirements and impact on liquidity and any funding is within the Trust's prudential borrowing limit, as set by NHS Improvement. The Trust is not, therefore, exposed to significant liquidity risks.

Note 25.2 Carrying values of financial assets

Carrying values of financial assets as at 31 March 2020	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables excluding non financial assets	20,276	**20,276**
Cash and cash equivalents	6,277	**6,277**
Total at 31 March 2020	**26,553**	**26,553**

Carrying values of financial assets as at 31 March 2019	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables excluding non financial assets	14,244	**14,244**
Other investments / financial assets	-	**-**
Cash and cash equivalents	14,536	**14,536**
Total at 31 March 2019	**28,780**	**28,780**

Note 25.3 Carrying values of financial liabilities

Carrying values of financial liabilities as at 31 March 2020	Held at amortised cost	Total book value
	£000	£000
Loans from the Department of Health and Social Care	40,695	**40,695**
Obligations under finance leases	3	**3**
Trade and other payables excluding non financial liabilities	14,979	**14,979**
Provisions under contract	1,274	**1,274**
Total at 31 March 2020	**56,951**	**56,951**

Carrying values of financial liabilities as at 31 March 2019	Held at amortised cost	Total book value
	£000	£000
Loans from the Department of Health and Social Care	42,827	**42,827**
Obligations under finance leases	3	**3**
Trade and other payables excluding non financial liabilities	15,538	**15,538**
Provisions under contract	719	**719**
Total at 31 March 2019	**59,087**	**59,087**

Note 25.4 Maturity of financial liabilities

	2019/20	2018/19
	£000	£000
In one year or less	18,565	18,574
In more than one year but not more than two years	2,309	2,314
In more than two years but not more than five years	6,927	6,942
In more than five years	29,150	31,257
Total	**56,951**	**59,087**

Note 26 Losses and special payments

	2019/20		2018/19	
	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000	Number	£000
Losses				
Cash losses	-	-	18	-
Bad debts and claims abandoned	-	-	1	8
Total losses	**-**	**-**	**19**	**8**
Special payments				
Compensation under court order or legally binding arbitration award	8	12	9	53
Ex-gratia payments (1)	16	-	-	-
Total special payments	**24**	**12**	**9**	**53**
Total losses and special payments	**24**	**12**	**28**	**61**
Compensation payments received		-		-

(1) Payments reclassified as 'Special payments' where previoulsly classed as 'Losses'

Note 27 Gifts

	2019/20		2018/19	
	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000	Number	£000
Gifts made	6	7	-	-

Note 28 Related parties

The total value of receivables and payables balances held with related parties as at 31 March 2020 is:

	2019/20 Receivables £000	2018/19 Receivables £000
Department of Health	-	-
Other NHS bodies	11,657	12,324
Other bodies (including WGA Bodies)	1,952	1,049
	13,609	**13,373**

	31 March 2020 Payables £000	31 March 2019 Payables £000
Other NHS bodies	5,997	6,256
Other bodies (including WGA Bodies)	5,029	4,629
	11,026	**10,885**

The Department of Health (DoH) is regarded as a related party. During the year, the Trust has had a significant number of material transactions with the DoH, and with other entities for which the DoH is regarded as the parent. These entities include NHS England, Clinical Commissioning Groups, NHS Foundation Trusts, NHS Trusts, NHS Litigation Authority, NHS Business Services Authority and NHS Purchasing and Supply Agency. The main NHS entities are:

Sheffield Clinical Commissioning Group (CCG)
NHS England
Sheffield Teaching Hospitals NHS Foundation Trust

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with HM Revenue and Customs (including National Insurance Fund), NHS Pension Scheme and Sheffield City Council.

During the year the Trust also received revenue and capital funding from The Children's Hospital Charity, a registered charity that mainly supports the work of the Sheffield Children's NHS Foundation Trust and its reputation as a regional centre of excellence for the research, prevention and cure of childhood illnesses, as well as other organisations. In the year ended 31 March 2020, the charity raised a total of £3,126k (2018/19: £3,260k) and the Trust recognised donated income of £502k (2018/19: £1,349k) from the charity. The Trust's Director of Nursing & Quality, Chair and a clinician remain Trustees of the charity.

The Trust Board, via Risk and Audit Committee, is in agreement that the Trust does not have control over either the Children's Hospital Charity or Sheffield Hospitals Charitable Trust and, as a result, consolidation of these charities has not taken place for 2019/20 in line with IAS 27.

Note 29 Events after the reporting date

There are no material events after the reporting period to disclose.

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