South Tees Hospitals
NHS Foundation Trust

South Tees Hospitals NHS Foundation Trust

Annual Report and Accounts
1 April 2019 to 31 March 2020

South Tees Hospitals NHS Foundation Trust

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

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Annual accounts for the period 1 April 2019 to 31 March 2020

Annual Report, 2019/20

1. Performance Report

The purpose of the performance report is to provide an overview of South Tees Hospitals NHS Foundation Trust (the Trust), its purpose and a glimpse of its history. The Chief Executive's and Chairman's perspective is included together with the key issues and associated risks to the delivery of our objectives.

Introduction to South Tees Hospitals NHS Foundation Trust

South Tees Hospitals NHS Foundation Trust is a statutory body which became a public benefit corporation on 1 April 1992. We are the largest hospital Trust in the Tees Valley and our core purpose is to provide acute and community services with the highest quality of patient care and experience.

Our Trust is one of the largest employers in the Tees Valley. Our services provided from The James Cook University Hospital in Middlesbrough and the Friarage Hospital in Northallerton deliver over 1.5m patient contacts per year, with an additional 1.2m patient contacts undertaken by our community services. We are a Major Trauma Centre, Regional Cancer Centre and a Tertiary Centre.

We are registered with the Care Quality Commission with our last inspection providing a 'Requires Improvement' rating.

We are committed to providing patients with the very best care across all of our services.

In addition, we provide care in our local communities and in people's homes, including community and district nursing, and services from the following hospital sites:

- Redcar Primary Care Hospital
- East Cleveland Primary Care Hospital in Brotton
- Friary Community Hospital in Richmond

We are a major employer within our local area and a key system leader within the health and social care system that serves our communities.

Our Trust is a partner in the Academic Health Science Network (AHSN) and member of the Clinical Research Network for the North East and North Cumbria, which aims to recognise the ideas originating from the region's health service, turning them into treatments, accessible technologies and medicines to enable patients to benefit from better healthcare.

We recognise that patient experience is a fundamental component of quality healthcare, with our aim to provide the best possible care for each and every one of our patients.

We expect at all times that all of our patients will be listened to and treated with honesty, dignity and respect. We appreciate that patients and their families are the experts in terms of their experience of our care, and we aim to listen closely to what they have to tell us to enable our services to meet their current and future needs.

Overview by the Chairman and Chief Executive

We are pleased to present this report which provides a look-back on the previous twelve months. In doing so, it provides a review of our activities and a balanced, comprehensive analysis of developments and operational and financial performance.

We know that getting good NHS services it is the most important things to more than 1.5 million patients, carers and families in the Tees Valley, North Yorkshire and beyond who depend and rely on them.

It is the most important thing to everyone who works at South Tees Hospitals NHS Foundation Trust too. That is why, despite the challenges which the NHS everywhere is facing, we will not take risks with the frontline care that our communities count on.

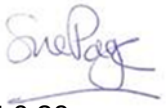
Since October 2019, the Trust has undergone a number of significant changes. We're now empowering our doctors and nurses to take the decisions about how we manage our resources and deliver care across our hospitals and services.

This same clinically-led approach has guided our response to COVID-19. The huge efforts of our all our nurses, midwives, doctors, allied health professionals, scientific teams, administrative, support staff and volunteers has been instrumental in helping our services to meet the challenges presented by this national crisis.

As well as creating separate COVID/non-COVID units and pathways at James Cook and the Friarage, our clinicians and laboratory teams were amongst the first in the country to develop on-site testing 24 hours a day, seven days a week with the majority of results available in six hours.

This clinically-led approach has focused on one overriding objective: to keep patients and colleagues safe.

Over the course of 2020/21, our clinicians will continue to drive the measures that will ensure our services emerge stronger from these unprecedented times.

Signed: 

Date: 25.6.20

Sue Page CBE
Chief Executive & Accounting Officer

Signed: 

Date: 25.6.20

Alan Downey
Chairman

Our purpose

From October 2019, South Tees Hospitals NHS Foundation Trust has developed a clinically led improvement plan (Getting Back to Our Best) to address strategic and operational concerns highlighted by the Care Quality Commission and staff feedback in the first half of 2019/20.

A summary of the concerns highlighted were:

- Top-down leadership.
- Poor staff experience.
- Poor clinical engagement.
- Risk escalation weaknesses.
- Inconsistent quality.

Significant work has been undertaken since October 2019 to:

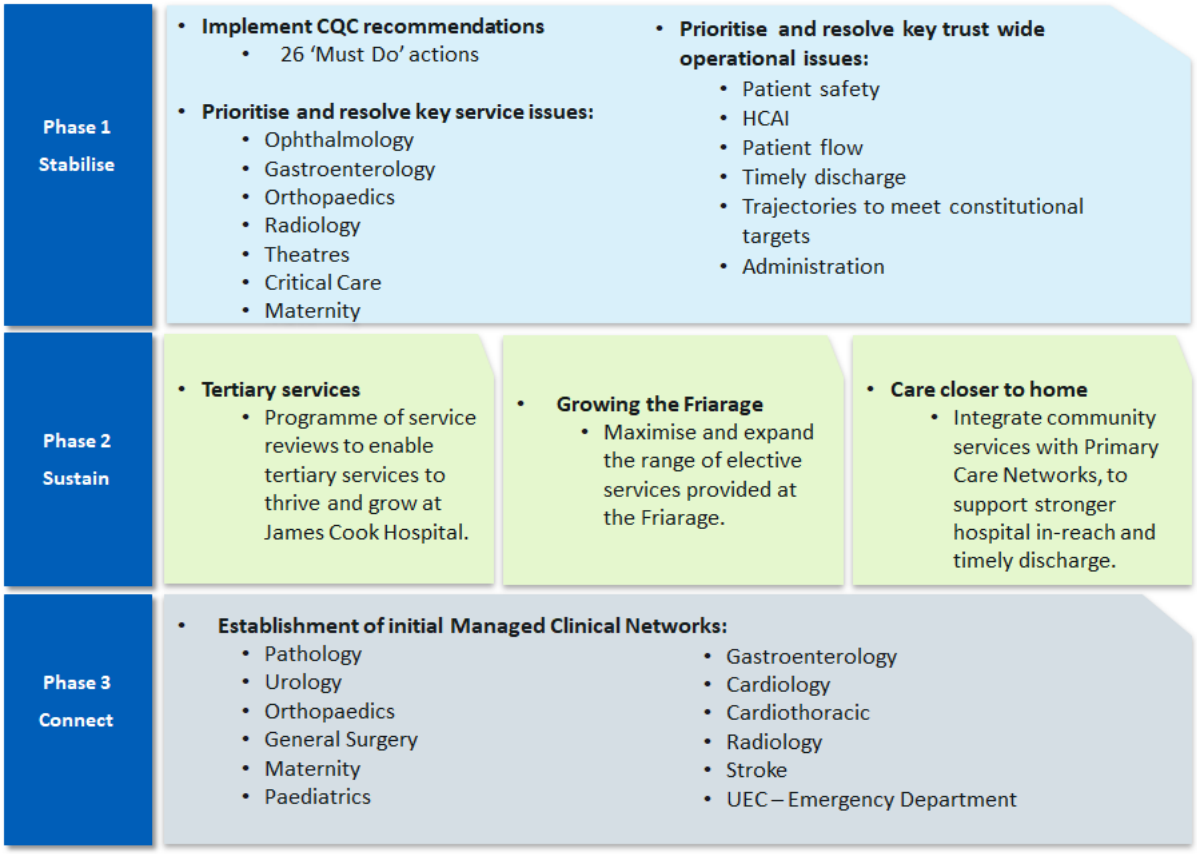
- Introduce visible and responsive leadership through more than 108 individual service visits by the Trust's interim CEO.
- Co-produce a 'you said, we did' action plan with staff side colleagues to improve staff experience.
- Introduce clinically-led decision-making into the way the Trust allocates resources and delivers care across the organisation.
- Clearly communicate the importance of good risk escalation and introduce the Trust's first Full Capacity Protocol.
- Re-focus medical leadership to enable greater focus on quality.

The Trust's *Getting Back to our Best* improvement plan builds on this work to provide a roadmap for the way in which the organisation will prioritise and deliver continuous improvement over the next two years. The plan is broken down into three distinct phases which run alongside one another:

Stabilise care - extra support for clinical specialties which require additional assistance, and a focus on improving patient flow to ensure timely patient discharge.

Sustain care – enabling tertiary services to thrive and grow at James Cook; delivering more elective services from the Friarage; and ensuring community services are full integrated and able to support timely discharge and prevent avoidable admissions.

Connect care – establishing managed clinical networks across 12 initial specialties in order to ensure care is delivered seamlessly when patients cross NHS organisational boundaries.



Patient experience

Coming into hospital or accessing community health services can be a worrying time so we want to provide the best possible experience we can for patients, relatives and carers and to understand what you are telling us about your experiences – good and bad – so we can make improvements where necessary.

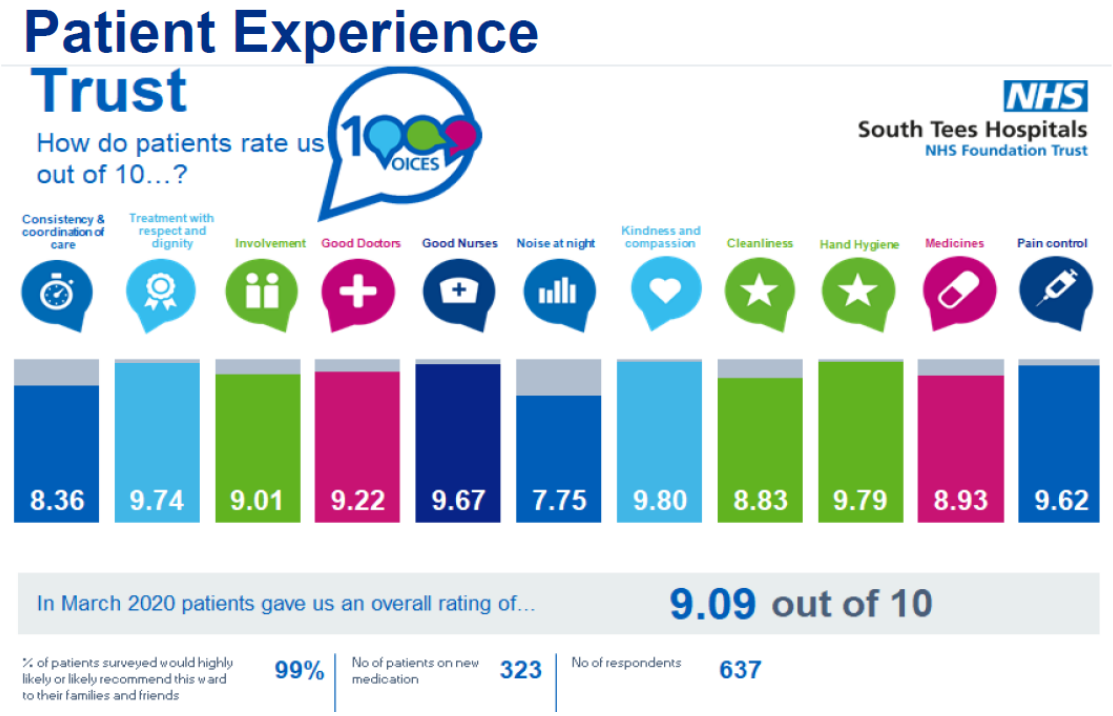
We are analyse people's experience of their attendance in a number of departments – including our Emergency Department and outpatients.

We invite patients to complete the NHS Friends and Family Test in inpatient areas, accident and emergency, and maternity. The questionnaire can be answered on leaving the Ward by completing a postcard, or can be completed online.

This provides us with speedy feedback on patients' experience and helps us to recognise and share good practice and improve and learn from any aspects of a patient's visit that may not have met their expectations.

While this is an anonymous survey, if patients have particular concerns about their care or treatment the Patient Advice and Liaison Service (PALS) is there to listen and help to resolve problems quickly on patients' behalf.

Patient feedback is also collated through our 1,000 Voices programme which asks patients to rate the care they have received across a range of different measures including involvement in their care, kindness and compassion and cleanliness. Each month the results of the 1,000 Voices programme are published and discussed at the Trust's public board meetings.



Staff experience

The Trust's annual NHS staff survey was conducted in the autumn of 2019 and echoed many of the findings from the Trust's CQC inspection report which was published in July of the same year.

Since our CQC report and staff survey, the Trust has undergone a number of significant changes. We are now empowering our doctors and nurses to take the decisions about how we manage our resources and deliver care across our hospitals and services.

For example, the Trust's clinical directors, medical directors, senior nursing and allied health professionals, chairs of staff side and our senior medical staff forum, now come together on a regular basis through our new Clinical Policy Group to discuss and make more of the decisions about how we operate as a Trust.

In addition, The Trust's Equality, Diversity and Inclusion Steering Group has been re-established and LGBT+, BAME, faith and disability health network groups have been created which are open to all our staff.

The clinically-led approach to doing what's needed to improve patient care is already bearing fruit – we have recruited more nurses and invested an extra £6 million in new hospital equipment.

There is a lot of work still to do but by enabling clinicians to come together to shape and deliver the care they want for their patients, we've already come a long way in a short time.

Engaging with stakeholders

Stakeholder engagement is a priority for us to further build strong partnerships and relationships - the foundation of our vision and strategy. We appreciate that our continued success would not be possible without the support and collaboration of our key stakeholders. We have a robust

programme of engagement in place with a wide range of stakeholders as their contributions help shape our strategic direction and are crucial to our success.

Subsidiary undertakings

The Trust created a Limited Liability Partnership (LLP) in May 2016 to act a body through which research funds could be managed. The LLP is called South Tees Institute of Learning, Research and Innovation LLP.

Limited Liability Partnerships must have two members (partners) at all times. To ensure compliance with this requirement, South Tees Hospitals NHS Foundation Trust also created a Limited Liability Company in May 2016. The LLC is called South Tees Healthcare Management Limited.

Together, the Trust and South Tees Healthcare Management Limited are the members (partners) of South Tees Institute of Learning, Research and Innovation LLP.

When setting up this arrangement in 2016, the Trust intended for South Tees Healthcare Management Limited to remain dormant and act as one of the members (partners) of South Tees Institute of Learning, Research and Innovation LLP.

When changes to the provision of the Trust's outpatient pharmacy took place in 2019, South Tees Healthcare Management Limited was chosen to enable outpatient pharmacy services to be placed back under the control of the Trust as a wholly owned subsidiary.

Key issues and risks

In order to maintain a strong system of governance, the Board of Directors regularly review the key issues and risks that may undermine the achievement of the Trust's strategic objectives. The matters outlined below are those that the Board of Directors considers to be of particular significance to the Trust:

- **Access targets**

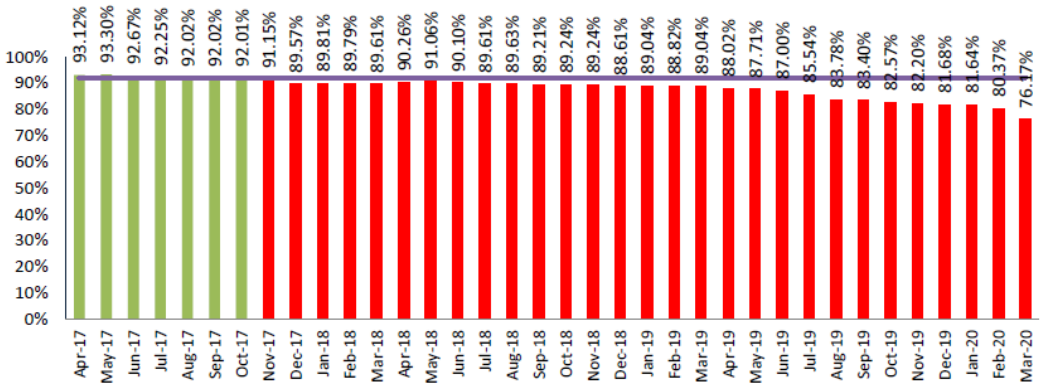
The Trust has struggled to meet constitutional access targets during 2019/20 following steps taken at the start of the financial year to significantly reduce the trust's bed-base as part of cost-saving measures.

This risk is now managed through the Trust's Clinical Policy Group and reported each month to through Trust board.

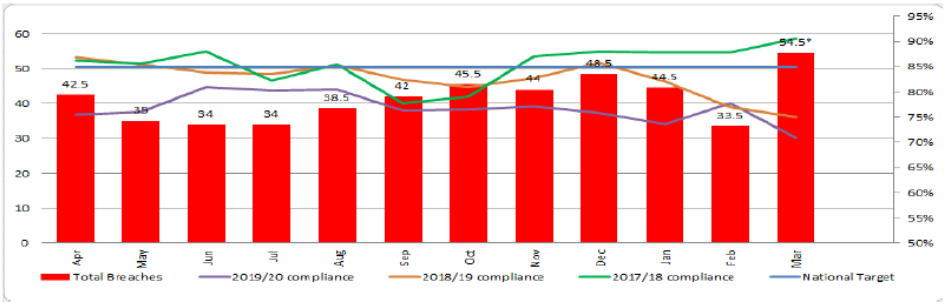
Additional challenges to access measures have been experienced as part of the Trust's response to the unprecedented COVID-19 pandemic.

Performance - A&E

Referral to Treatment



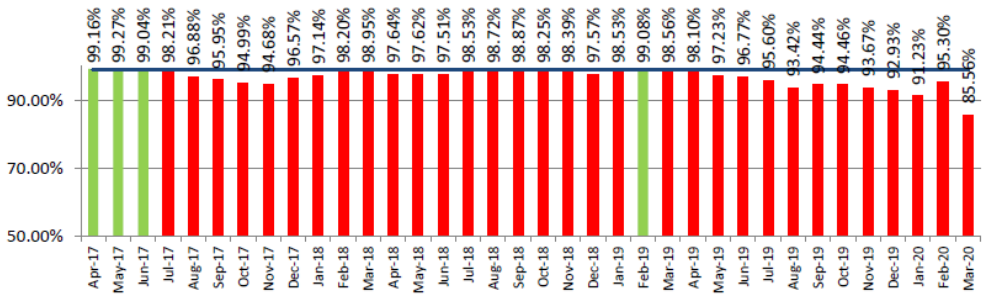
Performance – 62 Day Cancer Standard



% compliance and number of breaches

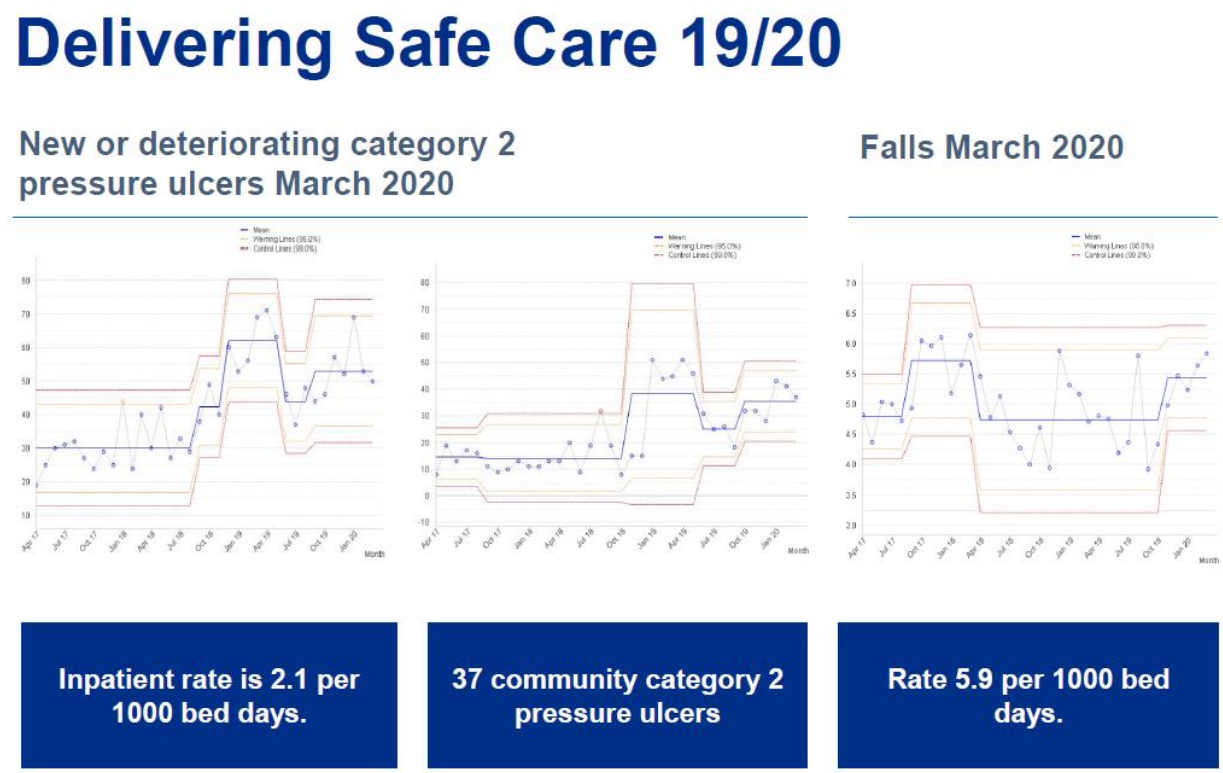
* Indicative

6 Week Diagnostic



- **Quality targets**

All services that the Trust provides are reviewed through our Quality and Safety Committee. Following the Care Quality Commission's inspection findings in July 2019, measures to improve incident reporting have been introduced successfully and a number of learning initiatives have taken place.



- **Financial sustainability**

South Tees Hospitals NHS Foundation Trust entered into a Private Finance Initiative (PFI) scheme in 1999 to enable the re-location of its Middlesbrough services onto a single site - creating The James Cook University Hospital in its current location. The PFI was part of a first tranche of NHS schemes.

The revenue costs of the James Cook PFI equate to £34 million per year (or 5.5 per cent of the Trust's entire annual expenditure).

In addition 'life-cycle' costs (mandatory annual maintenance charges built into the PFI scheme) need to be paid from the Trust's capital funding.

The total annual payments by the Trust for the James Cook PFI scheme are approximately £50 million per year.

The PFI provider Endeavour is currently earning 'super' profits due largely to the life cycle-costs contained within the original PFI agreement.

This causes the Trust further financial pressure as an element of the life-cycle maintenance charge is required to be written-off to revenue. In 2019/20 this additional charge to the Trust is estimated to be £5.9 million.

A report commissioned by the Trust has calculated that the PFI scheme is adding approximately £17.5 million, each year to the Trust's expenditure. This analysis compares the cost of the PFI to a hospital provided by public capital/borrowing. This additional cost broadly equates to the Trust's existing underlying structural deficit.

Going concern

The Trust has prepared its 2019/20 Annual Accounts on a Going Concern basis. After making enquiries, the Director of Finance has a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Trust continues to adopt the going concern basis in preparing the accounts.

The day to day operations of the Trust are funded from agreed contracts with NHS commissioners. The uncertainty in the current economic climate has been in part mitigated by agreeing contracts with Clinical Commissioning Groups and NHSE/I for a further year and these payments provide a reliable stream of funding reducing the Trust's exposure to liquidity and financing. The Trust's budget and expenditure plans have been prepared using national guidance on tariff and inflationary factors with income based on agreements with Commissioners. These plans outlined a surplus control total in 2019/20 of £3.2 million, including Provider Sustainability Funding (PSF).

The Trust set challenging efficiency targets in 2019/20 which included a Cost Improvement Plan of £33.2 million. The Trust recorded a deficit for the year of £28.5 million and did not achieve the agreed control total in 2019/20. The Trust agreed a variance to the control total of £20.0 million and achieved this revised target. With the Trust delivering the revised target it received confirmation that a Bonus PSF payment amounting to £8.3 million would be paid to the Trust and this was received in 2020/21. The balance sheet shows net current liabilities of £97.1 million including loans from the Department of Health and Social Care (DHSC) as detailed below. The Trust historically received support from the Department of Health and Social Care from 2014/15 through to 2018/19 and the Trust has utilised Interim Revenue Support during 2019/20 in the form of short term borrowing that covered PSF and deficit funding. During the year the Group received new loans of £36.0 million and made loan repayments of £5.5 million.

The operational stability of the Trust is dependent on the Trust delivering the 2020/21 financial plan and achieving a sustainable solution to its historic PFI scheme on James Cook University Hospital. The Draft Plan submitted to NHSE/I outlined a forecast Group deficit amounting to £26.3 million before FRF funding. At the time the draft plan was submitted the Trust did not include any request for revenue support, however, on-going support from DHSC will be required to meet the future financial obligations of the group due to the on-going structural deficit caused by the PFI scheme. Following the draft submission, the planning process was suspended and is due to resume in June 2020. The Trust prepared and submitted a revised capital plan for 2020/21 to NHSE/I in May 2020 and is preparing a request for support amounting to £14.6 million to cover essential investment in equipment and infrastructure.

Interim arrangements have also been introduced as a result of COVID-19 in 2020/21 and the Trust has been required to break-even during this period. The Trust has been eligible for the reimbursement of reasonable costs associated with COVID and has to-date received support amounting to £0.9 million to cover revenue expenditure incurred in 2019/20. Capital expenditure in 2019/20 amounted to £0.3 million and this has been financed through the receipt of PDC funding. The Trust is receiving advance funding from NHSE/I and Commissioners in 2020/21 which includes a monthly block payment (£49.2 million) and a top up payment (£1.9 million) to bring the Trust in line with spend profiles in the latter part of 2019/20. These arrangements have ensured the Trust's financial position has been stable over this period.

The Group has not been notified by any relevant national body of any intention to dissolve the Group or to transfer services to another public sector body. In April 2020, DHSC and NHSE/I announced reforms to the NHS cash regime for the 2020/21 financial year. This announcement confirmed that during 2020/21, existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. The affected loans totalling £147.2 million are classified as current liabilities within these financial statements. As the repayment of these loans will be funded through the issue of PDC, this does not present a going concern risk for the Trust. The Group also believes that if further funding support is required in 2020/21 this will be made available. As with any Trust placing reliance on the DHSC for financial support, the Directors continue to acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, it has no reason to believe that it will not do so.

Based on the above factors the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Freedom to Speak Up Guardian

Freedom to Speak Up is a national requirement that has the potential to improve patient outcomes and experience. In addition it can improve the working experience of our staff, thereby increasing retention and job satisfaction.

Sustainability and the Environment

The last twelve months have seen an increased focus on sustainability and the environment both nationally and on a global scale, whether it is the recent flooding in the UK or the catastrophic fires in Australia.

The impact of what we do now will be reflected in years to come, unless we adopt drastic measures to mitigate how we conduct ourselves and take responsibility for our actions. As the NHS is the largest employer within the UK; a duty of care is owed to ensure that everything we undertake, whether it be patient care or building improvements, it is in the best interests of our community.

As a large, influential NHS Trust, our environmental mission statement still stands and demonstrates our commitment to improving the environment:

'South Tees Hospitals NHS Foundation Trust is one of the largest Trusts in the North of England and as such is one of the principle healthcare providers and employers. To that end it is imperative that the Trust accepts its responsibility towards the environmental impact it creates by reacting to climate change, and exploiting every opportunity to improve social, economic, and environmental sustainability. As a Trust we have a moral duty of care to ensure we function in the best interests of the local community and as so improve the health and wellbeing of all.'

We still maintain the ISO 14001:2015 certification, demonstrating our commitment to the environment, whilst also improving upon our Sustainable Development Management Plan (Green Plan). This will now incorporate the requirements of the NHS Long Term Plan, The Adaptation to Climate Change Plan and the NHS Standards Contract.

A number of sustainable innovations have been introduced and there plans for more over the next twelve months.

Environmental and Sustainability Initiatives

- Anaerobic Digestion has been introduced at the Friarage Hospital, Northallerton. Food waste has been diverted from going to drain and is now converted into energy for heating homes and fertiliser for local farmers. There has also been a cost saving by having this system adopted.
- A government grant has been secured to install more electric vehicle charging points on the James Cook site for staff. This will address the rise in demand from staff taking advantage of tax incentives for electric cars.
- The Trust has signed a pledge to eliminate avoidable single use plastics in canteen areas by April 2021.
- Dry, Mixed, Recycling (DMR) has been introduced on the Friarage site which all staff have embraced. This roll-out will continue into 2020 to ensure that all areas recycle their waste effectively whilst ensuring compliance. The James Cook site is striving towards full site recycling whilst also looking at specialist recycling specific to the disciplines the wards and departments undertake.
- The internal clinical waste collection service, set up for patients who receive their treatment at home, has been stepped up to a managed service incorporating the use of a help desk and dedicated driver. This allows staff to contact patients regarding their clinical waste collection and offers support to patients who need ad-hoc deliveries of equipment and collections.

Clinical Waste

The clinical waste situation regarding historic issues have been alleviated, however the Trust still remains in contingency. There have been no issues with front line services and it has been 'business as usual'.

2. Accountability Report

Directors' Report

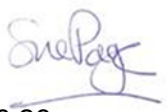
It is the responsibility of the Directors of South Tees Hospitals NHS Foundation Trust (STHFT) to prepare the Annual Report and Accounts. The Board of Directors considers that the Annual Report and Accounts taken as a whole are fair, balanced and understandable, providing the information necessary for the public, patients, regulators and other stakeholders to assess STHFT's performance, business model and strategy.

Every NHS Foundation Trust has its own governance structure. The basic governance structure of a NHS Foundation Trust includes:

- Membership
- Council of Governors
- Board of Directors

This structure is well developed at STHFT, and can be found within STHFT's Constitution at: www.southtees.nhs.uk

STHFT is headed by a Board of Directors with responsibility for the exercise of the powers and the performance of the NHS Foundation Trust. In addition to the basic governance structure, STHFT makes use of its Board Committees and Executive Groups which comprise of Directors and senior managers as a practical way of dealing with specific issues.

Signed: 

Date: 25.6.20

Sue Page CBE
Interim Chief Executive & Accounting Officer

Signed: 

Date: 25.6.20

Alan Downey
Chairman

Foundation Trust Membership

We involve our Governors who represent the members from STHFT's constituent areas in developing our forward plans. By involving Governors in designing services and improving care we ensure that the views of local people are being heard and we enhance the experience of patients, carers, visitors and staff.

On 1 April 1992 our original membership was established and since then we have worked to maintain and engage with our representative membership. By engaging with members and the public ensures that the views of local people and those further afield are taken into account; this helps to improve the experience of our patients, visitors and staff.

During 2019/20 the Governor Task and Finish Group for the Constitution met and made recommendations to the Council of Governors concerning changes to meet legal and regulatory requirements as well as changes to membership constituent areas.

Our membership consists of public and staff and is described in more detail below:

Public members

We have 4,371 public members covering Middlesbrough, Redcar and Cleveland, Hambleton and Richmondshire and the remainder of the United Kingdom.

A member of the public who is 16 years of age or over and lives within STHFT's public constituent areas or who has been a patient and/or carer within the last 10 years can become a member of our Trust for one of the following areas:

Public membership	Number of members (31 March 2019)	Eligible membership
Age (years)		
16-21	14	24,715
22-65	1,575	199,603
66+	2,408	113,885
Unknown	724	-

- Middlesbrough
- Redcar and Cleveland
- Hambleton and Richmondshire
- Rest of England
- Patient and/or Carer

Staff members

When joining STHFT a staff member on a contract of more than 12 months automatically becomes a member unless they choose to opt out. This staff constituency also includes: Endeavour SCH Plc; Serco; Middlesbrough Council Hospital Social Work Team; and Cambridge Perfusion Services.

The tables below provide details of STHFT's membership:

Constituency	Actual 31 March 2020	Actual 31 March 2019
Staff	8,626	8,655

Public Constituency	Actual 31 March 2020	Actual 31 March 2019
Middlesbrough	1,193	1,288
Redcar and Cleveland	1,194	1,309
Hambleton and Richmondshire	1,135	1,264
Rest of England	307	290
Patient and/or Carers	542	570

We communicate and engage with our members, patients, carers and volunteers through a variety of channels, these include:

- STHFT website
- Local media
- Annual Members meetings

As part of the on-going work across the Tees Valley we have worked closely with our partnership organisations, including Specialised Commissioning, Middlesbrough Council, Redcar and Cleveland Council, North Yorkshire Council, South Tees CCG, Richmondshire and Whitby CCG, Durham University, Newcastle University, Teesside University, Healthwatch and many other organisations across the third sector. We have plans to engage further with all our membership and key stakeholders.

Further information on membership and how to communicate with Governors can be found on our website: www.southtees.nhs.uk/about/membership
or email: stees.foundation.trust@nhs.net

Council of Governors

Our Council of Governors has a membership of 33; five represent Middlesbrough; five Redcar and Cleveland; five Hambleton and Richmondshire; one Rest of England; two Patient and/or Carers; three staff; and 12 represent our partner organisations.

The Council of Governors directly represents members of the public, staff, and other stakeholders and forms an integral part of our governance structure.

The Council of Governors has a number of statutory duties. The Governors appoint the Non-executive Directors, including the Chairman, to STHFT's Board of Directors. They also have a key role in holding Non-executive Directors individually and collectively to account for the performance of the Board whilst representing the interests of STHFT's members.

The Council of Governors collectively has responsibility for supporting STHFT in taking account of the views of its members when developing forward plans and services. Our Governors were engaged with the formation of STHFT's operational plan for 2020/21.

Other statutory duties of the Council of Governors include:

- Appointment and removal of the Chairman and other Non-executive Directors
- Approving the appointment of the Chief Executive
- Deciding and receive the remuneration of the Chairman and Non-executive Directors
- Appointment and removal of STHFT's External Auditors
- Receiving STHFT's Annual Report and Annual Accounts
- As necessary make recommendations and/or approving revisions to STHFT's Constitution
- Approval of significant transactions;
- Approval of an application by the Foundation Trust to enter into a merger, acquisition, separation or dissolution
- Review of STHFT's membership and engagement arrangements

There were a number of changes to the Council of Governors during 2019/20 including elections that were held. Details of the composition and changes that occurred are described in the following table:

Governor	Constituency	Term of Office	Number of Terms	Term due to end/ended	Council of Governor Meeting Attendance
Public Elected Governors					
Ann Arundale	Middlesbrough	3 years	2	November 2022	8/10
Rebecca Hodgson	Middlesbrough	3 years	2	November 2022	10/10
Jean Milburn	Middlesbrough	3 years	1	March 2021	9/10
Carolyn Newton	Middlesbrough	3 years	2	Ended - November 2019	4/6
Alison Munkley	Middlesbrough	3 years	1	March 2021	8/10
Barbara Hewitt	Redcar and Cleveland	3 years	1	March 2021	9/10
Allan Jackson	Redcar and Cleveland	3 years	2	March 2021	6/10
John Race	Redcar and Cleveland	3 years	3	March 2021	10/10
Jon Winn	Redcar and Cleveland	3 years	1	May 2022	8/8
Jennifer Rutland	Redcar and Cleveland	3 years	1	May 2022	8/8
Plym Auty	Hambleton and Richmondshire	3 years	3	March 2021	8/10
Janet Crampton	Hambleton and Richmondshire	3 years	2	November 2022	7/10
David Hall	Hambleton and Richmondshire	3 years	1	March 2021	10/10
Graham Lane	Hambleton and Richmondshire	3 years	1	March 20200	10/10
Mike Holmes	Hambleton and Richmondshire	3 years	2	November 2022	8/10
Angela Seward	Rest of England	3 years	2	Ended – November 2019	6/6
Tink Wedgwood-Jones	Patient/Carer	3 years	1	March 2021	4/10
David Bennett	Patient/Carer	3 years	1	May 2022	6/8
Staff Elected Governors					
Jonathan Broughton		3 years	3	May 2022	7/8
Steve Bell		3 years	1	May 2022	6/8
Martin Fletcher		3 years	1	May 2022	6/8

Appointed/Partnership Governors

Governor	Partner Organisation	Date appointed	Council of Governor meeting attendance
Erik Scollay	Middlesbrough Council	January 2017	0/10
Cllr Caroline Dickinson	North Yorkshire Council	July 2017	8/10
Lynn Pallister	Redcar and Cleveland Council	October 2015 Stepped down August 2019	0/4
Dr Adetayo Kasim	Durham University	April 2017 Stepped down January 2020	4/8
Dr Stephen Jones	Newcastle University	January 2016	6/10
Anne Binks	Teesside University	December 2015 Retired August 2019	0/4
Julia Bracknall	Carer Organisation	April 2018 Retired January 2020	6/8
Dr Susy Cook	Teesside University	August 2019	4/6
Paul Crawshaw	Healthwatch Organisation	February 2015	0/10
Lisa Bosomworth	Appointed substitute for Healthwatch Organisation	May 2019	8/10
Lee O'Brien	Carer Organisation	February 2020	2/2
Linda Lloyd	Hambleton, Richmondshire & Whitby CCG	June 2019	5/8
Patrick Rice	Redcar and Cleveland Council	August 2019	2/6

Council of Governor Meetings

From 1 April 2019, the Council of Governors met on 10 occasions which included five meetings held in public and five meetings held in private:

- 14 May 2019
- 16 July 2019
- 10 September 2019
- 10 December 2019
- 10 March 2020

Council of Governor Committees

The Council of Governors delegates some of its powers to Committees of Governors and these matters are described within STHFT's Constitution which includes the Nomination Committee.

Further details on the workings of the Nomination Committee can be found within the Remuneration Report.

The Council of Governors established other groups including the Membership and Engagement Committee as mentioned previously in this section of the report, Annual Operating Plan Group, the Constitution Working Group, Quality Account Group, Smoke Free Working Group, Governors Friarage Working Group with representation on the Friarage Clinical Steering Group. Governors also participated in PLACE assessments and Governor Drop-in sessions across out-patient departments.
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Governor training and development

During the year Governors have been provided with access to a range of training and development opportunities to further support them in their role. These included inductions and learning and educational sessions held prior to Council of Governor meetings.

There are a number of ways members of STHFT and members of the public can communicate with the Council of Governors:

Telephone: 01642 854151
Email: stees.foundation.trust@nhs.net

Write to your Governor at:
Membership Office
STHFT
The Murray Building
James Cook University Hospital
Marton Road
Middlesbrough

The Board of Directors relationship with the Council of Governors

The Board of Directors and Council of Governors seek to work together effectively in their respective roles. During the year, the Lead Governor has worked closely with the Chairman and Company Secretary to review all relevant issues which are taken into consideration to produce agendas for meetings of the Council of Governors. The Executive and Non-executive Directors were invited to attend meetings as observers and take part when required.

STHFT's Governors are encouraged to attend the Board meetings held in public to gain a broader understanding of discussion taking place at Board level, to observe the decision making processes and to understand how Non-executive Directors challenge and support Executive Directors.

Declaration of Interests of the Council of Governors

All Governors are required to comply with the Council of Governors Code of Conduct which includes a requirement to declare any interests that may result in a potential conflict in their role as Governor of STHFT. At every meeting of the Council of Governors there is a standing agenda item which requires Governors to make known any interest in relation to agenda items and any changes to their declared interests.

The Register of Governor's interests is held by the Company Secretary and is available for public inspection via the following address:

Membership Office
STHFT
The Murray Building
James Cook University Hospital
Marton Road
Middlesbrough
TS4 3BW

Board of Directors

The Board of Directors operates to the highest corporate governance standards. It is a unitary Board with collective responsibility for all areas of performance of STHFT, including clinical, operational and financial performance, governance and management.

The Board is legally accountable for the services provided by STHFT and has the following key responsibilities:

- Setting the strategic direction of STHFT whilst taking into account the views of the Council of Governors'
- Ensuring adequate systems and processes are in place to deliver STHFT's Annual Operational Plan
- Ensuring that services provided are safe, and clean, and that personal care is provided to patients
- Ensuring robust governance systems and processes are in place supported by an effective assurance framework that supports sound systems of internal control;
- Ensuring rigorous performance management to ensure STHFT achieves local and national targets
- Measuring and monitoring STHFT's efficiency and effectiveness
- Continuous improvement;
- Exercising its powers established under statue, as described in STHFT's Constitution which is available at: www.southtees.nhs.uk

The Board of Directors has resolved that certain powers and decisions may only be exercised or made by the Board in formal session. It has also resolved that some powers are delegated to a Committee of Directors. The powers and decisions of the Board and the Council of Governors are set out in the Standing Orders, Reservation of Powers to the Board and Scheme of Delegation.

Further details on the workings of the Statutory Board Committees (Remuneration Committee and Audit Committee) can be found within the Remuneration Report. In addition to the Statutory Board Committees, STHFT has additional Executive Operational Groups which were reviewed as part of the independent Well-led review.

The Board ensures that the interests of patients and the local community are represented by working groups in place within and outside of STHFT. These are in addition to the Council of Governor Committee structure.

Board composition and balance

The Board consists of individuals with an appropriate balance of knowledge, skills and experience to enable it to carry out its duties effectively. This is supported by the Council of Governors which assesses the Board's performance.

Board of Director Meetings

The Board held seven of its meetings in public and resolved that, due to the confidential nature of business to be discussed, a further 10 meetings should be held in private.

All Board members have annual performance appraisals. The Chairman carries out the appraisals for Non-executive Directors and the Chief Executive. The Senior Independent Director carries out the annual performance appraisal for the Chairman: in order to gather input into the Chairman's appraisal she meets with Governors, the Non-executive Directors, and meets separately with the Chief Executive.

The collective performance of the Board is evaluated through discussions and evaluation at Board development sessions, through review of the Board Assurance Framework and through independent reviews such as the independent well-led review of Board governance. The outcome of the re-review resulted in improvements which are explained in the Annual Governance Statement.

Board of Directors Profiles

Non-executive Directors

Mr Alan Downey – (Chairman)

Alan has been chairman of the Trust since April 2018. Immediately before that, he was a Non-Executive Director at South London and Maudsley NHS Foundation Trust. He began his career as a fast-stream civil servant and worked on a wide range of policies before joining KPMG, the professional services firm. He held a variety of senior positions at KMPG, including head of the firm's public sector practice.

Appointed as Chair Designate from 1 January 2018 and Chairman from 1 April 2018 for a three year term

Mrs Amanda Hullick – Non-executive Director/Deputy Chair

Amanda commenced as a Non-Executive Director at the Trust in September 2014 after an international career in human resources and organisational development. Amanda worked at a senior level in a number of major private companies including Shell, ICI and Rolls Royce. In the public sector Amanda worked for British Rail and was instrumental in the work carried out to privatise the national rail service. Amanda is Australian by birth, married with two children and lives in York.

Appointed 1 September 2014 for a three year term
Reappointed 1 September 2017 for a further three year term
Resigned 31 March 2020

Mrs Maureen Rutter – Non-executive Director/ Senior Independent Director

Maureen is a registered nurse with an MBA and post graduate qualifications in teaching and palliative care. Following working in the NHS for 25 years Maureen worked in the voluntary sector as a Director of Macmillan Cancer Support responsible for East Midlands and the North of England and later Direct Services UK wide. Maureen was an appointed Governor of the Trust prior to her becoming a Non-executive Director of the Trust.

Appointed 2 September 2013 for a three year term
Re-appointed 1 September 2016 for a further three year term
Re-appointed for one additional year to 30 August 2020

Mr Richard Carter-Ferris – Non-executive Director

Richard is a Chartered Accountant and an experienced finance professional having worked at a senior level in a number of large businesses. Richard's previous roles included Director of Internal Audit at Asda Wal-Mart, Global Financial Controller for GE Plastics, Finance Director of National Express East Coast and Finance Director of Vantage Airport Group. He is a self-employed consultant proving financial and non-executive support to a range of clients.

Appointed 1 August 2015 for a three year term
Reappointed 1 August 2018 for a further three year term

David Heslop – Non-executive Director

David has decades of experience developed in the finance and insurance industry. David became Director for the Teacher's Pension Scheme at Capita in 2015. Prior to joining Capita, David was a Chief Operating Officer for the Pension Protection Fund and had a 20 year career at Aviva, one of the UK's largest insurance and savings groups. David read statistics at City University and is a Fellow of the Royal Statistic Society and the Institute of Actuaries.

Appointed 1 August 2015 for a three year term
Reappointed 1 August 2018 for a further three year term

Mike Ducker – Non-executive Director

Mike has over 30 years' experience in the petrochemicals manufacturing industry on Teesside with ICI, Huntsman and SABIC. Mike has worked across a broad range of functions from Operations to Human Resources within the Tees Valley, and spent 10 years as the Chairman of the SABIC UK Pension Fund. He is a Trustee of two UK charities, and an advisor to the UK Government on Chemicals Sector Resilience. Mike lives near Thirsk, North Yorkshire.

Appointed 1 February 2018 for a three year term

Debbie Reape – Non-executive Director

Debbie is a registered general nurse and a registered sick children nurse who has worked in the NHS for 38 years in a number of senior nursing and management roles. Debbie joined the Trust as a Non-executive director following on from her retirement in 2017 from Northumbria Healthcare NHS Trust where her last role was as Executive Director of Nursing. Debbie lives in Newcastle Upon Tyne and has one son.

Appointed 1 November 2018 for a three year term

Ada Burns – Non-executive Director

Ada has had a lengthy career in local government and public policy. She worked for 25 years in London in roles focused on housing and regeneration. In 2005 Ada was appointed Chief Executive of Darlington Borough Council, a position she held until 2018. During her time in Darlington Ada was instrumental in the development of the Tees Valley Mayoral Combined Authority, and had a particular interest in programmes to address health inequalities. Ada is a Governor and Resources Committee Chair for Teesside University, Vice Chair of the New Local Government Network (NLGN), and a Director of a Community Arts Centre.

Appointed 1 October 2019 for a three year term

Executive Directors

Sue Page – Interim Chief Executive Officer

Sue has worked in the NHS for more than 30 years as Chief Executive in London, Cumbria, the North East and Liverpool. She has led hospital and community Trusts, with a particular focus on improving organisations and leading them through significant change. Sue has previously worked in the northern NHS region, leading hospital and community services in Northumberland and North Tyneside from 1990 to 2005, resulting in the creation of Northumbria Healthcare NHS Foundation Trust in 1998. She also ran NHS Cumbria for seven years from 2006 to 2013 and received a CBE for services to the NHS in 2000.

Appointed Interim Chief Executive Officer on 1 October 2019

Adrian Clements –Medical Director

Adrian commenced as a Consultant in Accident and Emergency Medicine in March 2001 and has served as Clinical Director for nine years before commencing the role of Medical Director for Urgent and Emergency Care on 1 April 2016 and subsequently Medical Director.

Appointed voting director on 1 April 2016
Commenced as Deputy Chief Executive on 1 December 2017
Stepped down from Deputy Chief Executive role on 31 December 2019

Gill Hunt – Director of Nursing

Gill Hunt was appointed as the director of nursing / director of infection prevention and control in November 2015 having previously had the role of deputy director of nursing within the Trust. With 29 years' experience in the NHS, Gill has held a number of senior nursing and management posts in the region.

Appointed voting director as Director of Nursing on 26 November 2015

Steven Mason – Interim Director of Finance

Steven is a qualified Chartered Certified Accountant and has 35 years' experience of working mainly in health and local government. Prior to joining the Trust Steven was Chief Executive and Director of Finance at Northumberland County Council. Steven formerly had been Chief Executive and Director of Finance at North Durham Hospital and Deputy Finance Director at the Royal Victoria Infirmary.

Appointed voting director from 1 October 2017

David Chadwick – Medical Director

David has worked as a consultant urologist in the Trust for over 20 years and is the Clinical Lead for Prostate Cancer and Robotic Surgery. David's previous roles included Clinical Director of Urology and Chief of Service for the Surgical Services Centre.

Appointed voting director on 1 April 2016
Return and retire – 29 August 2019

Sath Nag – Medical Director

Sath is a Consultant in Acute Medicine, Diabetes and Endocrinology. Sath has held previous posts of Deputy Medical Director and Clinical Director for the Diabetes and Endocrine Directorate.

Appointed voting director on 3 May 2016

Siobhan McArdle - Chief Executive and Accountable Officer

Left the Trust on 30 September 2019

Andrew Owens – Medical Director

Stepped down from Medical Director role on 31 December 2019

Board of Director Attendance

Non-executive Directors		Board Attendance 2019/20
Alan Downey	Chair Designate from 1.01.18 to commencing as Chairman on 1.04.18)	13/13 100%
Amanda Hullick	Vice Chair/Non-executive Director (until 31.3.19)	11/13 85%
Maureen Rutter	Senior Independent Director/Non-executive Director	13/13 100%
Richard Carter-Ferris	Non-executive Director	10/13 77%
David Heslop	Non-executive Director	9/13 69%
Mike Ducker	Non-executive Director	11/13 85%
Debbie Reape	Non-executive Director	11/13 85%
Ada Burns	Non-executive Director (from 1.10.19)	7/9 78%

Executive Directors		Board Attendance 2019/20
Siobhan McArdle	Chief Executive (until 30.9.19)	4/4 100%
Sue Page	Interim Chief Executive (from 1.10.19)	6/9 67%
Adrian Clements	Medical Director	12/13 92%
Steven Mason	Director of Finance	13/13 100%
Gill Hunt	Director of Nursing	13/13 100%
David Chadwick	Medical Director	13/13 100%
Sath Nag	Medical Director	12/13 92%
Andrew Owens	Medical Director(until 31.12.19)	5/7 71%

Independence of Non-executive Directors

The Board of Directors determine whether each Non-executive Director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could affect, the Directors judgement. None of the current Non-executive Directors have served more than six years at STHFT and they have been members only of the Board and Board Committees and have not been members of STHFT's management or executive groups and therefore have retained significant independence from operational management of STHFT. Further details on Directors' independence can be found within the Foundation Trust Code of Governance section of this report.

NHS Improvement's Well Led Framework

During 2019/20 the Board carried out self-review against the Well Led Framework. An action plan was developed and work continues to deliver the outcomes agreed by the Board.

Declaration of Interests of the Board of Directors

An annual review of the Board of Director's Register takes place alongside the annual review of the Fit and Proper Person Regulation assessment. This is in addition to any changes to Directors interests declared at the next routine meeting following the change to their interests.

The Board of Directors has a standing agenda item which requires Executive and Non-executive Directors to declare any interest in relation to agenda items and any changes to their declared interests.

The Register of Board interests is available for public inspection via STHFT's website or from the following address:

Company Secretary
STHFT
The Murray Building
James Cook University Hospital
Marton Road
Middlesbrough
TS4 3B

Statutory statement required within the Directors Report

STHFT has complied with the cost allocation and charging requirements set out in the HM Treasury and Office of Public Sector Information guidance.

A statement describing adoption of the Better Practice Code is included within the Annual Accounts. Section 43(2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012) requires that income from the provision of goods and services for the purposes of the health service in England must be greater than its income for the provision of goods and services for any other purpose. The Trust can confirm it has met these requirements. Note 3 to the accounts confirms that the Trust does not have income from fees and charges where the full cost exceeds £1 million.

All Directors of STHFT have undertaken to abide by the provisions of the Code of Conduct for Board level Directors; this includes ensuring that, at the time that this Annual Report is approved:

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

The provisions of the Code of Conduct also require each Director to confirm, they have undertaken all the steps that they ought to have taken as a Director in order to do the things mentioned above and:

- Made such enquiries of their fellow Directors and of the company's auditors for that purpose; and
- Taken such other steps (if any) for that purpose, as are required by their duty as a Director of the company to exercise reasonable care, skill and diligence.

Annual Remuneration Report

Annual Statement on Remuneration

We present to you the Directors' Remuneration Report for the financial year 2019/20.

The Nomination Committee is established by the Council of Governors to deal with Non-executive Directors remuneration and terms of office.

The Remuneration Committee is established by the Board of Directors and deals with the remuneration and terms of service for the Executive Directors and any other such senior managers.

The Remuneration Report includes the following:

- Senior Managers' Remuneration policy
- The Annual Report on Remuneration including Directors' service contract details and Governance requirements including Committee membership; attendance and business conducted during 2019/20

Major Decisions on Remuneration in 2019/20:

STHFT's Remuneration and Nomination Committees both aim to ensure that Executive and Non-executive Directors' remuneration is set appropriately. The Remuneration Committee takes into account relevant market conditions to ensure Executive Directors are appropriately rewarded for their performance against goals and objectives linked directly to STHFT's objectives and that their pay is reasonable and comparable to other Executive Director pay.

After careful consideration of national guidance, benchmarking and satisfactory appraisals, these Committees decide what level of increase in remuneration is appropriate to ensure any increase is fair and reflects benchmarking of Executive and Non-executive pay across the NHS.

During 2019/20 the Committees:

- Approved the appointment of Ada Burns as a Non-executive Director from 1 October 2019
- Reviewed the remuneration for Non-executive Director positions following an update in guidance from NHSE/I
- Set the Chief Executive's objectives;
- Received and approved appointment, resignation and termination updates
- Approved the Chief Executive and Senior Leadership Remuneration Review
- Approved the appointment and remuneration for a number of interim appointments including the Chief Executive, Chief Operating Officer, Head of Governance, Director of Communications and Senior Nurse Advisor
- Considered and implemented a new pension policy

The Nomination and Remuneration Committees fulfil their responsibilities and report to either the Board of Directors or the Council of Governors.

Signed: 

Date: 2.7.20

Sue Page
Interim Chief Executive & Accounting Officer

Signed: 

Date: 2.7.20

Alan Downey
Chairman

Annual Remuneration Report

Nomination Committee

The Council of Governors established the Nomination Committee for matters relating to the appointment and terms of office of Non-executive Directors including the Chairman. Attendance during 2019/20 is found below:

Members	Attendance 19/20
Alan Downey	2/2 100%
Angela Seward	1/1 100%
David Hall	2/2 100%
Jon Broughton	1/2 50%
Mike Homes	2/2 100%
Paul Crawshaw	1/2 50%
Plym Auty	1/1 100^

The Senior Independent Director is invited to the Committee to provide support and advice along with the Director of Human Resources and Company Secretary. At times when the Chairman's terms of office or performance appraisal is being considered the Chair would withdraw from the meeting.

During 2019/20 the Council of Governors through the Nomination Committee agreed and had oversight on the following:

- Recommending the approval of the appointment of Ada Burns as Non-executive Director from 1 October 2019 and appointment of Deputy Chair from 1 April 2020
- Recommending the approval of the appointment of the Interim Chief Executive

Non-executive Directors can be terminated from office on resolution made by the Council of Governors in accordance with STHFT's Constitution.

Remuneration Committee

The Board of Directors established the Remuneration Committee which is responsible for matters relating to the remuneration of Executive Directors, including the Chief Executive and very senior managers. Attendance during 2019/20 is found below:

Non-executive Directors	Board Attendance 2019/20
Amanda Hullick	9/10 90%
Maureen Rutter	9/10 90%
Richard Carter-Ferris	9/10 90%
David Heslop	8/10 80%
Alan Downey	9/10 90%
Mike Ducker	6/10 60%
Debbie Reape	8/10 80%
Ada Burns	4/6 67%

The Company Secretary and Director of Human Resources are invited to attend meetings to provide advice.

In 2019/20 STHFT received independent local and national benchmarking information on Executive Director pay to market test remuneration levels (including those that are remunerated above the Prime Minister's salary). The Committee was assured that salaries above the threshold displayed within the Remuneration table within the Accountability Report are reasonable and comparable to other Executive Director pay.

Senior Managers' Remuneration Policy

The Chief Executive and Executive Directors receive a fixed salary which is reviewed annually and determined by independent benchmarking against NHS organisations throughout the country with the use of NHS Provider benchmarking information, NHS Annual Reports and Accounts and knowledge of job descriptions, person specifications and market pay. Executive Directors are substantive employees and their contacts can be terminated by either party giving notice ranging between three and nine months'. For the purpose of this Remuneration Report only voting members of the Board are considered as 'senior managers'.

Service Contracts

Non-executive Directors serve for three year terms of office and serve a maximum of six years subject to satisfactory performance (with additional years approved subject to satisfactory performance on an annual basis).

The Council of Governors consider and set terms of office for Non-executive Directors beyond that to meet the needs of STHFT whilst taking into account NHS Improvement's guidance. Further details on each of the Non-executive Directors can be found in the Director's Report within this Annual Report.

Senior Manager Remuneration and Benefits

The authority and responsibility for controlling major activities is retained by the statutory Board of Directors who have voting rights. This includes the voting Executive and voting Non-executive Directors (including the Chairman).

Pension arrangements for the Chief Executive and Executive Directors are in accordance with reference to NHS Pension Scheme, the Accounting Policies for Pensions and relevant benefits are set out in the following tables:

Figures below are for the 12 month period from 1 April 2019 to 31 March 2020 for comparison purposes a table showing figures for the prior year is also included.

Directors' costs table 2019/20

	2019/20					
Name and title	**Salary & fees (in bands of £5k)**	**Taxable benefits (total to the nearest £100)**	**Performance-related bonuses (in bands of £5k)**	**Long-term performance-related bonuses (in bands of £5k)**	**All pension-related benefits (in bands of £2.5k)**	**Total**
	£000	**£00**	**£000**	**£000**	**£000**	**£000**
David Heslop	15-20	-	-	-	-	15-20
Non-executive Director						
Richard Carter-Ferris	15-20	-	-	-	-	15-20
Non-executive Director						
Amanda Hullick (*)	20-25	-	-	-	-	20-25
Deputy Chair and Non-executive Director						
Maureen Rutter	15-20	-	-	-	-	15-20
Senior Independent Director and Non-executive Director						
Steven Mason	180-185	-	-	-	-	180-185
Director of Finance						
Gill Hunt	140-145	-	-	-	50-52.5	195-200
Director of Nursing						
Siobhan McArdle (*)	380-385	-	-	-	22.5-25	405-410
Chief Executive						
Sue Page (*)	110-115	52	-	-	-	115-120
Interim Chief Executive						
David Chadwick (*)	195-200	2	-	-	-	195-200
Medical Director						
Adrian Clements (*)	265-270	2	-	-	60-62.5	330-335
Medical Director						
Andrew Owens (*)	175-180	-	-	-	60-62.5	240-245
Medical Director						
Sath Nag	230-235	-	-	-	20-22.5	250-255
Medical Director						
Jake Tompkins (*)	-	-	-	-	-	-
Non-executive Director						
Alan Downey	50-55	-	-	-	-	50-55
Chairman						
Ada Burns (*)	5-10	-	-	-	-	5-10
Non-executive Director						
Debbie Reape	15-20					15-20
Non-executive Director						
Michael Ducker	15-20	-	-	-	-	15-20
Non-executive Director						
Band of Highest Paid Director's Total Remuneration in £000s (excluding redundancy payments and payments in lieu of notice)	**265-270**					

(1) Amanda Hullick left the Trust on 31 March 2020
(2) Siobhan McArdle left the Trust on 30 September 2019. A payment of £179,792.63 was made in lieu of notice together with a payment representing 3 months' pay in the sum of £59,930.88 and a payment in the sum of £21,838.98 in relation to contractual liabilities;
(3) Sue Page appointed to the Trust on an interim basis on 1 October 2019
(4) David Chadwick undertook a retire and return on 21 August 2019
(5) Adrian Clements resigned as Deputy Chief Executive on 31 December 2019

(6) Andrew Owens resigned as Medical Director on 31 December 2019 and stepped down from the Board
(7) Jake Tompkins left the Trust on 31 March 2019
(8) Ada Burns was appointed to the Trust on 1 October 2019

The figures for Taxable Benefits relate to lease cars and accommodation costs
* In accordance with NHS Improvement's NHS Foundation Trust Annual Reporting Manual s2.36, disclosure is now shown where one or more senior managers are paid more than £150,000. This is the threshold used in the Civil Service for approval by the Chief Secretary to the Treasury, as set out in guidance issued by the Cabinet Office and is considered a suitable benchmark above which NHS foundation trusts should disclose. Every salary approved by the remuneration committee has been appropriately externally benchmarked and salary levels set to ensure we are attracting the right skills and competencies.

** In accordance with NHS Improvement's NHS Foundation Trust Annual Reporting Manual s2.46, where the calculations for Pension-Related Benefits result in a negative value the result should be reported as zero.

The information included above for pension benefits has been supplied by NHS Pensions. In 2019/20 the disclosure for pension related benefits has been adjusted for employee pension contributions in line with Greenbury disclosure requirements. The values disclosed for 2018/19 in the table below have been adjusted accordingly for comparison purposes.

The median total remuneration is a calculation based on Trust employees as at 31 March 2020. This number includes locum staff and the Trust's in-house nurse and clerical bank staff but excludes external agency staff. Any part time employee numbers are pro-rated to provide whole time equivalents.

Directors' costs table 2018/19

Name and title	2018/19					
	Salary & fees (in bands of £5k) £000	Taxable benefits (total to the nearest £100) £00	Performance-related bonuses (in bands of £5k) £000	Long-term performance-related bonuses (in bands of £5k) £000	All pension-related benefits (in bands of £2.5k) £000	Total £000
David Heslop Non-executive Director	15-20	-	-	-	-	15-20
Richard Carter-Ferris Non-executive Director	15-20	-	-	-	-	15-20
Amanda Hullick Deputy Chair and Non-executive Director	20-25	-	-	-	-	20-25
Maureen Rutter Senior Independent Director and Non-executive Director	15-20	-	-	-	-	15-20
Steven Mason (*) Director of Finance	180-185	-	-	-	-	180-185
Gill Hunt Director of Nursing	135-140	-	-	-	95-97.5	230-235
Siobhan McArdle (*) Chief Executive	290-295	-	-	-	55-57.5	350-355
David Chadwick Medical Director	235-240	2	-	-	-	235-240
Adrian Clements Deputy Chief Executive and Medical Director	270-275	2	-	-	37.5-40	310-315
Andrew Owens (*) Medical Director	100-105	-	-	-	20-22.5	120-125
Sath Nag Medical Director - Community Care	240-245	-	-	-	40-42.5	280-285
Jake Tompkins Non-executive Director	10-15	-	-	-	-	10-15
Alan Downey Chairman	50-55	-	-	-	-	50-55
Debbie Reape (*) Non-executive Director	5-10					5-10
Michael Ducker Non-executive Director	15-20	-	-	-	-	15-20
Band of Highest Paid Director's Total Remuneration in £000s (excluding redundancy payments and payments in lieu of notice)	**290-295**					

(1) Siobhan McArdle's contracted salary was in the range of £235,000 to £240,000. An additional payment of £52,873 was made in 2018/19 in relation to contractual liabilities;
(2)Steven Mason was appointed as the substantive Director of Finance from 26 June 2018;
(3) Andrew Owens was appointed to the role of Medical Director for Corporate Clinical Support Services on 1 November 2018;
(4) Debbie Reape was appointed to the role of Non-executive Director from 1 November 2018

Pension Information

	Real increase in pension at pension age	Real increase to pension lump sum at pension age	Total accrued pension at pension age at 31 March 2020	Lump sum at pension age related to accrued pension at 31 March 2020	Cash equivalent transfer value at 1 April 2019	Real increase in cash equivalent transfer value	Cash equivalent transfer value at 31 March 2020	Employer's contribution to stakeholder pension
Executive Directors	Bands of £2,500	Bands of £2,500	Bands of £5,000	Bands of £5,000	£000s	£000s	£000s	£000s
Gill Hunt Director of Nursing	2.5-5	0-2.5	55-60	155-160	1,039	55	1,139	0
Siobhan McArdle Chief Executive	0-2.5	0	15-20	0	216	16	248	0
Adrian Clement Medical Director	5-7.5	2.5-5	75-80	180-185	1,377	61	1,516	0
Sath Nag Medical Director	0-2.5	0	40-45	90-95	707	17	762	0
Andrew Owens Medical Director	2.5-5	2.5-5	50-55	115-120	905	56	1,017	0

Notes to Senior Managers remuneration and Pension benefits

A Cash Equivalent Transfer (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004-2005 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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

Fair Pay Multiple

As a NHS Foundation Trust, the Trust is required to disclose the relationship between the remuneration of the highest paid Executive Director in their organisation and the median remuneration of the organisation's workforce (*this excludes one-off severance payments and pension related benefits*). For this Trust, Executive Directors are deemed those with voting rights on the Board, as disclosed in the salary table above. In 2019/20 the highest paid Director in the Trust is the Medical Director (in 2018/19 the highest paid Director was the Chief Executive).

The banded remuneration of the highest paid Director at the Trust in 2019/20 was £267,500 (2018/2019 £292,500). This was 11.5 times (2018/2019 12.5 times) the median remuneration of the workforce, which was £23,339 (2018/2019 £23,351).

This exercise has included all staff employed by the Trust during the financial period, regardless of whether they were still employed at 31 March 2020. The remuneration figures used are based on Trust employees and includes locum staff and the Trust's in-house nurse and clerical bank staff but excludes external agency staff.

In 2019/20, three employees received remuneration in excess of the highest paid Director (no employees in 2018/19). Remuneration ranged from £17,652 to £320,498 (2018/2019 £17,460 to £294,947). Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions. The starting point for the ranges for the financial periods is based on the minimum agenda for change pay scales.

The banded remuneration and the median remuneration of the workforce is as follows:

	2019/20 £	**2018/19** £
Medium remuneration	23,339	23,351
Banded remuneration of highest paid director	267,500	292,500
Ratio between median remuneration and mid-point of the banded remuneration of the highest paid director	11.5	12.5

Expenditure on consultancy

In 2019/20, expenditure on consultancy was £0.792 million (2018/19 £2.060 million). Consultancy expenditure in the year related mainly to support in developing and delivering the Trust's Financial Improvement Programme.

Staff exit packages

In 2019/20, the Trust agreed an exit package with four members of staff (these are in comparison to 34 exit packages agreed in 2018/19) which cost £0.365 million (2018/19 cost was £1.024 million).

Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
<£10,000	1	0	1
£10,000 - £25,000	1	0	1
£25,001 - £50,000	0	0	0
£50,001-£100,000	1	0	1
£100,001 - £150,000	0	0	0
£150,000-£200,000	0	0	0
>£200,001	0	1	1
Total number of exit packages by type	3	1	4
Total resource cost £m	0.092	0.273	0.365

Other departures	**Agreement Number**	**Agreement Amount (£)**
Voluntary redundancies including early retirement	0	0
Mutually agreed resignations (MARS) contractual costs	0	0
Contractual payment in Lieu of Notice	1	273
Exit Payment following Employment Tribunal or Court Order	0	0
Non-contractual payments requiring HMT approval	0	0
Total	1	273
(0f which: non-contractual payments requiring HMT approval made to individuals where the payment value was more than 12 months of their annual salary)	0	0

[1] There were a total of 3 compulsory redundancies arising from restructuring exercises undertaken during the year within corporate and clinical support services. There have been no departures where special payments, non-contractual payments or exit payments were made and there have been no early retirements in the efficiency of the service in 2019/20 or 2018/19. Further information on exit packages is available within Note 5.3 and 5.4 to the Accounts.

Governors' expenses

In accordance with STHFT's Constitution Governors are eligible to claim expenses for travel at rates determined by STHFT. Out of the Council of Governor membership there were 15 Governors who claimed expenses which totalled £1,784.

Directors' expenses

In 2019/20, there were eight individuals who held the office of Director at STHFT with a total of £4,268 in expenses paid to those Directors. All costs paid related to the reimbursement of travel, subsistence costs and course expenses. Details of remuneration and benefits in kind can be found within the remuneration table.

Analysis of staff costs

Details of the costs of our workforce are available within Note 5, of the Financial Statements. The note includes information to support employee expenses and details of monthly average of people employed by STHFT.

Off-payroll engagements

Executive Director approval is required for all off-payroll engagements and STHFT reports to NHS Improvement as required in line with national requirements. Board approval via recommendations from the Remuneration Committee is required by any off-payroll Board member engagement.

Off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months	
Number of existing engagements as of 31 March 2019 of which:	0
Number that have existed for less than one year at time of reporting	0
Number that have existed for between one and two years at time of reporting	0
Number that have existed for between two and three years at time of reporting	0
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four or more years at time of reporting	0

All new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months:	
Number of new engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019 of which:	0
Number assessed as within the scope of IR35	0
Number assessed as not within the scope of IR35	0
Number engaged directly (via PSC contracted to Trust) and are on STHFT's payroll	0
Number reassessed for consistency/assurance purposes during the year	0
Number of engagements that saw a change to IR35 status following the consistency review	0

Any off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020:	
Number of off-payroll engagements of Board members, and/or senior officials with significant financial responsibility, during the financial year	0
Number of individuals that have been deemed 'Board members and/or senior officials with significant financial responsibility' during the financial year. This figure must include both off-payroll and on-payroll engagements	0

The Audit Committee

STHFT has established an Audit Committee which plays a key role by critically reviewing and reporting on the adequacy and effectiveness of systems of integrated governance, risk management, and internal control that supports the achievement of STHFT's objectives. It also plays a pivotal role in supporting STHFT's Board of Directors.

In carrying out its work, the Audit Committee primarily utilises the work of internal and external audit. It receives assurance from the views of other external agencies such as the Care Quality Commission and NHS Improvement.

In November 2019 the Audit Committee undertook an annual self-assessment against the HFMA standards for Audit Committees and identified a number of areas that could enrich the Committees effectiveness going forward. The Terms of Reference of the Audit Committee were updated to reflect these areas.

Audit Committee membership includes three Non-executive Directors and is chaired by Richard Carter-Ferris, Non-executive Director. There is an open invitation for all other Non-executive Directors to attend Audit Committee meetings (*the Chair of STHFT is not a member of the Audit Committee*).

Attendance during 2019/20 was as follows:

Non-executive Directors	Board Attendance 2019/20
Richard Carter Ferris	3/3 100%
Amanda Hullick	3/3 100%
Debbie Reape	2/3 66%

Meetings were attended by the Director of Finance, Director of Nursing and Quality, Company Secretary, Internal and External Audit teams.

The performance of STHFT's external auditors (KPMG) was assessed during the year against the auditing standards. There were no conflicts of interest that needed to be addressed by the Auditor or the Audit Committee during the year.

The Audit Committee met its responsibilities during 2019/20 by:

- Monitoring the integrity of the activities and performance of STHFT and any formal announcement relating to STHFT's financial performance
- Reviewed PFI lifecycle, Gross Internal Area review, and Sale and Leaseback transactions
- Monitoring all risk and control related disclosure statements (in particular the Annual Governance Statement and declarations of compliance with the CQC/NHS Improvement Well-led requirements), together with any accompanying Head of Internal Audit statement, External Audit Opinion or other appropriate independent assurances, prior to endorsement by the Board
- Reviewed STHFT's standing orders, financial instructions and scheme of delegation
- Reviewed the policies and procedures for all work related to fraud and corruption as set out in the NHS Standard Contract and as required by the Counter Fraud and Security Management Service
- Reviewed the schedule of losses and compensations, the annual fraud report and provided assurance to the Board following each of its meetings

The Audit Committee considered the risks associated with the year-end financial statements. These risks included the revaluation and impairment of Trust property, revenue and expenditure recognition, management override of controls, treatment of PFI lifecycle and the preparation of the financial statements on a going concern basis (further information is included in the Accounts).

Consideration of each of these risks included an assessment of the appropriate accounting treatment and the associated disclosures. In making these judgements the Audit Committee took into account the findings of the External Auditor, KPMG LLP.

In the review of internal audit and management assurance reports. Audit Committee identified significant fragility of the IM&T infrastructure, alongside the need to develop digital technology solutions. Further to this the Finance and Investment Committee and Board reviewed and supported a priority investment case for an Electronic Patient Record solution (subject to capital funding availability) to stabilise and transform the IM&T infrastructure.

Internal Audit

STHFT has an internal audit function provided by PwC which reviews, appraises and reports on the extent of compliance with, and the financial effect of relevant policies, plans and procedures, the adequacy and application of financial and other related management controls, the suitability of financial and other related management data, the extent to which STHFT's assets and interest are accounted for and safeguarded against any loss arising from fraud, bribery, corruption and other offences, waste, extravagance, inefficient administration and poor value for money or other causes.

The Head of Internal Audit attends Audit Committee meetings and has the right of access to all Audit Committee members, the Chair and Chief Executive. At the beginning of the financial year a programme of work is agreed with the internal auditors and progress is reported against the programme at each meeting.

The agreement with PwC complies with the guidance on reporting contained within the NHS Internal Audit Standards.

Charitable Funds Committee

The Charitable Funds Committee has continued to meet during 2019/20 for the on-going management of charitable funds on behalf of the Corporate Trustees.

NHS Trust Code of Governance

We have applied the principles of the NHS Foundation Trust Code of Governance (2006) which was updated in July 2014.

The Board has in place governance policies and procedures that reflect the principles of the NHS Foundation Trust Code of Governance which includes the following:

- Standing Orders of the Board and Council of Governors, Scheme of Delegation, and Standing Financial Instructions
- Good quality performance reports are presented to the Board that meet STHFT's regulators requirements for quality, operational and financial performance
- Induction programme for Executive and Non-executive Directors
- At least half of the Board excluding the Chairman comprises independent Non-executive Directors
- Non-executive Directors have regular meetings with the Chairman
- Agreed the recruitment process for Non-executive Directors
- Induction programme for Governors is in place
- A Non-executive Director covers the Senior Independent Director role
- Register of Board and Governor interests is in place and publicly available
- Appraisal process is in place for Non-executive Directors and the Chair
- Records of attendance are maintained for the Board of Directors and Council of Governors meetings
- Indemnity insurance is in place to cover any such risks if they arise in respect of legal action against Directors
- Process to raise any serious concerns and resolving disagreements between the Council of Governors and the Board is in place
- Lead Governor in place who actively undertakes the role
- Private meetings are held with the Chair and Governors to discuss strategic and operational matters
- An assurance reporting process is in place with the Chief Executive and supporting Directors presenting on quality, operational and financial performance as well as strategic developments at Council of Governors meetings
- Embedded Council of Governors structure in place
- Terms of Reference for the Remuneration Committees are in place for the Board
- Recruitment process in place for Non-executive Director positions
- Board evaluation has taken place throughout the year
- Well-led Board governance review undertaken
- Code of Conduct is in place for the Board and Council of Governors
- Going Concern Report is undertaken annually
- Audit Committee provides robust arrangements
- Council of Governors led appointment process for the appointment of external auditors and approved any extensions
- Standard of Business Conduct (Conflict of Interest) Policy and Plan is in place
- Freedom to Speak Up Policy and Counter Fraud Policy and Plan are in place

STHFT 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 following STHFT complied with the Code during 2019/20 with the exception of:

A5.8 Policy for Governor engagement with the Board for circumstances when they have concerns

The Board recognises it does not have a defined policy in place but it does have strong working processes for Governors to raise concerns through regular meetings with the Chairman, the Lead Governor, Senior Independent Director and Company Secretary.

Quality and Clinical Governance

The Care Quality Commission (CQC) has a role to ensure that health and social care services that are provided are done so safely, effectively, compassionately, and are of the highest quality.

The CQC is responsible for monitoring, inspecting and regulating services to ensure they meet core standards of quality and safety and publish their findings to help people choose their care provider. During 2019/20, the CQC carried out a planned unannounced inspection of urgent and emergency care, medical, surgical and diagnostics services provided at the Trust. In addition a further announced inspection took place between 5 to 7 February 2019 where the CQC looked at the quality of leadership at the trust and how well the trust managed the governance of its services. Finally on the 21 to 23 February 2020 a further unannounced inspection of critical care was undertaken. They published their findings, on their website on 2 July 2019. The overall rating for the Trust is 'Requires Improvement'. A detailed improvement plan is in place to address all of the actions identified by the CQC in their report. The Trust is fully compliant with the registration requirements of the Care Quality Commission.

NHS Improvement's Single Oversight Framework

Single Oversight Framework

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

- Quality of care
- Finance and use of resources
- Operational performance
- Strategic change
- Leadership and improvement capability (well-led)

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

Segmentation

The Trust is currently in segment 3 – '*Mandated Support'* which includes segmentation support for providers within this segment as described below:

"*Providers receiving mandated support for significant concerns: there is actual or suspected breach of licence, and a Regional Support Group has agreed to seek formal undertakings from the provider or the Provider Regulation Committee has agreed to impose regulatory requirements*."

The primary concern previously for the Trust in this context was the requirement to achieve the Trust's financial and performance targets.

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.

Staff Report

Our workforce includes a broad range of clinically registered professions and support roles and we value everyone for the part they play in delivering high quality care to our patients through our one team approach.

As part of our on-going vision to be recognised nationally for excellence in quality, patient safety, patient experience and continuous improvement, we continue to have strong relationships with our Trade Union colleagues. As part of our vision, we are working in partnership with all colleagues, to develop a new set of Trust values and behaviours, aligned to NHS Core Values.

Headcount	2019/20	2018/19
Bank	61	126
Fixed Term Temp	608	510
Locum	36	46
Permanent	8198	7973
Total	8903	8655

FTE	2019/20	2018/19
Bank	0.00	0.00
Fixed Term Temp	541.25	458.11
Locum	3.37	3.47
Permanent	7128.40	6941.61
Total	7673.02	7403.19

Headcount - Age Group	2019/20	2018/19
16 - 20	57	42
21 - 25	546	538
26 - 30	1060	994
31 - 35	1041	1013
36 - 40	1090	1070
41 - 45	1084	1046
46 - 50	1198	1218
51 - 55	1179	1192
56 - 60	997	978
61 - 65	517	442
66 - 70	103	90
71 & above	31	32
Total	8903	8655

FTE - Age Group	2019/20	2018/19
16 - 20	50.81	36.57
21 - 25	512.89	499.61
26 - 30	971.36	884.31
31 - 35	898.36	877
36 - 40	929.27	911.75
41 - 45	953.21	902.3
46 - 50	1050.27	1066.52
51 - 55	1037.47	1038.23
56 - 60	809.94	796.33
61 - 65	380.04	321
66 - 70	63.11	55.93
71 & above	16.29	13.65
Total	7673.02	7403.19

Headcount - Ethnicity	2019/20	2018/19
Asian	472	420
Black	78	77
Mixed	17	75
Not Stated	542	557
Other	141	141
Undefined	12	14
White	7641	7371
Total	8903	8655

FTE - Ethnicity	2019/20	2018/19
Asian	432.47	375.13
Black	71.19	67.73
Mixed	13.86	68.18
Not Stated	453.99	463.29
Other	129.61	125.59
Undefined	9.82	10.19
White	6562.09	6293.08
Total	7673.02	7403.19

Headcount - Gender	2019/20	2018/19
Female	7295	7052
Male	1608	1603
Grand Total	8903	8655

FTE - Gender	2019/20	2018/19
Female	6194.55	5962.41
Male	1478.47	1440.78
Grand Total	7673.02	7403.19

Gender Profile

The breakdown below includes information about staff at the end of the year in terms of male and female staff, Directors, other managers and employees.

Headcount	**Male**	**Female**
All employees	1608	7295
Directors (including CEO)	4	3
Senior managers*	10	13

**The above figures are taken in accordance with the Occupation Code guidance – 'senior managers are classed as voting members of the Board and exclude those who retired or left the organisation during 2018/2019.*

Information on where the Trust's information on the gender pay gap can be found: https://www.southtees.nhs.uk/information/about-the-publication-scheme/annual-statements/ or alternatively at the Cabinet Office website (https://gender-pay-gap.service.gov.uk/)

Health and Wellbeing

We have taken an integrated approach to promote health and wellbeing, working with a range of partners to assist staff to make healthier choices and to address the bio psychosocial factors that affect health.

There are a number of factors that affect staff wellbeing and this can be partly attributed to the fact that work can often be physically, emotionally and psychologically demanding. In addition, for many of our staff, our services operate for 24 hours a day, 365 days of the year. Financial wellbeing also plays a key part in maintaining good mental health.

Taking into account all of the above factors, we have developed a Health and Wellbeing Strategy which is underpinned by five themes, these include:

- Developing positive environments
- Ensuring our policies and practices support health and wellbeing
- Supporting a healthy body for all
- Encouraging a healthy mind and reducing stigma associated with mental health
- Promoting and supporting financial wellbeing

Poor mental health accounts for 23% of all ill health in England and affects more than one in four of the population at any one time. As a Trust we recognise that good mental health is linked to good physical health and education and this has been a key focus during the reporting year.

As part of our Health and Wellbeing Strategy, staff continue to have access to excellent occupational health and wellbeing services, with specific focus on physical and mental health.

As a Trust our aims for 20/21 include:

- To achieve a 100% flu vaccination rate for our staff
- To embed the Health and Wellbeing Strategy that links with our sickness absence policy and provides tangible supportive outcomes
- To support out staff and to ensure all staff challenge negative attitudes that impact the lives of those experiencing mental health challenges
- To provide bespoke mental wellbeing sessions, including individual group work
- To promote and provide Eye Movement Desensitization Reprocessing therapy (EMDR) for those staff who have experienced trauma
- To provide access to services to improve the musculoskeletal wellbeing of our staff

Some of the key outcomes and improvements made during 2019/20 are detailed below:

- Increase in availability of Functional Rehabilitation Sessions to enable staff to perform the manual handling tasks required by their role under the supervision and guidance of a manual handling advisor
- Increase in Postural Fitness Classes to support staff who are suffering with musculoskeletal symptoms predominately to their neck and/or shoulder(s) that are affecting or affected by their habitual postures at work
- Spinal Rehabilitation Programme for staff with acute or chronic low back pain

- Provision of monthly campaigns to promote physical and mental wellbeing. Some examples include Dry January, Cycle to Work Day, Sun Awareness, Stress Awareness, Time to Change and Change for Life
- Resilience, stress management and relaxation workshop
- Working in collaboration with partner agencies to provide support to individuals who are experiencing difficulties at work due to depression, anxiety, stress and/or other mental health conditions.
- Provision of menopause education sessions

Our Flu Campaign has been our most successful on record and 82.5% of all staff were vaccinated.

Sickness Absence

The Trust is committed to promoting and maintaining the health, safety and welfare of all staff and believe in encouraging its workforce to have good wellbeing, to live healthily and to achieve a good work life balance. Our Absence Management Policy and processes are designed to provide a framework to assist in the health and wellbeing of our employees and to promote a healthy workforce and provide efficient patient, safe and effective patient care.

We continue to focus on sickness absence and have made significant improvement to improve the support we provide to managers, ensuring that ensuring that both long and short term sickness is managed in accordance with the sickness absence policy.

We continue to work in close partnership with the Occupational Health Department and have developed case management forums to ensure that both staff and management are supported throughout the absence period, with a view to retaining, returning and rehabilitating staff into the workplace.

In additional to general occupational health advice and provision, we are working in partnership with a number of professional bodies offering support and counselling services and actively encourage staff to seek the help and support they need to aid their recovery.

In 2019/20 the average sickness absence rate for STHFT was 4.58% which is a slight decrease of 0.11% on the previous year. We have had a particularly challenging winter period which saw sickness absence rates increase to a high of 5.57% in January 2020.

Junior Doctors

South Tees Hospitals NHS Foundation Trust has a total of 514 doctors in training. Implementation of the 2016 Doctors in Training Contract has continued throughout 2019/20, with the majority of doctors in training transitioning onto the new contract by the end of the reporting year. It is expected that all doctors in training will be on the 2016 Doctors in Training Contract by early 2020.

The Junior Doctor Forum has continued to meet quarterly. Attendance has increased considerably following the August 2019 intake of junior doctors, with a number of members becoming accredited BMA representatives, taking up vacant seats on the Joint Local Negotiating Committee (JLNC).

As part of the new contract, doctors in training are able to submit exception reports in real time where they have worked additional hours to their rota or missed educational sessions due to staffing levels. Exception reporting continues to be at a low level in comparison with other Trusts. There have been 90 exception reports raised and the Guardian of Safeworking and Director of Medical Education continue to encourage junior doctors to exception report and to brief consultants.

The vacancy rate for junior doctors is 5.4%, 3% lower than 2018/19 financial year. Vacancies have been actively recruited to throughout the year but are also filled using alternative resourcing methods including internal locum, use of the master vendor agency HCL or by redesign of rotas where possible. Some specialities have appointed advanced nurse practitioners to work on rotas alongside doctors in training.

South Tees Hospitals NHS Foundation Trust is part of the regional junior doctor bank run by Liaison on behalf of the Lead Employer Trust. We continue to have a high success rate in covering short term absences of 95%, plus out of hours shifts for longer term vacancies utilising our own internal bank. The regional has provided the Trust with access to an additional pool of LET employed doctors who work in other trusts and GP surgeries.

Workforce Planning

Improving our approach to workforce planning with a focus on developing succession plans for the medical and nursing workforce to provide a better understanding of the skill gap in the current workforce and how to bridge that gap.

Improving our approach to risk and governance by ensuring the Workforce Committee have a specific focus on nursing and medical workforce and related staffing, skill and capacity issues.

Employee Engagement

Development of a Staff Engagement Strategy that encourages a strong sense of ownership, belonging and pride across the staff within the organisation. Initiatives include:

- Development of a Trust identity
- Review of our values, defining the supporting behaviours required to deliver our vision whilst holding each other to account
- Development of our employee experience to enable us to recruit and retain the best
- Develop and embed a culture of engaging leadership, strong management and effective communication
- Recognising the need to formally acknowledge colleagues for the teamwork they provide, we introduced a Star Award which is designed to re-inforce positive behaviour and develop positive culture changes across the organisation.

- During 2019/2020 we received 346 STARS reports under the themes of Teamwork, Going the Extra Mile, Attention to Detail, Communication and Dealing with Difficult Situations. We have received positive feedback from staff who have received the reports who feel genuinely honoured by their colleagues taking time to acknowledge them and the positive contribution they make to the patient experience.

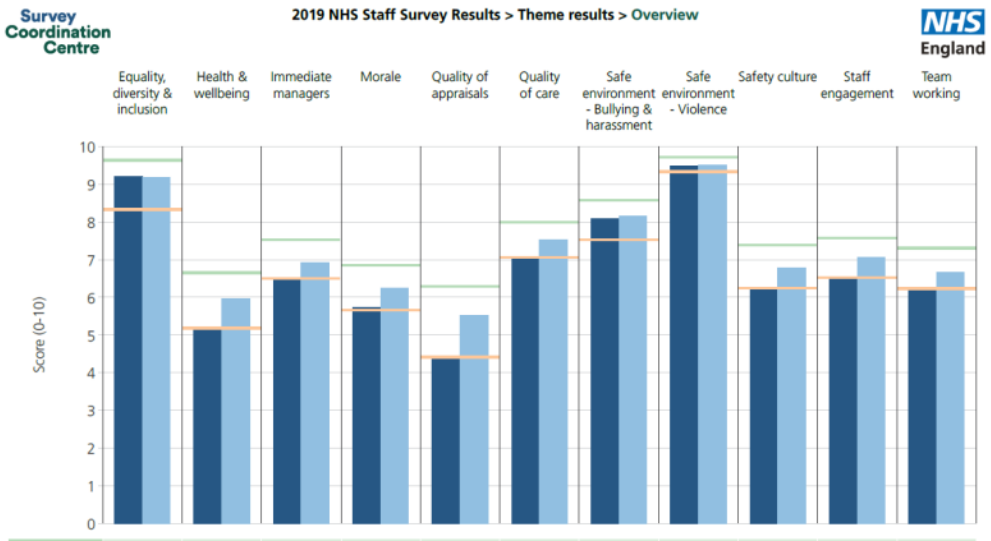
Staff Survey

In addition to the annual staff survey which was launched in October 2019, a Summer Staff Survey was implemented to provide staff with an opportunity to feedback on their experiences and to enable the Trust to check progress against key areas identified in previous surveys.

The findings of both surveys were used to support the launch of the Staff Engagement initiative across the Trust.

A total of 2,666 questionnaires were completed with a final completion rate of 32%. The findings from the Staff Survey were used to develop an action plan, in partnership with Trade Union colleagues, which was presented at Trust Board in early 2020.

In addition, medical and dental staff survey results were disaggregated and used to develop specific focus on improving engagement with this cohort of staff. The results were shared with all Trust consultants and have been used to help inform the creation of the Clinical Policy Group, to improve clinical engagement, leadership and decision making, and the Trust Improvement Plan. As a result, Medical and Clinical Directors will be accountable for agreeing how the actions will be developed, implemented and measured.



	Equality, diversity & inclusion	Health & wellbeing	Immediate managers	Morale	Quality of appraisals	Quality of care	Safe environment - Bullying & harassment	Safe environment - Violence	Safety culture	Staff engagement	Team working
Best	9.6	6.7	7.5	6.8	6.3	8.0	8.6	9.7	7.4	7.6	7.3
Your org	9.2	5.2	6.5	5.7	4.4	7.1	8.1	9.5	6.2	6.5	6.2
Average	9.2	6.0	6.9	6.2	5.5	7.5	8.2	9.5	6.8	7.1	6.7
Worst	8.3	5.2	6.5	5.7	4.4	7.1	7.5	9.3	6.2	6.5	6.2
Responses	2,226	2,243	2,248	2,236	1,812	2,015	2,222	2,226	2,232	2,249	2,227

Leadership and Quality Improvement

We have established a new leadership and quality improvement team to provide in house leadership and improvement training. We will facilitate leadership development and increase knowledge of self and team to allow us to move to high performing team culture.

This training work will be supported by organisational development sessions that will review of culture, values and behaviours for our staff team at South Tees.

Improvement methodology will be taught via our QuEST program (Quality, Excellence and Safety in Tees Valley) and we aim to enable teams to move to a model of continuous improvement via creation of a culture of transformation, collaboration and quality improvement.

Social Economic Responsibility

- We continue to support the local community and widen the accessibility of learning and development through the apprenticeship levy offering new starters and staff a vocational route to enter and progress within the organisation.
- We have 449 active apprenticeships currently and are actively recruiting to apprenticeship roles. Included are the Advanced Clinical Practitioners, Nursing Associates as well as Health Care Support and Business Administration.
- We offer graduates, through the Graduate Management Scheme, the opportunities to develop knowledge and skills operationally and strategically within their chosen field.

Recruitment

Recruitment and retention of talented staff remains a challenge in key areas such as Anaesthetists, Critical Care Consultants, Acute Medical Physicians, Radiologists, Neuroradiology Interventionists and Nursing. We continue to hold nurse recruitment days and these have been successful with 380 new nurse appointments during 2019/20.

In an attempt to maximise our employee offer, we have reviewed and developed our staff exit date, developed our on-boarding procedures and ensured flexible working policies are implemented consistently and fairly across all professions. During the reporting year we have held a number of targeted recruitment campaigns which included:

- Headhunting approach
- Developed our relationship with key master vendor clients
- Continued our international recruitment campaign for nurses and we have welcomed 20 nurses from overseas
- Targeted registered student nurses and return to practice nurses via specific open days and strong relations with local universities.

Day Nursery

Playdays Nursery is an excellent onsite facility, offering quality and flexible childcare for our staff's children whilst they are at work. It was awarded a 'good' rating following our recent Ofsted inspection. Nursery fees are competitive in comparison to other local nurseries, offering the staff assurance that their children are being cared for to a high standard.

Equality, Diversity and Inclusion

The Trust's strategic organisational goals are supported by the Equality Diversity and Inclusion (EDI) Steering Group, chaired by the Director of Human Resources and reporting to the Workforce Strategy Group and the Trust Board. The Trust continues to follow to the duties of the Equality Act 2010, which legally protects people from discrimination in the workplace and in wider society, and the Public Sector Equality Duty which supports the following:

- Better health outcomes
- Improved patient access and experience
- A represented and supported workforce
- Inclusive leadership

The Trust Equality, Diversity and Inclusion Group continues with membership representatives from across departments, staff side and members of advocacy, to ensure equality, diversity and inclusion is embedded into the organisation's strategic objectives. The Trust EDI objectives are:

- Becoming a leading organisation for promotion of opportunity and diversity, for challenging discrimination, and for promoting equalities of opportunities in employment and the services we provide.
- Creating an organisation which recognises the contribution of all staff, and which is supportive, fair and free from discrimination.
- Ensuring our staff have a positive experience at work, are offered opportunities to meet their full potential, and demonstrate the Trust's values
- Ensuring that our Trust is regarded as a model employer.

Headcount - Gender	2019/20	2018/19
Female	7295	7052
Male	1608	1603
Grand Total	8903	8655

FTE - Gender	2019/20	2018/19
Female	6194.55	5962.41
Male	1478.47	1440.78
Grand Total	7673.02	7403.19

Headcount - Religious Belief	2019/20	2018/19
Atheism	979	811
Buddhism	23	21
Christianity	3848	3702
Do not wish to disclose	3084	3260
Hinduism	85	74
Islam	198	167
Judaism	3	2
Other	633	583
Sikhism	11	11
Undefined	39	24
Grand Total	8903	8655

FTE - Religious Belief	2019/20	2018/19
Atheism	883.10	732.5753
Buddhism	20.54	18.74
Christianity	3335.88	3207.48
Do not wish to Disclose	2572.00	2688.05
Hinduism	78.24	64.37
Islam	182.93	148.41
Judaism	2.96	2
Other	559.32	514.85
Sikhism	10.00	10.36
Undefined	28.07	16.33
Grand Total	7673.02	7403.19

Headcount - Sexual Orientation	2019/20	2018/19
Bisexual	19	23
Do not wish to disclose	2879	3099
Gay or Lesbian	86	69
Heterosexual	5875	5437
Other sexual orientation	6	4
Undefined	38	23
Grand Total	8903	8655

FTE - Sexual Orientation	2019/20	2018/19
Bisexual	17.92	19.97
Do not wish to disclose	2383.18	2549
Gay or Lesbian	82.84	66.01
Heterosexual	5158.18	4750.13
Other sexual orientation	4.60	3.6
Undefined	26.30	14.53
Grand Total	7673.02	7403.19

Headcount - Disabled	2019/20	2018/19
No	5534	5086
Not Declared	3084	3327
Undefined	54	16
Yes	226	220
Prefer Not to Answer	5	6
Grand Total	8903	8655

FTE – Disabled	2019/20	2018/19
No	4818.73	4395.26
Not Declared	2603.17	2793
Undefined	43.77	10.9
Yes	202.35	198.03
Prefer Not to Answer	5	6
Grand Total	7673.02	7403.19

The Trust EDI Steering Group meeting also includes the Patient Experience Lead and integrates work from other local strategies (ie health and wellbeing, education, learning and development) to ensure our patients and carers have a positive experience . The work of the group has included the development of EDI network groups, providing a forum for individuals to come together, to share ideas, raise awareness of challenges and provide support to each other. The network groups identified so far are:

- Lesbian, Gay, Bisexual and Transgender Networks (LGBT+)
- Black Asian Minority Ethnic Network (BAME)
- Disability and Long Term Health Network (including Mental Health Network)
- Faith Network

The ‘Rainbow Badge Initiative’ was launched in the Trust in Autumn 2019 and gives healthcare staff a way to show that their place of work offers open, non-judgemental and inclusive care for all who identify as (lesbian, gay, bisexual, transgender+, (LGBT+). The + simply means inclusive of all identities, regardless of how people define themselves.

The Trust held Rainbow Badge events at The James Cook University Hospital and Friarage Hospital, Northallerton in Autumn 2019, which were attended by over 600 staff who signed pledges in support of the initiative.

The Trust’s commitment to EDI and EDI related training has continued, as an important opportunity to develop learning and continue the Trust’s commitment to ensure all staff are free from discrimination, feel equally supported in career progression and opportunities and report the same levels of satisfaction with their role at the Trust. There is a focus on dignity at work training, as a mandatory requirement for all staff, which can be completed online.

There is also opportunity for staff to attend other training such as unconscious bias training. The Trust continues to invest in leadership and staff development which advances equality, diversity and inclusion via our leadership development programmes and workforce development solutions, with regular updates provides to the Workforce Committee.

All Trust HR policies are developed in partnership with trade union colleagues and brought to Joint Partnership Committee for signing by Director of HR or deputy and Staff Side Chair. Each policy is supported by an Equality Impact Assessment. Policies are applied consistently to ensure fair and open recruitment of people with protected characterises, as well as ensuring that staff with disabilities can access appropriate training and development, promotional opportunities, and flexible working arrangements.

The Trust continues to work in partnership with regional colleagues, regarding the regional Great Place to Work strategic project, and work with public sector and educational colleagues.

Relationships with Trade Unions

We continue to develop our partnership with Trades Unions colleagues, with a Partnership Agreement which supports the following aims:

1. Promotes close co-operation between staff and managers within the Trust by providing a forum in which all matters affecting staff can be discussed and relevant information passed on. This includes NHS policies and strategies, Trust operational and financial performance, key Trust service strategies, objectives and projects e.g. Corporate level/ large scale change management projects.

2. Provides opportunities for joint problem-solving in relation to issues affecting the well-being of employees and the efficient operation of the organisation. It is recognised good practice that management and staff side will consult on any significant decision that is likely to affect staff members.

3. Supports consultation in relation to key changes in our HR policies.

The Joint Partnership Committee (JPC) attended by both management and Staff Side colleagues meets on a monthly basis; agenda items including the areas summarised above. The NHS and Trust continues to be a changing and challenging environment with both management and Staff Side recognising that their interests are mutually compatible with the aim of preserving jobs and the quality of services.

Employment Policies

The Joint Partnership Committee ensures that HR policies and procedures are fit for purpose, reflective of any changes to employment law and support equality and diversity within the workplace. The JPC also provides Staff Side with an opportunity to be updated regarding other policies that are led by other corporate areas e.g. Freedom to Speak Up; Raising Concerns at Work Policy. In 2019/2020, the Joint Partnership Committee (JPC) approved 11 policies which were then ratified by Operational Management Board (OMB) or more recently Clinical Policy Group (CPG).

These policies included:

- Annual Leave and Bank Holiday Policy
- Education and Learning Policy
- Relocation Policy
- Nursing and Midwifery Revalidation Policy
- Facilities Agreement for Accredited Representatives of All Recognised Trade Unions And Professional Organisations
- Notice Period Policy for Staff Employed under Agenda for Change Conditions of Service
- Probationary Periods Policy
- Volunteering and Work Experience Policy
- Trust Code of Conduct
- Honorary Contract
- Reservist Policy

NHS Trust Code of Governance

We have applied the principles of the NHS Foundation Trust Code of Governance (2006) which was updated in July 2014.

The Board has in place governance policies and procedures that reflect the principles of the NHS Foundation Trust Code of Governance which includes the following:

- Standing Orders of the Board and Council of Governors, Scheme of Delegation, and Standing Financial Instructions
- Good quality performance reports are presented to the Board that meet STHFT's regulators requirements for quality, operational and financial performance
- Induction programme for Executive and Non-executive Directors
- At least half of the Board excluding the Chairman comprises independent Non-executive Directors
- Non-executive Directors have regular meetings with the Chairman
- Agreed the recruitment process for Non-executive Directors
- Induction programme for Governors is in place
- A Non-executive Director covers the Senior Independent Director role
- Register of Board and Governor interests is in place and publicly available
- Appraisal process is in place for Non-executive Directors and the Chair
- Records of attendance are maintained for the Board of Directors and Council of Governors meetings
- Indemnity insurance is in place to cover any such risks if they arise in respect of legal action against Directors

- Process to raise any serious concerns and resolving disagreements between the Council of Governors and the Board is in place
- Lead Governor in place who actively undertakes the role
- Private meetings are held with the Chair and Governors to discuss strategic and operational matters
- An assurance reporting process is in place with the Chief Executive and supporting Directors presenting on quality, operational and financial performance as well as strategic developments at Council of Governors meetings
- Embedded Council of Governors structure in place
- Terms of Reference for the Remuneration Committees are in place for the Board
- Recruitment process in place for Non-executive Director positions
- Board evaluation has taken place throughout the year with a development plan in place
- Well-led Board governance review undertaken by independent company within the last two years
- Code of Conduct is in place for the Board and Council of Governors
- Going Concern Report is undertaken annually
- Audit Committee provides robust arrangements
- Council of Governors led appointment process for the appointment of external auditors and approved any extensions
- Standard of Business Conduct (Conflict of Interest) Policy and Plan is in place
- Freedom to Speak Up Policy and Counter Fraud Policy and Plan are in place

STHFT 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 following STHFT complied with the Code during 2018/19 with the exception of:

A5.8 Policy for Governor engagement with the Board for circumstances when they have concerns

The Board recognises it does not have a defined policy in place but it does have strong working processes for Governors to raise concerns through regular meetings with the Chairman, the Lead Governor, Senior Independent Director and Company Secretary.

Application of the Modern Slavery Act

The Modern Slavery and Human Trafficking Act 2015 Act established a duty for commercial organisations to prepare an annual slavery and human trafficking statement to include the steps the organisation has taken during the year to ensure that slavery and human trafficking is not taking place in any of its supply chains or in any part of its own business.

Our Trust is the largest in the Tees Valley and we are fully aware of the responsibilities it bears towards patients, employees and the local community. Our senior procurement team regularly monitor and review its supply base and are all suitably qualified and uphold to the Chartered Institute of Purchasing and Supply code of conduct.

All members of our staff have a personal responsibility for the successful prevention of slavery and human trafficking with the procurement department taking lead responsibility for the supply chain.

Income disclosures

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

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

Quality and Clinical Governance

The Care Quality Commission (CQC) has a role to ensure that health and social care services that are provided are done so safely, effectively, compassionately, and are of the highest quality.

The CQC is responsible for monitoring, inspecting and regulating services to ensure they meet core standards of quality and safety and publish their findings to help people choose their care provider. The CQC carried out a comprehensive inspection in 2016 and published their report on 28 October 2016 rating STHFT as 'Good'. In January and February 2019 the CQC carried out a further inspection and a draft report has been received at STHFT to check for factual accuracy. At the time of writing this report the final report has not been received.

Accounting Officer's Responsibilities

Statement of the Chief Executive's Responsibilities as the Accounting Officer of South Tees Hospitals NHS Foundation Trust (STHFT)

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.

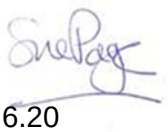
NHS Improvement, in exercise of the powers conferred on Monitor by the NHS Act 2006, has given Accounts Directions which require STHFT to prepare for each financial year a statement of accounts in the form and on the basis required by those Directions. The accounts are prepared on an accruals basis and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

In preparing the accounts, the Accounting Officer is required to comply with 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 STHFT's performance, business model and strategy; and
- Prepare the financial statements on a going concern basis

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

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

Signed: 

Date: 25.6.20

Sue Page CBE
Chief Executive & Accounting Office

Annual Governance Statement

Scope of Responsibility

I assumed responsibility as the Trust's Accountable Officer in October 2019. 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 South Tees Hospitals 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 South Tees Hospitals 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

Within the Trust, overall responsibility for risk management is held by the Chief Executive in line with the Trust Scheme of Reservation and Delegation. The Chief Executive discharges this responsibility as follows:

The Director of Nursing and Quality and Medical Director are responsible for clinical risk management and this is discharged within the Quality and Safety Team.

The Director of Estates and Facilities and Company Secretary are responsible for non-clinical risk management.

Executive Directors and Senior Managers who attend the Board have delegated responsibility for managing risks in accordance with their portfolios as reflected in their job descriptions. For example, the Director of Finance has executive responsibility for financial governance and associated financial risks.

Centres and Corporate Directorates manage risk registers in accordance with the Trust Risk Management Policy and part of the Trust DATIX system.

The Corporate Risk Register is a collated summary of the risks identified as being the high-level risks to the Trust, as set out in the Risk Management Policy. These are the operational risks of 16 and above.

The Company Secretary maintains the Corporate Risk Register; however, all of the individual risks are identified to the relevant centre, corporate directorate and Director.

During 2019/20 the Trust made a number of changes to senior posts including the appointment of an interim Chief Operating Officer who took on day to day operational responsibilities for the Trust, freeing up the Medical Directors to focus on areas such as clinical leadership.

In an on-going effort to improve systems and processes in the Trust a review of the Executive Risk Group was undertaken and it was agreed that the work of this group would be subsumed into the Senior Leadership Team (SLT) who dedicate one meeting per month to review the Corporate Risk Register. SLT holds centres and corporate directorates to account for timely and appropriate management of clinical and non-clinical risk, ensuring the Trust has effective systems for the management of risk registers.

The Trust continues to hold regular Risk Validation Group meetings who's role it is to review locally approved new and existing risks scored as 16 and above, validate the risk score and grade; scrutinise and challenge the adequacy of the risk description, the controls and the mitigating action plan; and to consider any cross-cutting issues and the implications for risk aggregation.

The Trust has a Risk Management Committee which is chaired by a Non-Executive Director which meets quarterly and oversees the systems and processes for risk in the Trust.

The Audit Committee is tasked with reviewing the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives.

The trust has a Board Assurance Framework (BAF) which is maintained by the Company Secretary but which is a Board owned document.

The Trust Risk Management Policy sets out the responsibilities for the effective implementation of risk management arrangements in the Trust. For example, Operational Risk Owner, Operations Director, Quality Business Partners (QBPs), Ward/Department Managers and Departmental Risk Assessor are responsible for ensuring effective systems for risk management in their areas. This includes identifying competent staff to lead on risk management and being familiar with the Risk Management Policy, and having attended training. The policy includes detailed guidelines on the use of DATIX and how to complete risk assessments on the system. There are also face to face training sessions for staff on managing risk.

The risk and control framework

The Risk Management Policy provides a framework for managing risks across the Trust and is consistent with best practice and Department of Health guidance. The policy provides a clear, structured and systematic approach to the management of risks to ensure that risk assessment is an integral part of clinical, managerial and financial processes across the organisation. The policy sets out the role of the Trust Board and its committees together with the individual responsibilities of the Chief Executive, Executive Directors and all staff, in managing risk.

Risk management by the Trust board is underpinned by four (4) interlocking systems of internal control:

- The Board Assurance Framework
- Corporate Risk Register (informed by centres, corporate directorates and team)
- Audit Committee
- Annual Governance Statement

The *Board Assurance Framework* (BAF) sets out the key risks to the Trust's strategic objectives together with the controls in place to mitigate the risks and the assurance that can be evidenced relating to their control.

The Board has overall responsibility for ensuring systems and controls are in place, sufficient to mitigate risks which may threaten the achievement of the Trust's objectives.

The Board achieves this primarily through the work of its sub-committees, through use of Internal Audit and other independent inspection and by systematic collection and scrutiny of performance data to evidence the achievement of the objectives.

The BAF is designed to provide the Board with a simple but comprehensive method for the effective and focussed management of principal risks to Trust objectives. The Board defines the principal risks and ensures that each is assigned to a Lead Director as well as to a Lead Committee:

- The Lead Director is responsible for assessing any principal risks assigned to them by the Board and for providing assurance as to the effectiveness of primary risk controls to the Lead Committee
- The role of the Lead Committee is to review the Lead Director's assessment of their principal risks, consider the range of assurances received as to the effectiveness of primary risk controls, and to recommend to the Lead Director any changes to the BAF to ensure that it continues to reflect the extent of risk exposure at that time
- The Audit Committee is responsible for reviewing the whole BAF in order to provide assurance to the Board that principal risks are appropriately rated and are being effectively managed; and for advising the Board as to the inclusion within the BAF of additional risks that are of strategic significance

During 2019/20 the Board refreshed its BAF. The Trust Board has received and reviewed the Board Assurance Framework four times throughout the year. The Assurance Framework does reflect the Trust's key objectives and risks and is reviewed on at least a quarterly basis by the Board. The proforma Board Assurance Framework Document complies with HM Treasury Guidance on Assurance Frameworks.

The major risks identified and monitored through the BAF during the year related to:

Strategy

1.1 - A fundamental breakdown in one or more strategic partnerships, resulting in long term disruption to plans for transforming local health and care services
1.2 - Due to the unavoidable accelerated implementation timescale of the preferred clinical model there is a risk that we will not be able to fully deliver all elements of the change, which could adversely impact on patient outcome and experience leading to reputational damage
1.3a - Risk of further breaches to condition 4 of the Trust provider licence could result in further enforcement undertakings and licence conditions
1.3b - Prolonged adverse publicity or regulatory attention resulting in a fundamental loss of confidence in the Trust amongst regulators, partner organisations, patients, staff and the general public
1.4 - A major incident (cyber-attack, critical infrastructure failure, supply chain failure etc) resulting in temporary hospital closure or a prolonged disruption to the continuity of care services across the Trust, which also impacts significantly on the local health service community

Quality

2.1 (1) - An infection outbreak (such as influenza; norovirus; infections resistant to antibiotics and Clostridium difficile) may result in avoidable patient harm and could adversely impact on delivery of key performance indicators
2.1 (2) -. Due to gaps in compliance in medication practice there is a risk of avoidable patient harm leading to reputational damage

2.2 - Risk that failure to comply with the CQC Health and Social Care Act could lead to restrictions on service provision leading to reputational damage and/or financial penalties
2.3 - Due to the quantity and complexity of clinical quality information there is a risk that areas for improvement are not identified leading to missed opportunities
2.4 - Due to under reporting of incidents could indicate a safety culture that is not open and transparent leading to an increase in mortality and/or patient harm
2.5 - Due to changes in maternity services there is a risk of inability to provide continuous, safe maternity and neonatal care posing a risk to the mortality and morbidity of women and babies.
2.6 - Risk to Trust's ability to delivery strategic objectives due to diversion of resources of all types required to manage the COVID-19 pandemic, leading to:

- Failure to deliver constitutional standards
- Associated reduced / compromised outcomes
- Patient Harm
- Reduced patient experience
- Increased costs
- Failure to meet financial trajectories
- Workforce issues such as stress, recruitment and retention

Operations

3.1 - A sustained, exceptional level of demand for services that overwhelms capacity resulting in a prolonged, widespread reduction in the quality of patient care and repeated failure to achieve constitutional standards, with possible harm to patients
3.2 - Risk of ability to deliver the national access target of 92% for 18 weeks RTT and achievement of the March 19 WTL by March 2020 due to gaps in workforce (T&O, Spinal, General Surgery, Plastics and Urology), increasing demand (Ophthalmology, Gastroenterology), transfer of activity from CDDFT, reduction in weekend working and premium pay .
3.3 - Risk of ability to deliver the national access target of 85% for 62 Day Cancer Standard
3.4 - Risk that patients deteriorate or actual harm materialises due to patients being moved from list to accommodate cancelled surgical procedures due to inadequate capacity in critical care

Finance

4.1 - Lack of robust financial information and grip and control may result in poor financial governance and decision making lead to the inability to deliver the annual control total impacting on cash flow and long term sustainability as a going concern
4.2 - Risk of ability to repay the Trust's debt of £90m. Loans were taken from NHSI which need to be repaid from 2019/20. Failing to have sufficient funds could result in the Trust becoming financially unsustainable with regulatory enforcement
4.4 - Underdeveloped informatics infrastructure compromises ability to deliver safe, responsive and efficient patient care resulting in a potential impact of being unable to deliver an Electronic Patient Record and interoperability with the Great North Care Record
4.5 - Underdeveloped informatics infrastructure compromises ability to deliver safe, responsive and efficient patient care resulting in a potential impact of a Cyber Attack which could result in access to electronic information being inaccessible, breach of standards, reputational damage and third party costs to repair and resolve issue
4.6 - Current estate, lack of capital investment and infrastructure compromises the ability to consistently deliver safe, caring, responsive and efficient patient care. Potential impact on delivery of service, backlog maintenance, patient safety potentially impacted by lack of capacity (space and resources) to meet operational demands and mandated standards. Environment provides poor patient experience and infection risk.

Workforce

5.1 - Demographic changes, shifting cultural attitudes to careers, capacity and capability of staff combined with employment market factors resulting in critical workforce gaps in some clinical and non-clinical services

5.2 - Ineffective engagement with the workforce may result in low staff morale, leading to poor outcomes and experience for patients; less effective teamwork; reduced compliance with policies and standards; high levels of staff absence; and high staff turnover.

5.3 - A loss of workforce productivity arising from individual decisions taken in response to the pension implications

5.4 - Failure to comply with national guidance regarding funded establishments in Stroke, Maternity, Paediatric inpatient wards, Cardiothoracic HDU and Neurosurgery HDU could impact on the quality and safety of patient care and / or regulatory action

The *Corporate Risk Register* - is a collated summary of the risks identified as being the high-level risks to the Trust, as set out in the Risk Management Policy. These are the operational risks of 16 and above. Each Centre and Corporate Directorate has in place risk registers which are overseen by the Risk Validation Group, SLT and Risk Committee. It directs management focus to the mitigation of significant risks. During the year a risk to the delivery of Ophthalmology services was identified and the Trust worked with its regulators including NHSE/I and CQC, CCG and other partners in reducing the risk.

The Audit Committee is responsible for scrutinising the overall systems of internal control (clinical and non-clinical) and for ensuring the provision of effective independent assurance via internal audit, external audit and local anti-fraud services. The Audit Committee reports to the Board via a Chair's log after every meeting and annually on its work via the Annual Report of the Audit Committee in support of the *Annual Governance Statement*, specifically commenting on the fitness for purpose of the BAF, the completeness and extent to which risk management is embedded in the Trust and the integration of governance arrangements. The Audit Committee also assesses its own effectiveness, what it has accomplished and whether it has fulfilled its responsibilities along with that of the Board sub committees.

The Trust Board and its sub committees have taken an active role in the improvement of risk management processes. This has included the alignment of Board Assurance Framework to the Board sub committees and agreed schedules of review of the risks at each.

The Trust updated its Risk Management Policy during 2019/20 and strengthened its risk management processes reviewing the risk escalation framework following changes to the decision making processes in the Trust.

The Trust Board is responsible for setting the risk appetite of the organisation as described in the Risk Management Policy. The Company Secretary presented a paper to the Risk Management Committee which set out the risk appetite matrix based on the Good Governance Institute. The matrix has been considered by the Risk Management Committee on two occasions, on behalf of the Board, and will be recommending a risk appetite at the Board development session in May 2020.

On 30 January 2020 the first phase of the NHS's preparation and response to COVID-19 was triggered with the declaration of a Level 4 National Incident. A decision was taken on 28 February by the Trust to mobilise command and control arrangements from 2 March – this was in response to the increase in testing numbers.

To ensure a coordinated response to managing this type of incident the Trust instigated the Emergency Preparedness Strategy command and control structure.

The Trust considered is current governance structures for managing risk and set up a time limited team group to provide strategic direction, coordination between organisational and external assurance in order to provide a local response to COVID-19.

To support this group, and to maintain control over decision making, the Trust standing orders and standing financial instructions were reviewed and emergency powers delegated to the group from the Trust Board.

Business continuity plans were reviewed across the Trust and implemented as appropriate to manage the incident. A new BAF risk was identified and a risk register for COVID-19 was developed.

A new Trust Board sub-committee was established to provide assurance to the board, enhancing trust and confidence in the ethical governance and actions of the Incident Management Team. The group provides reassurance to the Board that ethics and integrity are embedded within the Trust and that the Incident Management Team are following due process. The group is responsible for keeping key relevant risks under review and monitoring mitigation activities and controls

Quality Governance Arrangements

The Trust has robust and effective quality governance arrangements which include:

- a Tier 1 Quality Assurance Committee with sub-committees focusing on patient experience, safety and clinical excellence
- an annual clinical audit programme which is approved at Quality Assurance Committee and Audit Committee
- all Serious Incidents and Never Events are subject to root cause analysis and are reported to the Quality Assurance Committee for discussion and understanding of the learning from the event
- all staff are encouraged to report incidents and learning is shared across the organisation
- Freedom to Speak Up Guardians
- the Trust Board is assured by minutes and a report from the Chair of the Quality Assurance Committee
- the Board Assurance Framework provides assurance against the strategic objectives of Delivering excellence in patient outcomes and experience.

The Trust is continuing to work to embed the enhanced quality governance measures through the introduction during 2020 of an accountability framework maintaining a focus on strong governance and leadership across quality, finance and clinical care ensuring that there is clinically led management decision-making, as close as possible to the point of care delivery.

In July 2019 South Tees Hospitals NHS Foundation Trust received a report from the CQC following an inspection in January and February 2019. The Trust received an overall rating of ‘requires improvement’ and the report contained 26 ‘must do’ recommendations and 22 ‘should do recommendations. The Trust board have considered and accepted the findings and agreed a detailed action plan to address all recommendations which has been submitted to CQC. Delivery of the action plan is overseen by an Oversight Group and a small Huddle Group meets daily to review and challenge sources of evidence. A monthly update is provided to the Quality Assurance Committee and Trust Board.

Throughout January and February 2020 a series of confirm and challenge sessions have been held with operational and director leads. These sessions have focussed on the 'must do' recommendations and have facilitated discussions relating to evidence, action plans, assurance and risk.

The sessions have also provided the opportunity to identify where support is required to progress specific actions. Whilst each 'must do' recommendation is made up of a series of specific actions, the confirm-and-challenge sessions have concluded with an overall assessment of where the Trust is against the entire CQC recommendations.

The Trust is commitment to promoting equality and human rights and valuing diversity in all areas of South Tees Hospitals NHS Foundation Trust. It does this by ensuring that Equality Quality Impact Assessments are integrated into core business ensuring due regard to the aims of the Equality Act at the point when decisions are made. The purpose of an Equality Quality Impact Assessment (EQIA) is to improve the work of the Trust by making sure it does not discriminate and that, where possible, promotes equality.

The Equality Quality Impact Assessment (EQIA) focuses on systematically assessing and recording the likely equality impact of an activity or policy. There is a focus on assessing the impact on people with protected characteristics. This involves anticipating the consequences of activities on these groups and making sure that, as far as possible, any negative consequences are eliminated or minimised and opportunities for promoting equality are maximised.

The EQIA is carried out by completing a form, drawing on existing research, monitoring Information and consultation. Once this has been completed, action plans can be drawn up and any decisions to change the delivery of an activity or policy can be made.

Well Led

The Board has carried out self-review against the Well Led Framework in December 2019. An action plan was developed and work continues to deliver the outcomes agreed by the Board. The plan is a key aspect of the improvement plan for the Trust.

Compliance with NHS Provider Licence

Since 2017/18, NHS Trusts have been required to make an annual statement of confirmation in relation to compliance with elements of the NHS Provider Licence as follows:

- G6 – Meeting the requirements of the licence and the NHS Constitution, and having implemented effective arrangements for the management of risk
- FT4 – Relates to corporate governance arrangements covering systems and processes of corporate governance in place and effective; effective Board and Committee arrangements; compliance with healthcare standards; effective financial decision making; sufficient capability and capacity at Board and all levels in the organisation; accountability and reporting lines.

The Trust Board confirmed that it did not meet Condition G6(3) in May 2019 and is expected to confirm this position again in May 2020 but did meet Condition FT4(8) and Condition CoS7 and is expected to confirm this position again, in May 2020.

Data Quality

Significant progress has been made with regard to validation of the Referral to Treatment (RTT) waiting lists but further work is required. In February 2020 NHSE/I commissioned, The North of England Commissioning Support Unit (NECS) to undertake a further validation exercise on behalf of the Trust on the data that is used to report RTT compliance.

The diagnostic report was received 16 March 2020, which may provide an opportunity to refine our internal processes. The offer from NHSE/I includes additional external validation resource to the Trust to start reviewing and validating priority pathways. In addition to the offer of support for validation NHSE/I have also granted 200 licences for online RTT training, which will be rolled out to key staff across the organisation.

The Trust is also in the process of migrating to eCAMIS our patient administration system, which will provide additional functionality for tracking RTT timelines.

Workforce and Pension

The Trust is continually working towards the recommendations for Developing Workforce Safeguards by reporting of biannual nursing and midwifery, theatres, accident and emergency and community nurse staffing to the Board. Safer Nursing Care Tools have been obtained under licence and are being utilised for staffing establishment reviews. AHP colleagues contribute to joint papers where appropriate to do so. The first joint paper was provided to Board in February 2020. Out Patient Department reviews are planned for June 2020 but there are no evidence based tools currently available to utilise.

The Trust continues to utilise Allocate SafeCare to give a real time helicopter view of nurse staffing at least twice a day with Assistant Director of Nursing and Matrons with redeployed of staff undertaken to meet patient need. The Trust also utilises Allocate's e-Rota system for analysis of compliance of junior doctor rotas and for exception reporting.

AHP establishments are being reviewed and will be added in to available software for monitoring. Leads currently review teams establishment and staff availability to provide safe deployment to meet patients' needs. Monthly reports are now provided collaboratively with nursing colleagues. Our external bank is provided by NHS Professionals and will be utilised to rapidly recruit nursing staff during the COVID-19 period.

In line with the 2016 junior doctors' contract, the Trust has appointed a Guardian of Safe Working who reports quarterly to the Workforce Committee and to the Trust Board on junior doctor rota compliance, vacancies and exception reporting themes. A Junior Doctors' Forum is now well established as per the contract terms and conditions; and engagement with this forum has improved considerably since the August 2019 intake.

The Trust is part of a regional collaborative bank for junior medical grade staff as well as having our own local bank of doctors. The Trust also has a master vendor arrangement for agency doctors via HCL.

For junior grade medical staff, fill rates via bank are high with minimal agency usage. Agency usage for senior grade doctors is reviewed on a regular basis with a view to moving long term agency locums onto substantive contracts with the Trust.

Monthly safe staffing reporting through UNIFY was suspended in March 2020 and dynamic staffing reviews undertaken in real time to allow for the segregation of COVID and Non COVID patient pathways and plans for surge and super surge activity. Quality impact assessment (QIA) was undertaken for planned staffing for COVID and Non COVID areas led by the Director of Nursing and Quality and Medical Director.

The Director of Nursing and Midwifery has sponsored the Head of Professions to attend the CNO Safe Staffing Fellowship Programme and will mentor them throughout the programme to ensure any learning is embedded within the organisation.

Student nurses, midwives and AHP have opted into the workforce in March to assist with COVID and will be employed in line with national guidance.

‘E-rostering Levels of Attainment’ will be reviewed annually for all staff groups and will be reported through the Workforce Assurance Group, reporting to the Workforce Committee and escalating / reporting to Board as required.

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.

Care Quality Commission

During 2019/20, the CQC carried out a planned unannounced inspection of urgent and emergency care, medical, surgical and diagnostics services provided at the Trust. In addition a further announced inspection took place between 5 to 7 February 2019 where the CQC looked at the quality of leadership at the Trust and how well the Trust managed the governance of its services. Finally on the 21 to 23 February 2020 a further unannounced inspection of critical care was undertaken. The CQC published its findings on their website on 2 July 2019. The overall rating for the Trust is ‘Requires Improvement’. A detailed improvement plan is in place to address all of the actions identified by the CQC in their report. The Trust is fully compliant with the registration requirements of the Care Quality Commission.

Register of Interests

The Trust has published on its website, an up-to-date register of interests for decision making staff, as required by the ‘Managing Conflicts of Interest in the NHS’ guidance.

Trust Board

The Trust is governed by the Trust Board comprising of eight Non-Executive Directors including the Chairman, and seven Executive Directors, including the Chief Executive.

The changes made to the Board during 2019/20 included the interim appointment of Sue Page as Interim Chief Executive and Ada Burns as Non-Executive Director from 1 October 2019. In addition, Adrian Clements resigned as Deputy Chief Executive and Andrew Owens resigned as Medical Director on 31 December 2019 and Siobhan McArdle, left the Trust on 30 September 2019. Amanda Hullick, Non-Executive Director, left the Trust on 31 March 2020.

All changes were approved by the Nomination and Remuneration Committees and endorsed by the Council of Governors and Board of Directors.

The overarching governance framework for the Trust is set out in detail in the Standing Orders, Standing Financial Instructions and the Scheme of Reservation and Delegation. The Corporate Governance Structure, Board Committee Terms of Referenced, Standing Orders and Standing Financial Instructions were reviewed during the year to ensure the governance framework reflects the organisation of the Trust and maintains internal control.

The Board has overall responsibility for determining the future direction of the Trust and ensuring delivery of safe and effective services in accordance with legislation and principles of the NHS. The Trust Board also ensures that the organisation complies with relevant regulatory standards.

The Trust Board consider performance against national priorities set out in the NHS

Improvement Single Oversight Framework for NHS Providers, which sets out how NHS Improvement works alongside Trusts to support the delivery of high quality and sustainable services for patients. The Trust is rated as '3' on the NHS Improvement Finance Score Metric where 1 is the highest score with 4 the lowest. An overall score of 4 or 3 indicates that support may be required.

Performance is reported and discussed monthly at the trust board meeting in an Quality Operational and Financial Performance report to ensure that quality and finance, as well as workforce and access, are considered together.

Sustainable Development

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

Review of Economy, Efficiency and Effectiveness of the Use of Resources

The financial plan is approved by the Board of Directors and submitted to NHSE/I our independent regulator (in exercising its powers conferred by Monitor). The process for approving the plan involves the regional NHSE/I teams to coordinate strategic and transformational submissions. This plan includes forward projections and is monitored by the Finance and Investment Committee with key performance indicators and financial sustainability metrics also reviewed monthly by the Operational Management Board and the Board of Directors at each of its meetings.

The Trust was set a challenging financial plan for 2019/20 which required it to operate at a deficit of £7.3 million before the receipt of Provider Sustainability Funding. The receipt of PSF of £10.5 million would then result in a surplus of £3.2 million. In order to achieve the planned financial performance the Trust was required to achieve a productivity and efficiency programme of £33.2 million. The Trust did not achieve the required level of financial efficiency savings and operated at an underlying deficit of £27.3 million throughout 2019/20. The Trust was in a position to deliver a total productivity and efficiency programme of £9.9 million, split between recurrent £8.2 million and non-recurrent measures of £1.7 million.

As a consequence the Trust was not eligible for core PSF but did receive a system based incentive Financial Recovery Fund payment of £8.3 million. The Trust therefore achieved an underlying performance of £16.8 million, consisting of an underlying deficit of £27.3 million and PSF of £10.5 million.

The Trust's deficit within the annual accounts of £28.5 million reconciles to the underlying deficit of £27.3 million by the inclusion of PSF £10.5 million, impairment of assets £11.9 million, donations towards capital expenditure £1.3 million and depreciation on donated assets £1.1 million. The Trust and Endeavour (PFI Provider) have worked throughout 2018/19 and 2019/20 to collectively understand the position of the life cycle programme and reconcile the respective accounting within each organisation.

The lack of available capital funding represents a major risk to the Trust given a prolonged period of reduced capital expenditure. The Trust is seeking emergency capital funding via NHSE/I and reviewing/prioritising all capital expenditure bids to minimise clinical and organisational risk.

The DHSC and NHSE/I announced reforms to the NHS cash regime for 2020/21 and confirmed that in 2020/21 PDC will be issued to enable providers to repay all existing interim loans.
The impact to the Trust of this announcement amounts to £147.2 million and this has been

included as a short term liability in the annual accounts. Although this borrowing will be funded by PDC in 2020/21, the Trust will continue to be dependent on on-going support in order to meet its financial obligations.

Financial governance arrangements are managed within the corporate governance framework which includes Standing Orders, Standing Financial Instructions and a Scheme of Delegation. Financial governance is supported by internal and external audit to ensure economic, efficient and effective use of resources and monitored by the Audit Committee.

The Trust's Internal Auditor (PwC) has drafted the Audit Opinion on the adequacy and effectiveness of governance, risk management and control. There annual opinion for the year ending 31 March 2020 is 'Substantial Improvement Required' this is due to the weaknesses in the framework of control which put the achievement of the Trust's objectives at risk. In total, six high risk reports have been issued to the Trust during the financial year 2019/20. These have been in the areas of Procurement, Health and Safety, Waste Management and IT.

	Cyber Security Incident Management	There was one cyber security incident noted in the year, which we therefore tested. We have noted exceptions with how the incident was recorded in DATIX. There was a large time delay in it being recorded, no initial investigation documented, no lessons learnt documented and the cyber security action plan was not completed. As a result, the incident repeated itself at a later date by the same individual. Our testing also identified that the cyber security disaster recovery plan is currently out of date.
	Cyber Security - Future Planning	The cyber security controls plan, and the high level business case do not match for the projects to be prioritised by the Trust. There are no documented target implementation dates within the cyber security controls assessment to track the Trust's progress with mitigating the identified risks. The cyber security controls assessment plan for the Digital Strategy Group was prepared for discussion in May 2018. However, since then it has not been updated or reviewed to document how the Trust is currently performing against the listed security areas and if further action is needed to mitigate the risks.
	Information Governance – Incomplete Data Awareness	The Trust does not possess a single view over the personal data it possesses with the root cause of this being the absence of a centralised electronic record storage system. Instead, records are currently stored in both (1) electronic format across a range of different systems that are only partially interconnected, and (2) paper-based format at a secure off-site third-party warehouse with around 1 million paper-based patient healthcare records currently being stored this way. Consequently, the Trust is unable to gain a central 100% view over the personal data it holds.
	DSP Toolkit – Responding to incidents	Our testing has noted that the Trust's IT Team has escalated privileges and has used these to manually install software. We also identified that there is no monitoring system in place to alert the Trust of potential cyber security incidents in systems or services.
	DSP Toolkit – Continuity Planning	No evidence was included within the DSP Toolkit submission to show the Trust has completed tests on incident response and management plans. Through our discussion with management, business continuity testing was due to take place in March 2020, however due to COVID-19 it has been delayed.

	DSP Toolkit – Unsupported Systems	There is no documented evidence to show that all software assets, other than operating systems, have been surveyed to understand if they are still supported and up to date. There is no documented strategy for implementing patching across the Trust's infrastructure. Vulnerability scans could also not be provided to evidence that the Trust is aware of all hardware and software vulnerabilities.
	Health and Safety – Risk Assessment Completeness	Through our review we noted: - There are no trackers in place to document if each ward/department have completed their risk assessments and when each of these will be due for re-assessment; - Our testing of the Paediatrics Intensive Care Ward noted exceptions with all risk assessments tested; - We also noted in the Paediatrics Intensive Care Ward that following risk assessments are not in place; Manual Handling; Fire Safety; Environment Stress; Patient moving and handling; Violence and aggression; and ward / departmental risk assessments.
	Health and Safety - Training	Through our review we noted: - Six instances out of 25 where staff were out of date on their mandatory health and safety and fire safety training; - The health and safety policy does not reference the required risk assessment and sharps training; and - There is currently no documentation to monitor that all of the respective wards / departments have trained risk assessors within their area and that they are up to date on their training.

Information Governance

Information Governance is assessed as part of a process using the Data Security and Protection Toolkit (DSPT), which replaced the Information Governance toolkit reporting function in 2018/19 and is based upon the National Data Guardians 10 Data Security Standards. The content in this version 2 of the DSP Toolkit has further developed in areas relating to assurance around technical aspects of Cyber Security compliance.

As with last year's submission, the DPST differs from the previous IG Toolkit which assessed performance against three levels (1, 2 and 3). The DSPT no longer includes levels and instead requires compliance with assertions and (mandatory) evidence items. These include a total of 118 assertions and hundreds of pieces of mandatory evidence. The 2018/19 submission had a total of 22 items that the Trust did not achieve by the 31 March 2019 deadline. It therefore included these within a detailed action plan which has successfully achieved by the end of June 2019. This changed our attainment status to "Standards achieved". The IG Department have highlighted via the formal Information Governance Steering Group that the Trust will have four assertions that it is unable to comply with by the submission deadline of 31 March 2020. We have agreed that these will be monitors in a separate action plan as per the previous year and the aim is to achieve them asap or at least within the next three months following submission.

The Trust's Risk Register is updated with identified information risks. As part of the national requirements, the Trust's information incidents are assessed and reported to NHS Digital via the Data Security and Protection Incident Reporting Tool. In 2019/2020, the Trust reported four reportable data breach incidents to the Information Commissioner's Office, via the DSP Toolkit in.

These related to inappropriate disclosure of patient information (wrong address). All incidents were fully investigated and actions were taken to reduce the risk of re-occurrence; the Information Commissioner's Office has closed all four of the incidents and no formal action was taken.

The Trust's Internal Auditors, PricewaterhouseCoopers (PWC), performed an internal audit review on compliance with the DSPT standards. It highlighted areas of risk associated with:

- IG training compliance
- Access control issues
- Patching implementation

The Trust continues to build on the work undertaken to-date with regard to cyber security. This includes working through audit recommendations and national expectations related to IT/cyber security. Five strategic themes have been identified and will be delivered with the support of an action plan, monitored through the Trust's corporate meeting structure and escalated for senior management review where appropriate to cover:

- Governance and assurance
- Training and awareness
- Policies and standard operating procedures
- Improvement to technology and IT related processes
- Review of resources

The cyber risks that the Trust is exposed to are managed through the Trust's risk management framework. Risks are included on the risk register and are reviewed regularly to ensure they remain accurately scored and updated with the latest issues.

A number of investments, totalling £200,000 were made during the past year to improve our cyber security and there remains additional key business cases under development / awaiting funding to support the Trust in its progress through the identified themes moving forward in 2020/21.

Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS Trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the information provided in this Annual Report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee, the Finance and Investment Committee and the Quality Assurance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Conclusion

In conclusion, the Trust had the following significant internal control issues in 2019/20:

1) CQC

During 2019/20, the CQC carried out a planned unannounced inspection of urgent and emergency care, medical, surgical and diagnostics services provided at the Trust. In addition a further announced inspection took place between 5 to 7 February 2019 where the CQC looked at leadership and how well the Trust managed the governance of its services. Finally on the 21 to 23 February 2020 a further unannounced inspection of critical care was undertaken. They published their findings, on its website on 2 July 2019. The overall rating for the Trust is 'Requires Improvement'.

The Trust Board has considered and accepted the findings and agreed a detailed action plan to address the recommendations which has been submitted to CQC. Delivery of the action plan is overseen by an Oversight Group and a small Huddle Group meets daily to review and challenge sources of evidence. A monthly update is provided to the Quality Assurance Committee and Trust Board.

Throughout January and February 2020 a series of confirm and challenge sessions have been held with operational and Director leads. These sessions have focussed on the 'must do' recommendations and have facilitated discussions relating to evidence, action plans, assurance and risk.

The sessions have also provided the opportunity to identify where support is required to progress specific actions. Whilst each 'must do' recommendation is made up of a series of specific actions the confirm and challenge sessions have concluded with an overall assessment of where the Trust is against the entire CQC recommendations

2) Staff Survey

The 2019 National NHS staff survey was conducted in the autumn and echoed the findings and conclusions of the Trust's earlier CQC inspection report. In particular, the survey results illustrated a culture of:

- Top-down leadership
- Poor staff experience
- Poor clinical engagement

Since the staff survey, the Trust has undergone a number of significant changes. We are now empowering our doctors and nurses to take the decisions about how we manage our resources and deliver care across our hospitals and services.

For example, the Trust's Clinical Directors, Medical Directors, Senior Nursing and Allied Health Professionals, Chairs of Staff Side and our Senior Medical Staff Forum, now come together on a regular basis through our new Clinical Policy Group to discuss and make more of the decisions about how we operate as a Trust.

In addition, The Trust's Equality, Diversity and Inclusion Steering Group has been re-established and LGBT+, BAME, faith and disability health network groups have been created which are open to all our staff.

The clinically-led approach to doing what's needed to improve patient care is already bearing fruit – we have recruited more nurses and invested an extra £6 million in new hospital equipment.

There is a lot of work still to do but by enabling clinicians to come together to shape and deliver the care they want for their patients, the Trust has already come a long way in a short time.

3) Provider Licence Additional Restrictions

On the 30 October 2019, the Trust received notification of "Intent to modify Additional Licence Condition". This was following a board-to-board meeting on the 17 October 2019 with NHSE/I. NHS Improvement identified continuing concerns around finance, governance and quality at the trust which include:

a) governance arrangements

b) financial governance at the Trust, including control of revenue and capital expenditure and the Trust's inability to develop and deliver a financial recovery plan to demonstrate financial stability and quantify financial risk

c) operational concerns relating to quality and safety at the Trust, particularly in relation to critical care, as highlighted in the CQC inspection report dated 2 July 2019

a) Governance

A review of the effectiveness of the Remuneration Committee was undertaken in October 2019. This review considered the work of the Committee and identified that the terms of reference were not consistent with good practice and the Head of Governance (or post holder acting as Company Secretary) should be included as an attendee as this was not always the case during 2019. The company secretary is responsible for helping the Board and its committees to function effectively and should act as secretary to the committee. The terms of reference have since been updated.

The Trust has appointed a number of interim senior executives with significant experience in governance and operational management to support decision making and implementation of NHSE/I and CQC recommendations.

All of these appointments were considered and approved by the Remuneration Committee, with appropriate documentation including benchmarking data and external approval where required.

b) Finance, Use of Resources and Grip and Control

NHSE/I wrote to the Trust in June 2019 to highlight the concerns regarding the financial position and set out steps in line with the North regional escalation process. As a result of the escalation process a recovery action plan and benchmark review against NHS Improvement Grip and Control checklist was implemented.

The Trust agreed a revised financial target with NHSE/I during the financial year. This target was achieved by the Trust and is reflected within the annual accounts. The Trust continues to carry a significant underlying financial deficit of around £25m: a large element of which relates to the PFI arrangement at The James Cook University Hospital site.

The Interim Chief Executive and the Finance Director have assured the Board the financial position will continue to be stabilised within 2019/20.

Measures have been introduced to establish greater control over expenditure. However the Interim Chief Executive is also required to focus on establishing operational control and mitigating a number of clinical risks. These issues have needed to be balanced across the winter period.

Separately, the Trust's Scheme of Delegation, Standing Orders and Standing Financial Instructions have been reviewed to reflect organisational changes; and the frequency of Senior Leadership Team meetings has been increased to weekly, to focus on issues such as people, finance, quality and risk – with prompt escalation as appropriate to a Board sub-committee or Board. In addition, the Trust has re-established a Finance Improvement Board.

The Trust introduced a standardised business case approval process. Business and service developments are worked up within departments and centres and then considered by the re-established Finance Improvement Board and capital investments are considered at the Capital and Investment Committee. Once approval has been given by this Board and Committee the Clinical Policy Group who meet on a fortnightly basis make decisions about the way available resources are allocated and care is delivered across the Trust.

During 2019/20 the Company Secretary in conjunction with the Director of Finance reviewed the information provided to the Board on Finance and it was agreed that a separate finance report be presented to the public Board of Directors on a monthly basis to appropriately discharge the Trust's statutory duties.

The Finance and Investment Committee met six times throughout the year and focussed on review of the financial position escalating issues to the Board of Directors through the Chair's report.

c) Quality

A detailed action plan to address all recommendations identified by the CQC was developed and agreed by the Board. Delivery of the action plan is overseen by an Oversight Group and a small Huddle Group meets daily to review and challenge sources of evidence. A monthly update is provided to the Quality Assurance Committee and Trust Board.

Throughout January and February 2020 a series of confirm and challenge sessions have been held with operational and Director leads. These sessions have focussed on the 'must do' recommendations and have facilitated discussions relating to evidence, action plans, assurance and risk.

The sessions have also provided the opportunity to identify where support is required to progress specific actions. Whilst each 'must do' recommendation is made up of a series of specific actions, the confirm and challenge sessions have concluded with an overall assessment of where the Trust is against CQC recommendations.

Linked to quality and the CQC's findings, a series of interconnected measures are in place around improved staff engagement.

a. The Clinical Policy Group is the embodiment of the Trust's new way of working. This group meets on a fortnightly basis to make decisions about the way available resources are allocated and care is delivered across the Trust. Membership of the Clinical Policy Group includes the Trust's Clinical Directors, Medical Directors, Senior Nursing and Allied Health Professionals, Staff-Side and Senior Medical Staff Forum Chairs and British Medical Association representative. The Clinical Policy Group is leading the development of a three-phase 'Getting Back to Our Best' improvement plan
b. The Director of HR has created a 'you said, we did' feedback process in response to issues of concern raised by staff in the Trust's NHS Staff Survey;
c. Board member WalkRound visits to wards and services now form a regular part of the Board's monthly cycle.
d. A staff Health and Wellbeing Strategy has been introduced in collaboration with staff colleagues.
e. Visible and responsive senior leadership is now on display within the Trust and all Board meetings are now held in public.

Signed 

Chief Executive

Date: 25.6.20

Independent auditor's report

to the Council of Governors of South Tees Hospitals NHS Foundation Trust

. REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. Our opinion is unmodified

We have audited the financial statements of South Tees Hospitals NHS Foundation Trust ("the Trust") for the year ended 31 March 2020 which comprise the Group and Trust Statements of Comprehensive Income, Group and Trust Statements of Financial Position, Group and Trust Statements of Changes in Equity and Group and Trust Statements of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion:

— the financial statements give a true and fair view of the state of the Group and the Trust's affairs as at 31 March 2020 and of the Group and Trust's income and expenditure for the year then ended; and

— the Group and the Trust's financial statements have been properly prepared in accordance with the Accounts Direction issued under paragraphs 24 and 25 of Schedule 7 of the National Health Service Act 2006, the NHS Foundation Trust Annual Reporting Manual 2019-20 and the Department of Health and Social Care Group Accounting Manual 2019-20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group and Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: Group financial statements as a whole	£10m (2019:£10.4m) 1.6% (2019: 1.7%) of Operating Income	
Coverage	100% (2019:100%) of group income	
Risks of material misstatement		**vs 2019**
Recurring risks	Valuation of land and buildings	◄►
	Recognition of income from patient care activities	
	Expenditure recognition	
	Recoverability of PFI repayment	◄►
	Going Concern	◄►

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

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

All of these key audit matters relate to the Group and the parent Trust.

	The risk	Our response
Valuation of land and buildings Land and buildings (£167.1 million; 2018/19: £170.3 million) *Note 1.7 (accounting policy) and note 9 (financial disclosures – Annual Accounts).*	**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 (usually every three years) 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 majority of the Trust estate is held under PFI arrangements under which the VAT on construction costs is recoverable. The valuer has provided DRC valuations net of VAT on the assumption that replacement assets would be provided using the existing PFI arrangements or through a facilities management company. This has a material impact on the valuation. 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. Valuations are inherently judgmental. There is a risk that the methodology, assumptions and underlying data, are not appropriate or correctly applied. The Trust last had a full valuation at 31 March 2019. An interim desktop valuation was performed as at 31 March 2020. 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 valuer around the impact of the Covid-19 pandemic on market-based valuations of land and buildings have not been appropriately disclosed.	Our procedures included: — **Assessing valuer's credentials:** We assessed the competence, capability, objectivity and independence of the Trust's external valuer and considered the terms of engagement of, and the instructions issued to, the valuer for consistency with the requirements of the NHS Group Accounting Manual; — **Methodology choice:** We assessed the appropriateness of the valuation basis and assumptions applied by the valuers; — **Test of detail:** We tested the accuracy of the estate base data provided to the external valuer to complete the valuation to ensure it accurately reflected the Trust's estate; — **Historic comparisons:** We considered the Group's history of VAT recovery through its PFI arrangement and the existing and future plans for its commercial subsidiary and assessed the consistency of this judgement with the evidence presented; — **Accounting analysis:** We undertook work to understand the basis upon which; any movements in the valuation of land and buildings had been classified and treated in the financial statements and determined whether they had complied with the requirements of the DHSC Group Accounting manual 2019/20. — **Assessing transparency**: We considered the adequacy of disclosures made around the uncertainty caused by the Covid-19 pandemic on market data used to underpin the valuer's assumptions, and management's consideration of these factors when arriving at the year-end valuation figures. — We assessed whether the disclosures made were in line with the requirements of the DHSC Group Accounting Manual 2019/20, supplemented by additional guidance issued by NHS Improvement in April 2020. .

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

	The risk	Our response
Recognition of income from patient care activities Income from activities (£644.4 million; 2018/19: £614.0 million) *Refer to note 1.4 (accounting policy) and note 3 (financial disclosures – Annual Accounts)*	**Revenue recognition** The main source of income for the Trust is the provision of healthcare services to the public under contracts with NHS commissioners. The Trust participates in the national Agreement of Balances (AoB) exercise for the purpose of ensuring that intra-NHS balances are eliminated on the consolidation of the Department of Health's resource accounts. The AoB exercise identifies mismatches between income and expenditure and receivable and payable balances recognised by the Trust and its commissioners, which will be resolved after the date of approval of these financial statements. Mis-matches can occur for a number of reasons, but the most significant arise were: — the Trust and Commissioners record different accruals for completed periods of healthcare which have not yet been invoiced; or — income relating to partially completed period of healthcare is apportioned across the financial years and the Commissioners and the Trust make different apportionment assumptions. Where there is a lack of agreement, mis-matches can also be classified as formal disputes as set out in the relevant contract. Other material non-NHS income relates to non-patient care services to other bodies, education and training and car parking. There is a risk that this income is recorded in the incorrect period.	Our procedures included: — **Test of detail:** We compared the actual income for the Trust's most significant commissioners against the block contracts agreed at the start of the year and checked the validity of any significant variations between the actual income and the contract via agreement to appropriate third party confirmations; — **Test of detail:** We inspected confirmations of balances provided by the Department of Health as part of the AoB exercise and compared the relevant income recorded in the Trust's financial statements to the expenditure balances recorded within the accounts of Commissioners. Where applicable we investigated variances and reviewed relevant correspondence to assess the reasonableness of the Trust's approach to recognising income from Commissioners; — **Test of detail:** We considered the impact of any identified audit adjustments on the delivery of the Trust's control total and reconciled the year-end performance to the original plan to understand any deviations. — **Test of detail**: We inspected all material items of income in the March and April 2020 cashbooks and evaluated whether these had been accounted for correctly by reference to when the service had been delivered.

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

	The risk	Our response
Expenditure recognition Trade and other payables (£44.9 million; 2018/19: £63.3 million) Provisions (£0.7 million; 2018/19: £0.6 million) *Refer to note 1.7, 1.15 (accounting policy) and note 18 and 23 (financial disclosures – Annual Accounts)*	**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 material items of expenditure in the March and April 2020 cashbooks and evaluated whether these had been accounted for correctly by reference to 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 vouched a sample of individual accruals to supporting documentation to confirm the method of calculation and to confirm inclusion in the correct period; – **Test of detail:** We considered the completeness of provisions based on our cumulative knowledge of the Trust and inquiries with Directors. 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 boundary. 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 boundary.

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

	The risk	Our response
Recoverability of PFI Prepayment £20.2 million; (2019: £24.5 million) *Refer to Accounts Section 1.12 of Note 1 to the Accounts (accounting policy) and Note 21 of the Accounts (financial disclosures).*	**Subjective estimate:** The Trust entered into a PFI contract in 2003 (and expiring in 2033) under which the PFI operator is required to build and to maintain the majority of the Trust's estate. In line with DHSC guidance the Trust recognises both the PFI property asset and the corresponding liabilities on balance sheet and splits the unitary payments into payments for services, payments for the asset and lifecycle payments. As is the norm for lifestyle replacement under a PFI scheme, the timing of the actual lifecycle expenditure incurred by the operator is different to the profile of the planned expenditure in the financial model. The Trust has recognised a prepayment of £20.2m representing deferred purchased lifecycle which will be incurred later than originally planned. When the lifecycle replacement is actually received this prepayment will be derecognised and new items recognised as property, plant and equipment. To the extent that any planned expenditure is considered to be no longer needed then the prepayment should be expensed to the Income Statement. There is a risk that the prepayment could include amounts for planned lifecycle expenditure which is no longer expected to be incurred and therefore that the prepayment should be impaired. The effect of these matters is that, as part of our risk assessment, we determined that the estimation of the PFI prepayment 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.	Our procedures included: – **Tests of details:** We reconciled the accounting entries back to the PFI model established on inception of the PFI contract and agreed current year payments back to the invoice and cash. – **Enquires with PFI operator:** We inspected correspondence and agreements between the Trust and the PFI operator which set out details of expenditure deferred to date together with the latest estimates of total expected lifecycle expenditure over the entire agreement. – **Test of detail:** We performed a comparison between the original agreed works per the contract, actual work to date and agreed deferred work. We have also compared the levels of total expected lifecycle expenditure with payments to date and future payments to be made. From this we have assessed the carrying value of the prepayment to the estimated level of future lifecycle costs deferred and the need for any provision against the prepayment.

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

	The risk	Our response
Going concern *Refer to Accounts Section 1.3.1 of Note 1 to the Accounts (accounting policy)*	**Disclosure quality:** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Trust. That judgement is based on an evaluation of the inherent risks to the Group's and Trust's business model and how those risks might affect the Group's and Trust's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group's available financial resources over this period were: - The failure to meet the planned deficit of £30.9m for 2020/21; - The failure to deliver the £16m efficiency programme for 2020/21; and - Reliance on continued support, both revenue and cash, from the DHSC. The risk for our audit was whether or not these risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability of the Trust to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	Our procedures included: — **Our NHS experience:** We challenged management's plans to deliver its planned deficit, including the adequacy of its arrangements for delivering its efficiency programme, in the light of the changes to the DHSC funding regime announced in April 2020, including the conversion of existing loans to public dividend capital in September 2020 — **Historical comparisons:** We assessed the Group's performance in meeting its financial targets set in the 2019/20 financial plan, including Control Total, Efficiency Plan and Cost Improvement Programme. — **Assessing transparency:** We assessed the completeness and accuracy of the matters disclosed in the going concern disclosure with reference to our audit findings. We further assessed whether the going concern disclosure was consistent with our understanding of the financial challenges facing the Trust.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £10 million (2019: £10.4 million), determined with reference to a benchmark of operating income (of which it represents approximately 1.6%) (2019: 1.7%). We consider operating income to be more stable than a surplus- or deficit-related benchmark.

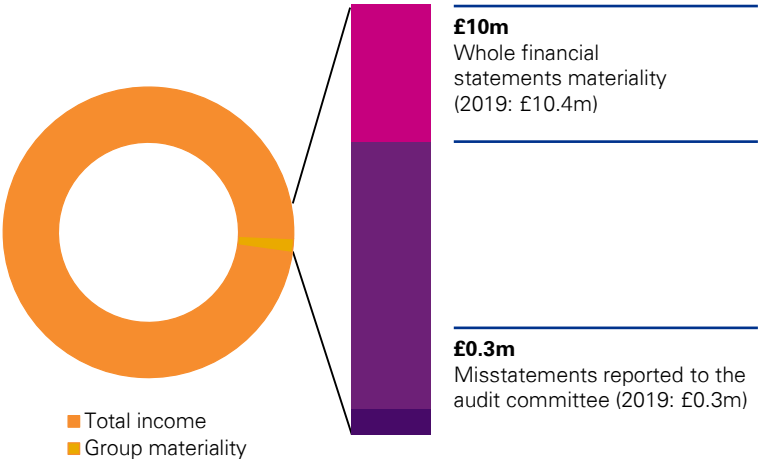
Materiality for the parent Trust's financial statements as a whole was set at £10 million (2019: £10.4 million), determined with reference to a benchmark of operating income (of which it represents approximately 1.6%) (2019:1.7%).

We agreed to report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £0.3 million (2019:(£0.3 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The group's two components (2019: two) were subjected to full scope audits for group purposes to specified risk-focused audit procedures.

Total income
£644m (2019: £614m)

Group Materiality
£10m (2019: £10.4m)



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.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if we have anything material to add or draw attention to in relation to the Accounting Officer's statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Trust's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

In our opinion the other information included in the Annual Report for the financial year is consistent with the financial statements.

Remuneration report

In our opinion the part of the remuneration report to be audited has been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2019-20.

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 Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- the Annual Governance Statement does not reflect the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual 2019-20, is misleading or is not consistent with our knowledge of the Group and other information of which we are aware from our audit of the financial statements.

We have nothing to report in these respects.

6. Respective responsibilities

Accounting Officer's responsibilities

As explained more fully in the statement set out on page 59, the Accounting Officer is responsible for the preparation of financial statements that give a true and fair view. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Group and parent Trust without the transfer of their services to another public sector entity.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

We have nothing to report on the statutory reporting matters

We are required by Schedule 2 to the Code of Audit Practice issued by the Comptroller and Auditor General ('the Code of Audit Practice') to report to you if:

- any reports to the regulator have been made under Schedule 10(6) of the National Health Service Act 2006.
- any matters have been reported in the public interest under Schedule 10(3) of the National Health Service Act 2006 in the course of, or at the end of the audit.

We have nothing to report in these respects.

Our conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources is adverse

Under the Code of Audit Practice we are required to report if the Trust has not made proper arrangements for securing economy, efficiency and effectiveness in the use of resources.

Adverse conclusion

As a result of the matters outlined in the basis for adverse conclusion paragraph below, we are unable to satisfy ourselves that in all significant respects South Tees Hospitals NHS Foundation Trust put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2020.

Basis for adverse conclusion

In July 2014 NHS Improvement issued a notice of enforcement undertakings. NHS Improvement concluded that the Trust had failed to establish and effectively implement systems or processes to ensure compliance with its duty to operate efficiently, economically and effectively. The Trust remained subject to this enforcement notice at 31 March 2020.

The Trust's outturn position for 2019/20 was a deficit of £28m, after support funding of £10.4m. A deficit of £24.3m is forecast for 2020/21, including a cost improvement target of £16m. This leads us to conclude the Trust is unable to deliver a sustainable breakeven position without the need for further support from the DHSC.

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 April 2020, as to whether the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We planned our work in accordance with the Code of Audit Practice and related guidance. Based on our risk assessment, we undertook such work as we considered necessary.

Report on our review of the adequacy of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required by guidance issued by the C&AG under Paragraph 9 of Schedule 6 to the Local Audit and Accountability Act 2014 to report on how our work addressed any identified significant risks to our conclusion on the adequacy of the Trust's arrangements to secure economy, efficiency and effectiveness in the use of resources. The 'risk' in this case is the risk that we could come to an incorrect conclusion in respect of the Trust's arrangements, rather than the risk of the arrangements themselves being inadequate.

We carry out a risk assessment to determine the nature and extent of further work that may be required. Our risk assessment includes consideration of the significance of business and operational risks facing the Trust, insofar as they relate to 'proper arrangements'. This includes sector and organisation level risks and draws on relevant cost and performance information as appropriate, as well as the results of reviews by inspectorates, review agencies and other relevant bodies.

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

Significant Risk	Description	Work carried out and judgements
Financial Sustainability	Due to a combination of regulatory scrutiny and significant financial challenge in the sector and locally across the health economy, we undertook a detailed review of the Trust's arrangements for planning its finances effectively to support the sustainable delivery of strategic priorities and the maintenance of its statutory functions.	Our work included: — Performing an analysis of the Trust's forecast position against plan; — Considering the core assumptions in the Trust's 2020/21 Annual Plan submission; — Considering the extent to which recurrent cost improvement schemes were achieved in 2019/20 and identified for 2020/21; and — Reviewing the number of material contracts with commissioners which had been agreed for 2020/21 and the supporting risk analysis as reported to the Board. Our findings on this risk area: The Trust reported a deficit of £29.4m for 2019/20. This was achieved by support funding of £10.7m from the Department of Health and Social Care (DHSC). The current 2020/21 forecasts show a planned £24.3m deficit position. This has been agreed with NHSI. Delivery of this planned deficit enables the Trust to access £16 million of Financial Recovery Funding. Contracts with the Trust's main Commissioners have not yet been signed due to the pandemic COVID-19 and the DHSC has confirmed continued block income until July 2020. Whilst the Trust continues to make progress in identifying efficiency schemes, there is a risk that the savings requirement of £16m for 2020/21is not achieved, thus increasing the financial pressures further. The Trust does not have sufficient plans to progress to achieve an underlying break-even position in the foreseeable future without additional support from the DHSC. This is evidence of weaknesses in the Trust's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintaining statutory functions
Enforcement undertakings	In July 2014 NHSI issued notice of enforcement undertakings. In July 2019, the CQC issued its report and assessed the Trust as "requires improvement" for use of resources.	The Trust has remained subject to this enforcement notice at 31 March 2020. The CQC assessed the Trust as "requires improvement" against three of the five criteria as part of its assessment, with an overall "requires improvement" for use of resources. The Trust has developed an action plan to address the key areas for action and is in the process of implementing and embedding these.

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 South Tees Hospitals NHS Foundation Trust for the year ended 31 March 2020 in accordance with the requirements of Schedule 10 of the National Health Service Act 2006 and the Code of Audit Practice issued by the National Audit Office.

Rashpal Khangura
for and on behalf of KPMG LLP
Chartered Accountants, Leeds
6 July 2020

South Tees Hospitals
NHS Foundation Trust

Accounts

For the year 1 April 2019 to 31 March 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

		GROUP		TRUST	
	NOTE	**2019/20 £000**	2018/19 £000	**2019/20 £000**	2018/19 £000
Operating income	3	**659,025**	614,031	**658,219**	613,149
Operating expenses	4	**(671,136)**	(649,430)	**(669,903)**	(648,293)
OPERATING (DEFICIT) / SURPLUS		**(12,111)**	(35,399)	**(11,684)**	(35,144)
FINANCE COSTS:					
Finance income	7	**470**	370	**209**	136
Finance costs - financial liabilities	8.1	**(16,869)**	(17,178)	**(16,869)**	(17,178)
Finance costs - unwinding of discount on provisions	23	**(11)**	(8)	**(11)**	(8)
PDC dividends payable		**0**	(2)	**0**	(2)
NET FINANCE COSTS		**(16,410)**	(16,818)	**(16,671)**	(17,052)
(Loss) / Gain on disposal of assets	8.3	**(173)**	20,720	**(173)**	20,720
Movement in fair value of other investments	14	**(755)**	584	**0**	0
DEFICIT FOR THE YEAR		**(29,449)**	(30,913)	**(28,528)**	(31,476)
Other comprehensive income					
Will not be reclassified to income and expenditure:					
Impairments	8.2	**(1,324)**	(5,171)	**(1,324)**	(5,171)
Revaluation gains on property, plant and equipment	8.2	**111**	9,299	**111**	9,299
Other reserve movements		**0**	0	**0**	0
TOTAL OTHER COMPREHENSIVE INCOME		**(1,213)**	4,128	**(1,213)**	4,128
TOTAL COMPREHENSIVE (EXPENSE)		**(30,662)**	(26,785)	**(29,741)**	(27,348)

The notes on pages 5 to 44 form part of these accounts. The reconciliation below provides further detail to support the references to the Control Total as detailed within the Annual Report.

Analysis of the deficit for the year		GROUP		TRUST	
		2019/20 £000	2018/19 £000	**2019/20 £000**	2018/19 £000
(Deficit) for the financial period		**(29,449)**	(30,913)	**(28,528)**	(31,476)
Net impairment of property, plant, equipment and intangible assets	4.1	**11,912**	50,643	**11,912**	50,643
Capital donations, donated asset depreciation and CQUIN risk reserve		**(158)**	(3,655)	**(158)**	(3,655)
(Deficit) / Surplus for the financial period before impairments, capital donations and depreciation on donated assets (reconciliation to the Trust NHSI Control Total)		**(17,695)**	16,075	**(16,774)**	15,512

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

		GROUP		TRUST	
		31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	NOTE	**£000**	£000	**£000**	£000
Non-current assets					
Property, plant and equipment	9	**210,552**	211,583	**210,552**	211,583
Intangible assets	10	**5,457**	4,158	**5,457**	4,158
Trade and other receivables	17	**2,001**	1,682	**2,001**	1,682
Other investments	14	**5,107**	5,885	**0**	0
Total non-current assets		**223,117**	223,308	**218,010**	217,423
Current assets					
Inventories	15	**12,773**	12,366	**11,836**	12,366
Trade and other receivables	17	**79,807**	101,109	**80,151**	100,253
Cash and cash equivalents	16	**5,848**	7,350	**3,423**	6,091
Total current assets		**98,428**	120,825	**95,410**	118,710
Total assets		**321,545**	344,133	**313,420**	336,133
Current liabilities					
Trade and other payables	18	**(43,828)**	(63,258)	**(41,614)**	(62,090)
Borrowings	19	**(150,226)**	(57,538)	**(150,226)**	(57,538)
Provisions	23	**(699)**	(653)	**(699)**	(653)
Total current liabilities		**(194,753)**	(121,449)	**(192,539)**	(120,281)
Total assets less current liabilities		**126,792**	222,684	**120,881**	215,852
Non-current liabilities					
Borrowings	19	**(105,292)**	(175,961)	**(105,292)**	(175,961)
Provisions	23	**(753)**	(788)	**(753)**	(788)
Total non-current liabilities		**(106,045)**	(176,749)	**(106,045)**	(176,749)
Total assets employed		**20,747**	45,935	**14,836**	39,103
Financed by taxpayers' equity:					
Public dividend capital		**167,083**	161,609	**167,083**	161,609
Income and expenditure reserve		**(213,841)**	(185,322)	**(213,850)**	(185,322)
Revaluation reserve		**35,127**	36,340	**35,127**	36,340
Other reserves		**26,476**	26,476	**26,476**	26,476
Others' equity					
Charitable fund reserve	13	**5,902**	6,832	**0**	0
Total taxpayers' equity		**20,747**	45,935	**14,836**	39,103

The notes on pages 5 to 44 form part of these accounts.

The financial statements on pages 1 to 44 were approved by the Audit Committee on 23 June 2020 and signed on its behalf by:

Steven P Mason

Signed: ..... (Director of Finance) Date: 2 July 2020

Signed: ..... (Chief Executive) Date: 2 July 2020

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Public Dividend Capital (PDC)	Income and Expenditure Reserve	Revaluation Reserve	Other reserves	Trust total	Charitable funds reserve	Group total
	£000	£000	£000	£000	£000	£000	£000
Taxpayers' equity at 1 April 2018	160,748	(155,395)	33,805	26,476	65,634	6,269	71,903
Impact of implementing IFRS9 on opening reserves	0	(44)	0	0	(44)	0	(44)
Changes in taxpayers' equity for 2018/19							
(Deficit) for the year	0	(31,476)	0	0	(31,476)	563	(30,913)
Revaluation gains and impairment losses on property, plant and equipment.	0	0	4,128	0	4,128	0	4,128
Total comprehensive (expense) / income for the year	0	(31,476)	4,128	0	(27,348)	563	(26,785)
Public dividend capital received	1,164	0	0	0	1,164	0	1,164
Public dividend capital repaid	(303)	0	0	0	(303)	0	(303)
PDC adjustment for cash impact of legacy transfer	0	0	0	0	0	0	0
Other transfers between reserves	0	1,593	(1,593)	0	0	0	0
Taxpayers' equity at 31 March 2019	161,609	(185,322)	36,340	26,476	39,103	6,832	45,935
Taxpayers' equity at 1 April 2019	161,609	(185,322)	36,340	26,476	39,103	6,832	45,935
Impact of implementing IFRS9 on opening reserves	0	0	0	0	0	0	0
Changes in taxpayers' equity for 2019/20							
(Deficit)/Surplus for the year	0	(28,519)	0	0	(28,519)	(930)	(29,449)
Revaluation gains and impairment losses on property, plant and equipment.	0	0	(1,213)	0	(1,213)	0	(1,213)
Total comprehensive expense for the year	0	(28,519)	(1,213)	0	(29,732)	(930)	(30,662)
Public dividend capital received	5,474	0	0	0	5,474	0	5,474
Public dividend capital repaid	0	0	0	0	0	0	0
Other transfers between reserves	0	0	0	0	0	0	0
Taxpayers' equity at 31 March 2020	167,083	(213,841)	35,127	26,476	14,845	5,902	20,747

Note: Additional PDC received by the Trust during the year related to funding from the Department of Health and Social Care for investment in Winter Pressures, E-Prescribing, Cyber Resilience, Endoscopy and Health Sector Led Investment on Digitisation. The amount shown as 'Other Reserves' represents the value of assets transferred to South Tees Hospitals NHS Foundation Trust following the acquisition of the former Northallerton Health Services NHS Trust, over and above the value of Public Dividend Capital repayable on dissolution of that Trust.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

		GROUP		TRUST	
	NOTE	**2019/20 £000**	2018/19 £000	**2019/20 £000**	2018/19 £000
Cash flows from operating activities					
Operating (deficit)/ surplus from continuing operations		**(12,111)**	(35,399)	**(11,684)**	(35,144)
Non-cash income and expense					
Depreciation and amortisation	4	**14,537**	13,216	**14,537**	13,216
Net impairments	4	**11,912**	50,643	**11,912**	50,643
Decrease /(Increase) in trade and other receivables		**20,165**	(25,623)	**18,965**	(24,938)
(Increase) / Decrease in inventories	15	**(407)**	(715)	**530**	(715)
(Decrease) / Increase in trade and other payables		**(22,350)**	1,051	**(23,396)**	1,348
Increase / (Decrease) in provisions	23	**11**	(142)	**11**	(142)
Other movements in operating cash flows		**(20)**	836	**(304)**	115
Net cash generated from operations		**11,737**	3,867	**10,571**	4,383
Cash flows from investing activities					
Interest received	7	**209**	136	**209**	136
Purchase of intangible assets	10	**(1,866)**	(1,069)	**(1,866)**	(1,069)
Purchase of property, plant and equipment	9	**(22,932)**	(11,960)	**(22,932)**	(11,960)
Sales of property, plant and equipment		**0**	26,848	**0**	26,848
Net cash used in investing activities		**(24,589)**	13,955	**(24,589)**	13,955
Cash flows from financing activities					
Public dividend capital received		**5,474**	1,164	**5,474**	1,164
Public dividend capital repaid		**0**	(303)	**0**	(303)
Loans received		**35,980**	9,014	**35,980**	9,014
Loans repaid		**(11,644)**	(9,845)	**(11,644)**	(9,845)
Capital element of finance lease rental payments		**(689)**	(1,149)	**(689)**	(1,149)
Capital element of private finance initiative obligations		**(1,906)**	(2,171)	**(1,906)**	(2,171)
Interest on loans	8	**(2,889)**	(3,009)	**(2,889)**	(3,009)
Interest element of finance leases	8	**(348)**	(514)	**(348)**	(514)
Interest element of private finance initiative obligations	8	**(13,576)**	(13,618)	**(13,576)**	(13,618)
PDC dividend paid		**948**	(29)	**948**	(29)
Net cash used in financing activities		**11,350**	(20,460)	**11,350**	(20,460)
Decrease in cash and cash equivalents		**(1,502)**	(2,638)	(2,668)	(2,122)
Cash and cash equivalents at 1 April		**7,350**	9,988	**6,091**	8,213
Cash and cash equivalents at 31 March	16	**5,848**	7,350	**3,423**	6,091

NOTES TO THE ACCOUNTS

1. Accounting policies

NHS Improvement, in exercising the statutory functions conferred on Monitor, is responsible for issuing an accounts direction to NHS Foundation Trusts under the NHS Act 2006. NHS Improvement has directed that the accounts of NHS Foundation Trusts shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (DHSC GAM), which shall be agreed with HM Treasury and the Secretary of State. Consequently, the following accounts have been prepared in accordance with the DHSC GAM 2019/20 issued by the Department of Health and Social Care. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to NHS Foundation Trusts, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the DHSC GAM permits a choice of accounting policy, the accounting policy which 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 by the Trust are described below. They have been applied consistently during the financial year when dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Basis of consolidation

NHS Charitable Fund

The Trust is the corporate trustee to South Tees Hospitals Charity and Associated Funds which is registered with the Charity Commission, registration number 1056061. The Trust has assessed its relationship to the charitable fund and determined it to be a subsidiary as the Trust has the power to govern the financial and operating policies of the charitable fund to obtain benefits from its activities for the Trust, its patients and its staff.

The charitable fund's statutory accounts are prepared to 31 March and in accordance with the UK Charities Statement of Recommended Practice (SORP) which is based on UK Financial Reporting Standard (FRS) 102. On consolidation, adjustments have been made to the charity's income, expenditure, assets and liabilities to:

- recognise and measure them in accordance with the Trust's accounting policies; and
- eliminate in full all intra-group transactions and balances.

1.2.1 Alignment to accounting policies

The accounting policies and accounts of the charitable fund have been reviewed and are consistent with those of the Trust apart from the charitable fund's accounting policies on funds and investments. Details of the accounting policies that are different and have been aligned to those of the trust are outlined below:

Fund balances

Funds held by the charitable fund can be both restricted and un-restricted. Donations come in for specific funds and each fund has its own objectives/purpose. If a general donation is made and no specific fund is identified then the monies will be paid into the General Purpose Fund, which is used to benefit patients and staff of the Group and Trust. Funds specific to wards or departments are held as un-restricted designated funds. Legacies and donations received for a specific purpose or ‘trust’ are recorded and accounted for as restricted funds.

Investments

Investments are stated at market value as at the balance sheet date. The Consolidated Statement of Financial Position includes the net gains and losses arising on revaluation and disposals throughout the year.

Further information covering the nature and value of the consolidation of the charitable fund is included in Note 13 to the Accounts.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.2.1 Alignment to accounting policies (continued)

Other subsidiaries

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

During 2016/17 the Trust formed 2 subsidiaries, the South Tees Institute of Learning, Research and Innovation LLP and South Tees Healthcare Management Limited. The financial year end of both companies is 31 March 2020 and this will be the third year end for both companies. Operations within South Tees Institute of Learning, Research and Innovation LLP will begin in 2020/21 and due to limited transactions within this company in 2019/20 the company has not been consolidated on the basis of materiality.

South Tees Healthcare Management Limited

This company had limited transactions in previous years but started operations on 6 October 2019 and the financial statements for the year to 31 March 2020 are consolidated in these accounts. The subidiaries accountigng policies are aligned with the Trust and the amounts included have been adjusted during consolidation with inter-entity balances and transactions eliminated on full on consolidation.

1.3 Critical accounting judgements and key sources of estimation in applying the Trust's accounting policies

In the application of the Group and Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The estimates and assumptions that have a significant risk of causing a material adjustment to the accounts are highlighted below:

a) Incomplete inpatient and critical care spells - the Group and Trust prepares an estimate of income generated for incomplete spells at the year end. This estimate is based on an equivalent month end date and partially coded data to provide a basis for calculation.
b) Asset valuation and indices - the valuation of land and buildings is based on building cost indices and location factors provided by and used by Cushman and Wakefield in their valuation work. These indices are based on an indication of trend of accepted tender prices within the construction industry as applied to the Public Sector.
c) Basis of PP&E valuation - Specialised property is valued at depreciated replacement cost. The cost of VAT has been excluded from the full trust estate specialised property valuations from 1 April 2014. The Trust estate is predominently PFI assets. This significant managment judgement was made on the basis that:
(i) the majority of the James Cook Hospital is currently under a PFI arrangement and the Trust recovers the VAT on the Unitary Payment. When the Trust recognised the property as an asset in 2009/10 in its first IFRS-based accounts it appropriately excluded VAT from the initial measurement of FV.
(ii) The majority of non-PFI assets relate to the Friarage Hospital, which transferred to the Trust in 2006. The Friarage Hospital would have formed part of the PFI development if it had been part of the Trusts assets at the date of the development.
(iii) The Trust considers that when, in the future, it procures a significant replacement of its estate, it would do so through a PFI arrangement and expects to recover the VAT on the PFI payments. (iv) The Trust has set up a subsidiary undertaking or will utilise the subsidiary of North Tees Hospitals NHS Foundation Trust to undertake the investment. The Trust has received confirmation that this service can be provided and taken appropriate guidance that the Trust will be able to recover VAT on capital projects.
d) Basis of asset impairments - an assessment is made each year as to whether an asset has suffered an impairment loss.

e) Private Finance Initiative (PFI) schemes - as part of the South Tees Hospitals PFI scheme, the Group and Trust is required to pay the operator for lifecycle replacement assets. A judgement has been made that payment for the assets is accounted for in line with the operator's model over the life of the scheme. Where there is a variation between the model and the timing of actual asset replacement, the variation is dealt with as a prepayment. The prepayment is reversed at the point when asset replacement occurs. This requires an ongoing assessment as to whether the prepayment is fully recoverable or whether it requires impairment.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.3.1 Going concern

The day to day operations of the Trust are funded from agreed contracts with NHS commissioners. The uncertainty in the current economic climate has been in part mitigated by agreeing contracts with Clinical Commissioning Groups and NHS England for a further year and these payments provide a reliable stream of funding reducing the Trust's exposure to liquidity and financing problems. The Trust's budget and expenditure plans have been prepared using national guidance on tariff and inflationary factors with income based on agreements with Commissioners. These plans outlined a surplus control total in 2019/20 of £3.2 million, including Provider Sustainability Funding (PSF).

The Trust set challenging efficiency targets in 2019/20 which included a Cost Improvement Plan of £33.2 million. The Trust recorded a deficit for the year of £28.5 million and did not achieve the agreed control total in 2019/20 as a result of the failure to delivery the full efficiency programme, particularly the system related savings. The Trust agreed a variance to the control total of £20.0 million and achieved this revised target. With the Trust delivering the revised target the Trust received confirmation that a Bonus PSF payment amounting to £8.3 million would be paid to the Trust and this was received in 2020. The balance sheet shows net current liabilities of £97.1 million including loans from the Department of Health and Social Care (DHSC) as detailed below. The Trust historically received support from the Department of Health and Social Care from 2014/15 through to 2018/19 and the Trust has utilised Interim Revenue Support during 2019/20 in the form of short term borrowing that covered PSF and deficit funding. During the year the Group received new loans of £36.0 million and made loan repayments of £5.5 million.

The operational stability of the Trust is dependent on the Trust delivering the 2020/21 financial plan which the Trust believes to be challenging but realistic assessment of its position. The Draft Plan submitted to NHSE/I outlined a forecast Group deficit amounting to £26.3 million before FRF funding and included an efficiency target set at £16.4 million. At the time the draft plan was submitted the Trust did not include any request for revenue support, however, ongoing support from DHSC will be required to meet the future financial obligations of the group. Following the draft submission the Planning process was suspended and is due to resume in June 2020. The Trust prepared and submitted a revised capital plan for 2020/21 to NHSE/I in May and is preparing a request for support amounting to £14.6 million to cover essential investment in equipment and infrastructure. Interim arrangements have also been introduced as a result of COVID-19 in 2020/21 and the Trust has been required to break even during this period. The Trust has been eligible for the reimbursement of reasonable costs associated with COVID and the Trust has to-date received support amounting to £0.9 million to cover revenue expenditure incurred in 2019/20. Capital expenditure in 2019/20 amounted to £0.3 million and this has been financed through the receipt of PDC funding. The Trust is receiving advance funding from NHS England and Commissioners in 20/21 which includes a monthly block payment (£49.2 million) and a top up payment (£1.9 million) to bring the Trust in line with spend profiles in the latter part of 2019/20. These arrangements have ensured the Trust's financial position, at least in the short term, has been more stable over this period.

The Group has not been notified by any relevant national body of any intention to dissolve the Group or to transfer services to another public sector body. In April 2020, DHSC and NHSE&I announced reforms to the NHS cash regime for the 2020/21 financial year. This announcement confirmed that during 2020/21, exisiting DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. The affected loans totalling £147.2 million are classified as current liabilities within these financial statements. As the repayment of these loans will be funded through the issue of PDC, this does not present a going concern risk for the Trust. The Group also believes that if further funding support is required in 2020/21 this will be made available. As with any Trust placing reliance on the DHSC for financial support, the directors continue to acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on the above factors the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.3.2 Key sources of estimation uncertainty

The amounts included within Provisions, Note 23, are based upon advice from relevant external bodies, including the NHS Litigation Authority and NHS Pensions Agency.

On 31 March 2020 Land and Buildings were revalued using the Modern Equivalent Valuation methodology by Cushman and Wakefield (who is an appropriately qualified member of the Royal Institute of Chartered Surveyors). From 1 April 2014 these valuations did not include VAT. (note 1.3)

It is impracticable to disclose the extent of the possible effects of an assumption or another source of estimation uncertainty at the end of the reporting period. On the basis of existing knowledge, outcomes within the next financial year that are different from the assumption around the valuation of our land, property, plant and equipment could require a material adjustment to the carrying amount of the asset or liability recorded in note 9.

1.4 Income

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).

Income in respect of goods or services provided is recognised when and to the extent that, performance obligations are satisfied and is measured at the fair value of the consideration receivable. 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. The main source of income for the Group and Trust is contracts with commissioners in respect of healthcare services.

Income relating to inpatient and critical care spells that are part-completed at the year end are apportioned across the financial years as follows:

- Inpatient spells are apportioned on the basis of the average month end value of the part completed spells; and
- Critical care is valued by applying local tariffs agreed with commissioners to estimate the level of income due to be recognised at the point of discharge.

Where income is received for a specific activity that is to be delivered in the following financial year, that income is deferred.

The Group and 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 e.g. by an insurer. The Group and Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

Research and development income is recognised when the conditions attached to the grant are met. Education and training income is recognised either in equal instalments over the financial year or if the income can be identified with specific expenditure, in line with the expenditure.

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

The value of the benefit received when the Trust accesses funds from the Government's apprenticeship service are recognised as income in accordance with IAS 20, Accounting for Government Grants. Where these funds are paid directly to an accredited training provider, non-cash income and a corresponding non-cash training expense are recognised, both equal to the cost of the training funded.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.5 Employee benefits

1.5.1 Short-term employee benefits

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

1.5.2 Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is 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, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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

For early retirements, other than those due to ill health, the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to operating expenses at the time the Group and Trust commits itself to the retirement, regardless of the method of payment.

1.6 Expenditure on other goods and services

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

1.7 Property, plant and equipment

1.7.1 Recognition

Property, plant and equipment is capitalised if:

● 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 will be supplied to, the Group and 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 a cost of at least £5,000; and

● collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or

● items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significant cost and different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.7 Property, plant and equipment (continued)

1.7.2 Valuation

All property, plant and equipment are measured initially at cost, representing the cost 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 fair value. Land and buildings used for the Group and Trust's services or for administrative purposes are stated in the Statement of Financial Position at their re-valued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings (dwellings) – market value for existing use; or
- Specialised buildings – depreciated replacement cost.

A standard approach to depreciated replacement cost valuations has been adopted based on HM Treasury guidance and the concept of Modern Equivalent Asset (MEA) Valuations. The valuation included in the Statement of Financial Position at 31 March 2020 is based on an alternative site MEA valuation, undertaken specifically in accordance with the HM Treasury guidance which states that such valuations are an option if the Group and Trust's service requirements can be met from the alternative site. The valuation has been adjusted from 1 April 2014 to exclude VAT in line with existing VAT regulations on recovery from the cost of construction (in line with the existing PFI arrangement on the James Cook Site).

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

Professional valuations are carried out by Cushman and Wakefield. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual in so far as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. Asset lives were reviewed by Cushman and Wakefield as at 1 April 2019.

1.7.3 Subsequent expenditure

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component will flow to the Truat or Group and the cost of the item can be determined reliably. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is written off. 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.

1.7.4 Depreciation

Freehold land is considered to have an infinite life and is not depreciated. Otherwise, depreciation is charged to write off the costs or valuation of property, plant and equipment on a straight line basis over their remaining useful economic lives, in a manner consistent with the consumption of economic or service delivery benefits.

The estimated useful life of an asset is the period over which the Group and Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Group and Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease term. See note 9.4 for further information on asset lives.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.7 Property, plant and equipment (continued)

1.7.5 Revaluation gains and losses

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation impairment previously recognised in operating expenses, in which case they are recognised in operating income.

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

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

1.7.6 Impairments

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

An impairment arising from a loss of economic benefit or service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating expenses 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.

1.8 Intangible assets

1.8.1 Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of being sold separately from the rest of the Group and Trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the Group and Trust; where the cost of the asset can be measured reliably, and where the cost is at least £5,000 and where the asset has a life of 1 year or more.

1.8.2 Software

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

1.8.3 Measurement

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

Intangible assets are subsequently measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating.

Revaluation gains and losses and impairments are treated in the same manner as for property, plant and equipment.

An intangible asset which are surplus with no plan to bring it back into use is valued at fair value under IFRS 13, it it does not meet the requirements of IAS 40 or IFRS 5.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.8 Intangible assets (continued)

1.8.4 Amortisation

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

1.9 Donated, government grant and other funded assets

Donated and grant funded non-current assets are capitalised at their fair value on receipt. These are valued, depreciated and impaired as described above for purchased assets. The donation/grant is credited to income at the same time that the asset is capitalised, unless the donor has imposed a condition that the future economic benefits embodied in the grant/donation are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met. The donated and grant funded assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

1.10 Revenue government and other grants

Government grants are grants from government bodies other than revenue from NHS bodies for the provision of services. Grants from the Department of Health, including those from the Big Lottery Fund, are accounted for as Government Grants. Where the Government Grant is used to fund revenue expenditure, it is taken to the Statement of Comprehensive Income to match the expenditure.

1.11 Leases

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

1.11.1 Finance lease

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

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

1.11.2 Operating leases

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

1.11.3 Leases of Land and Buildings

Where a lease is for land and buildings, the land and building components are separated and assessed as to whether they are operating or finance leases.

1.12 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, as interpreted in HM Treasury's Financial Reporting Manual and following the principles of the requirements of IFRIC 12. The PFI asset is recognised as an item of property, plant and equipment at its fair value together with a financial liability to pay for it in accordance with IAS 17.

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

a) Payment for the fair value of services received;

b) Payment for the PFI asset, including finance costs; and

c) Payment for the replacement of components of the asset during the contract ‘lifecycle replacement’.

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

1.12.1 Services received

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

Notes to the Accounts - 1. Accounting Policies (Continued)

1.12 Private Finance Initiative (PFI) transactions (continued)

1.12.2 PFI Asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequent measurements to fair value are kept up to date in accordance with the Group and Trust's approach for each relevant class of asset in line with the principles of IAS 16.

1.12.3 PFI liability

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

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Statement of Comprehensive Income.

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

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Income.

1.12.4 Lifecycle replacement

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

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a liability or prepayment will be recognised. Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

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

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

1.12.6 Other assets contributed by the Trust to the operator

Assets contributed (e.g. cash payments, surplus property) by the Group and Trust to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, were recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset was made available to the Trust, the prepayment was treated as an initial payment towards the finance lease liability and was set against the carrying value of the liability.

1.13 Inventories

Inventories are valued at either current or net realisable value using the weighted average cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

Provision is made for obsolete, slow moving and defective stock whenever evidence exists that a provision is required.

As a consequence of COVID-19 the Trust was not in a position to undertake all stock counts at the end of March. The majority of counts were still undertaken, but in the instances where this was not possible, the Trust has utilised earlier stock take information from January 2020 or information held from 31 March 2019. The major service impacted included Theatres which were utilised for critical care and were not accessible.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.14 Cash and cash equivalents

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

1.15 Provisions

Provisions are recognised when the Group and Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Group and Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision in the Statement of Financial Position is the best estimate of the expenditure required to settle the obligation, taking into account the risks and uncertainties. Where the effect of the time value of money is significant, the estimated risk adjusted cash flows required to settle the obligation are discounted using 3 real time HM Treasury discount rates that range from 0.51% in the short term to 1.99% for long term cash flow expectations. This excludes early retirement provisions and injury benefit provisions which both use the HM Treasury's pension discount rate of minus 0.5% in real terms (2018/19 0.29%).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

1.15.1 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Group and Trust pays an annual contribution to the NHSLA which, in return, settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the Group and Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Group and Trust is disclosed at Note 22 but is not recognised in the Group and Trust's accounts. Since financial responsibility for clinical negligence cases transferred to the NHSLA at 1 April 2002, the only charge to operating expenditure in relation to clinical negligence in 2019/20 relates to the contribution to the Clinical Negligence Scheme for Trusts.

1.15.2 Non-clinical risk pooling

The Group and Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the Group and Trust pays an annual contribution to the NHS Litigation Authority 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 as and when they become due.

1.16 Carbon Reduction Commitment Energy Efficiency (CRC) Scheme

The CRC scheme is a mandatory cap and trade scheme for non-transport CO2 emissions. The Group and Trust is registered with the CRC scheme and has surrendered to the Government an allowance for every tonne of CO2 emitted during the year. The Group and Trust has accounted for the purchase of the allowances from government, their subsequent actual surrender and has recognised a liability, in settlement of the obligation as CO2 emissions are made.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.17 Financial Instruments and financial liabilities

1.17.1 Recognition

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items, which are entered into in accordance with the Group's normal purchase, sale or usage requirements. They are recognised when the Group becomes party to the financial instrument contract or when performance occurs i.e. when receipt or delivery of the goods or services is made.

Financial assets are initially recognised at fair value plus or minus directly attributable transaction costs for financial assets not measured at fair value through profit or loss. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices, where possible, or by 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 are described in policy 1.11.1.

1.17.2 De-recognition

All financial assets are de-recognised when the rights to receive cash flows from the assets have expired or the Group has transferred substantially all of the risks and rewards of ownership. Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

1.17.3 Classification and measurement

The Group currently holds financial assets 'at fair value through income and expenditure' in the form of Investments. Other financial assets are held at amortised costs. The Group does not hold any financial liabilities 'at fair value through income and expenditure' or any 'available for sale' financial assets that would require a fair value calculation and adjustment to the income statement.

1.17.4 Loans and receivables

Loans and receivables are non-derivative financial assets and liabilities with fixed or determinable payments which are not quoted in an active market. They are included in current assets and non-current and current liabilites. After initial recognition, they are measured at amortised cost, less any impairment. The Group's outstanding NHS borrowings, NHS and non-NHS receivables balances, accrued income and cash and cash equivalents have been classified as financial instruments and further information is available in Note 24.

1.17.5 Financial liabilities

All other financial liabilities, after initial recognition, are measured at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability. They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as long-term liabilities. The Group's outstanding NHS and non-NHS payables balances have been classified as financial instruments and further information is available in Note 24.

Loans from the Department of Health are recognised at historical cost. The Group does hold instruments that would fall into this category in the form of finance leases and the PFI Scheme (see Accounting Policy 1.11 and 1.12 for further information).

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to Finance Costs. Interest on financial liabilities taken out to finance property, plant and equipment is not capitalised as part of the cost of those assets.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.17.6 Impairment of financial assets

At the end of the reporting period, the Group assesses whether any financial assets carried at amortised cost should be impaired. Financial assets are impaired and recognised as a loss allowance representing expected credit losses on the financial instrument if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset which has an impact on the estimated future cash flows of the asset.

The Trust has adopted the simplified approach to impairment, in accordance with IFRS 9, and measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition, and otherwise at an amount equal to 12-month expected credit losses. The loss is recognised in the Statement of Comprehensive Income and the carrying amount of the asset is reduced through the creation of a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.18 Value Added Tax

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

1.19 Foreign currencies

The Group's functional currency and presentational currency is sterling. A transaction which is denominated in a foreign currency is translated into sterling at the spot exchange rate ruling on the date of the transaction. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Resulting exchange gains and losses for either of these are recognised in the Group’s income or expense in the period in which they arise.

1.20 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Group and Trust has no beneficial interest in them. However, details of third party assets are disclosed in Note 27 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

1.21 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS Trust. 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. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32 and 39.

An annual charge, reflecting the cost of capital utilised by the Group and Trust, is payable to the Department of Health as PDC dividend. The charge is calculated at the real 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, average daily cash balances held with the Government Banking Services (GBS), 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, the dividend for the year is calculated on the actual average relevant net assets as set out in the 'pre-audit' version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result of the audit of the annual accounts.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.22 Losses and Special Payments

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

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS Foundation Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses and compensations register which reports amounts on an accruals basis with the exception of provisions for future losses.

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

The DHSC GAM does not require the following IFRS Standards and interpretations to be adopted in 2019/20. These Standards are still subject to HM Treasury FReM adoption, with IFRS 16 due to be implemented in 2021/22.

- IFRS 14 Regulatory Deferral Accounts (Not yet EU endorsed);
- IFRS 16 Leases (standard is effective at 1 April 2021 per the FREM));
- IFRS 17 Insurance Contracts (application required for accounting periods beginning on or after 1 January 2023, but not yet adopted by the FReM. Early adoption is not therefore permitted);

The Trust is reviewing its position on the introduction of IFRS16 and the impact is in the process of being determined.

1.24 Accounting standards issued that have been adopted early

There have not been any accounting standards issued with an effective date of 1 April, 2020, that have been adopted early.

1.25 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who makes the strategic decisions, is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

2. Operating segments

The Group received £599.749 million under contracts with commissioners during the year (£543.141 million in 2018/19) from Clinical Commissioning Groups and NHS England, which equated to 92% (89% in 2018/19) of total Trust income. There were no other significant external customers amounting to more than 8% of total income.

The Group has reviewed the process of reporting the financial performance at a trust wide level to the Board. Only limited divisional information is reported and this is similar in the nature of the products and services provided, the nature of the production process, the type of class of customer for the product or service, the method used to provide our services and the nature of the regulatory environment.

The Board is the chief decision making body within the Group and receives monthly updates on the financial position. These reports provide a global update on the Group's actual position compared to plan on expenditure, income, current surplus/deficit and progress on capital investment. The current position on cash balances is reported in conjunction with an updated risk rating. The figures reported to the Board are consistent with those included within these accounts.

On the basis of the information provided to the Board it has been determined that there is only one operating segment, that of healthcare.

3. Operating income

3.1 Income from activities by classification

	GROUP		TRUST	
	2019/20 £000	2018/19 £000	**2019/20 £000**	2018/19 £000
Elective income	**93,022**	88,283	**93,022**	88,283
Non elective income	**141,163**	132,041	**141,163**	132,041
First outpatient income	**31,414**	26,098	**31,414**	26,098
Follow up outpatient income	**48,912**	51,686	**48,912**	51,686
Other NHS clinical income	**210,728**	175,693	**210,728**	175,693
Accident and emergency income	**22,731**	17,935	**22,731**	17,935
Community services	**39,547**	46,107	**39,547**	46,107
Private patient income	**831**	935	**831**	935
AfC Pay Award	**0**	6,329	**0**	6,329
Addfitional pension contribution central funding	**14,582**	0	**14,582**	0
Other non-protected clinical income	**90**	97	**90**	97
Total income from activities	**603,020**	545,204	**603,020**	545,204
Research and development	**5,317**	5,050	**5,317**	5,050
Education and training	**16,855**	17,466	**16,855**	17,466
Charitable and other contributions to expenditure	**1,317**	4,827	**1,317**	4,827
Non-patient care services to other bodies	**3,639**	3,126	**3,639**	3,126
Provider Sustainability fund/Marginal Rate Emergency Tariff income	**10,487**	23,367	**10,487**	23,367
Charitable fund - incoming resources	**754**	882	**0**	0
Other income*	**17,636**	14,109	**17,584**	14,109
	56,005	68,827	**55,199**	67,945
Total income from continuing operations	**659,025**	614,031	**658,219**	613,149

* Other income includes consideration arising from car parking charges £3.247 million (2018/19 £3.172 million), income in respect of recovered staff costs £ 0.501 million (2018/19 £0.530 million), estate recharges £0.237 million (2018/19 £1.120 million), clinical excellence awards £1.366 million (2018/19 £1.356 million), staff accommodation £1.206 million (2018/19 £1.139 million), clinical tests £1.099 million (2018/19 £0.464 million), creche services £0.655 million (2018/19 £0.653 million) and catering £0.262 million (2018/19 £0.257 million).

Under the Terms of Authorisation the Group's total activity income from Commissioner Requested Services amounts to £585.191 million (2018/19 £543.147 million). All other activity income relates to Non-Commissioner Requested Services.

3.2 Income from activities by source

	2019/20 £000	2018/19 £000
Group and Trust		
NHS foundation trusts	**24**	6
Clinical Commissioning Groups and NHS England	**599,749**	536,812
Department of Health and Social Care	**0**	6,329
Non-NHS - overseas patients (non-reciprocal) (*)	**90**	97
Non-NHS - private patients	**831**	935
Non-NHS - other	**54**	226
NHS Injury Scheme	**2,272**	799
Total income from activities	**603,020**	545,204

(*) Cash payments received in year from overseas visitors, where patients are charged directly by the Trust, and relating to invoices raised in the current and prior years amounted to £0.025 million (£0.056 million in 2018/19). Additions to the provision for the impairment of receivables amounted to £0.034 million (£0.150 million increase in 2018/19) and the Trust did not write off any charges in year (no write offs in 2018/19).

Injury cost recovery is subject to a provision for impairment of receivables of 21.79% (2018/19 21.89%) to reflect expected rates of collection.

4. Operating expenses

4.1 Operating expenses comprise:

	GROUP		TRUST	
	2019/20 £000	2018/19 £000	**2019/20 £000**	2018/19 £000
Services from NHS Foundation Trusts	**5,728**	4,871	**5,728**	4,871
Services from NHS Trusts,CCGs and NHS England	**29**	204	**29**	204
Services from other NHS bodies	**13**	1	**13**	1
Purchase of healthcare from non NHS bodies	**6,566**	6,321	**6,806**	6,321
Employee expenses - executive directors	**1,765**	1,545	**1,765**	1,545
Employee expenses - non-executive directors	**170**	164	**170**	164
Employee expenses - staff (*)	**388,439**	356,171	**388,236**	356,171
Employee expenses - charitable fund	**565**	396	**0**	0
Drug costs	**67,739**	64,274	**67,709**	64,274
Supplies and services - clinical	**70,743**	67,368	**70,743**	67,368
Supplies and services - general	**2,949**	3,787	**2,948**	3,787
Research and development	**989**	580	**986**	580
Establishment	**3,000**	2,950	**2,993**	2,950
Transport	**4,340**	4,386	**4,339**	4,386
Premises	**64,748**	47,187	**64,726**	47,187
(Decrease)/increase in provision for impairment of receivables	**3,155**	(83)	**3,155**	(83)
Increase/(decrease) in other provisions	**135**	158	**135**	158
Change in provisions discount rate	**83**	(18)	**83**	(18)
Inventories written down	**128**	81	**118**	81
Depreciation of property, plant and equipment	**13,379**	12,307	**13,379**	12,307
Amortisation of intangible assets	**1,158**	909	**1,158**	909
Net impairments of property, plant and equipment	**11,912**	50,643	**11,912**	50,643
Audit fees - audit services - statutory audit	**125**	55	**125**	55
- audit services - charitable fund	**5**	3	**0**	0
Audit related assurance services	**0**	12	**0**	12
Clinical negligence	**16,829**	17,530	**16,829**	17,530
Legal fees	**330**	144	**330**	144
Consultancy costs (*)	**792**	2,060	**792**	2,060
Internal audit costs	**228**	133	**228**	133
Training, courses and conferences	**1,274**	1,020	**1,274**	1,020
Redundancy (*)	**365**	1,024	**365**	1,024
Other services	**1,127**	1,215	**1,127**	1,215
Hospitality	**39**	28	**39**	28
Insurance	**234**	362	**234**	362
Losses, ex gratia and special payments	**194**	258	**194**	258
Other resources expended - charitable fund	**620**	738	**0**	0
Other	**1,241**	646	**1,235**	646
	671,136	649,430	**669,903**	648,293

(*) within operating expenses costs arising from redundancy of £0.365 million (2018/19 £1.024 million) related to restructuring expenses incurred to facilitate transformational change.

4.2 Limitation on external auditors' liability

The Companies (Disclosure of Auditor Remuneration and Liability Limitations Agreements) Regulations 2008 (SI 489/2008), requires disclosure of the limitation of the external auditors' liability. The limitation amounts to £1.000 million, as stated within the external auditors' engagement letter, dated 9 March 2018.

4. Operating expenses (continued)

4.3 Operating leases

4.3.1 Arrangements containing an operating lease

Operating lease arrangements include the lease of software for use by the Group and Trust and the term of the lease spans 3 years.

Payments recognised as an expense	**2019/20 £000**	2018/19 £000
Group and Trust		
Minimum lease payments	**572**	560
	572	560

Total future minimum lease payments	**2019/20 £000**	2018/19 £000
Payable:		
Not later than one year	**572**	576
Between one and five years	**572**	1,143
Total	**1,144**	1,719

5. Employee expenses and numbers

5.1 Employee expenses (including Executive Directors' costs)

Group and Trust	**2019/20 Total**	**Permanently employed**	**Other**	2018/19 Total
	£000	**£000**	**£000**	£000
Salaries and wages	**301,446**	**299,374**	**2,072**	288,856
Social security costs	**28,284**	**28,284**	**0**	27,091
Pension costs - defined contribution plans employer contributions to NHS Pensions	**48,011**	**48,011**	**0**	32,058
Termination benefits	**365**	**365**	**0**	1,024
Agency/contract staff	**12,884**	**0**	**12,884**	10,114
Charitable fund staff	**565**	**0**	**565**	396
Total staff costs	**391,555**	**376,034**	**15,521**	359,539
Costs capitalised as part of assets	**(421)**	**(421)**	**0**	(403)
Total staff costs excluding capitalised costs	**391,134**	**375,613**	**15,521**	359,136

The executive costs covers 8 directors (2018/19, 9) and consists of salaries amounting to £1.765 million (2018/19 £1.545 million), employers NI contributions £0.235 million (2018/19 £0.167 million) and employers superannuation contributions £0.131 million (2018/19 £0.117 million). Included within these values the highest paid director receives a salary amounting to £0.269 million (2018/19 £0.274 million), employers NI contributions £0.036 million (2018/19 £0.037 million) and £0.031 million for employers superannuation contributions (2018/19 £0.032 million). For further information on Directors' remuneration and pension benefits please refer to the Remuneration Report in the Trust's Annual Report.

5.2 Monthly average number of people employed

Group and Trust	**2019/20 Total**	**Permanently Employed**	**Other**	2018/19 Total
	Number	**Number**	**Number**	Number
Medical and dental	**1,053**	**1,053**	**0**	1,055
Administration and estates	**1,217**	**1,217**	**0**	1,303
Healthcare assistants and other support staff	**351**	**351**	**0**	369
Nursing, midwifery and health visiting staff	**2,440**	**2,440**	**0**	2,417
Nursing, midwifery and health visiting learners	**1,395**	**1,395**	**0**	1,262
Scientific, therapeutic, technical staff and other	**1,224**	**1,221**	**3**	1,174
Total	**7,680**	**7,677**	**3**	7,580
Number of staff (WTE) engaged in capital projects (included above)	**8**			7

Note: the figures represent the Whole Time Equivalent as opposed to the number of employees.

5. Employee expenses and numbers

5.3 Staff exit packages

Exit package cost band	2019/20						2018/19					
Group and Trust	**Number of compulsory redundancies**	**Cost of compulsory redundancies**	**Number of other departures agreed**	**Cost of other departures agreed**	**Total number of exit packages by cost band**	**Total cost of exit packages by cost band**	Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages by cost band
	Number	**£000's**	**Number**	**£000's**	**Number**	**£000's**	Number	£000's	Number	£000's	Number	£000's
< £10,000	**1**	**8**	**0**	**0**	**1**	**8**	10	68	2	17	12	85
£10,000 to £25,000	**1**	**13**	**0**	**0**	**1**	**13**	5	104	1	13	6	117
£25,001 to £50,000	**0**	**0**	**0**	**0**	**0**	**0**	9	344	2	75	11	419
£50,001 to £100,000	**1**	**71**	**0**	**0**	**1**	**71**	3	251	2	152	5	403
£100,001 to £150,000	**0**	**0**	**0**	**0**	**0**	**0**	0	0	0	0	0	0
£150,001 to £200,000	**0**	**0**	**0**	**0**	**0**	**0**	0	0	0	0	0	0
> £200,001	**0**	**0**	**1**	**273**	**1**	**273**	0	0	0	0	0	0
Total number and cost of exit packages by type	**3**	**92**	**1**	**273**	**4**	**365**	27	767	7	257	34	1,024

Redundancy and other departure costs have been paid in accordance with NHS Agenda for Change terms and conditions. Exit costs are accounted for in full in the year of departure. Where the Group has agreed to early retirements, the additional costs are met by the Group and not by the NHS Pension Scheme. Ill health retirement costs are met by the NHS Pension scheme and are not included in the table. There were no departures in 2019/20 or 2018/19 where special payments were made.

5.4 Exit packages: non-compulsory departure payments

	2019/20		2018/19	
	Agreements	**Total value**	**Agreements**	**Total value**
	number	**£000**	**number**	**£000**
Voluntary redundancies including early retirement contractual costs	0	0	6	213
Mutually agreed resignations (MARS) contactual costs	0	0	1	44
Contractual payments in lieu of notice	1	273	0	0
Total	1	273	7	257

Further information on exit packages is included in the Remuneration statements in the Annual Report. There were no non-contractual payments requiring HMT approval in 2019/20 or 2018/19.

5. Employee expenses and numbers (continued)

5.5 Retirements due to ill-health

During 2019/20 there were 4 (2018/19, 5) early retirements from South Tees Hospitals NHS Foundation Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £0.302 million (2018/19, £0.157 million). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

6. Pension costs

Past and present employees are covered by the provisions of the 2 NHS Pensions 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 covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care in England and Wales. The scheme is 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, the 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 the scheme for the accounting period.

In order that the defined benefit obligations recognised in the accounts 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 the 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 the 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 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 (England and Wales) 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 scheme (taking into account its recent demographic experience), and to recommend contribution rates payable by employees and employers.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6%, and the Scheme Regulations were amended accordingly.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

6. Pension costs (continued)

c) Scheme provisions

The NHS Pension Scheme provided defined benefits, which are summarised below. The list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained.

Annual pensions

The scheme is a “final salary” scheme. Annual pensions are normally based on 1/80th for the 1995 section and the best of the last 3 years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

Pensions indexation

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in the Consumer Price Index (CPI) in the twelve months ending 30 September in the previous calendar year.

Ill-health retirement

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity.

Early retirements other than ill-health

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

Death benefits

A death gratuity of twice their final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

Additional Voluntary Contributions (AVCs)

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVCs run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

Other pension funds

Where the organisation has employees who are members of other schemes, disclosures will be required in respect of them too. Scheme members have the option to transfer their pension between the NHS Pension Scheme and another scheme when they move into or out of NHS employment.

7. Finance income

	GROUP		TRUST	
	2019/20 £000	2018/19 £000	**2019/20 £000**	2018/19 £000
Interest on bank accounts	**209**	136	**209**	136
Charitable fund - investment income	**261**	234	**0**	0
	470	370	**209**	136

8. Finance costs

8.1 Finance costs - interest expenses

Group and Trust	**2019/20 £000**	2018/19 £000
Loans from Department of Health:		
- Capital loans	**827**	916
- Revenue support	**977**	793
- Revolving working capital facilites	**1,141**	1,311
Finance leases	**331**	514
Interest on late payment of commercial debts	**17**	26
Finance costs in PFI obligations		
- Main finance cost	**7,731**	7,898
- Contingent finance costs	**5,845**	5,720
Total	**16,869**	17,178

8.2 Impairment of assets (property, plant and equipment)

Group and Trust	**2019/20 £000**	2018/19 £000
Income and Expenditure:		
Impairment of PPE	**11,912**	65,942
Impairment of intangible assets	**0**	0
Reversal of impairments of PPE	**0**	(15,299)
Other Comprehensive Income:		
Revaluation losses	**1,324**	5,171
Revaluation gain	**(111)**	(9,299)
Total	**13,125**	46,515

Further information on impairments is available within Note 9.3 to the Accounts.

8.3 Gains on disposal of assets

Group and Trust	**2019/20 £000**	2018/19 £000
Gains on disposal of land and buildings	**0**	20,784
Losses on disposal of property, plant and equipment	**(173)**	(64)
Total	**(173)**	20,720

9. Property, plant and equipment

9.1 Property, plant and equipment comprise the following:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
Group and Trust									
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2019	3,386	354,795	1,266	3,038	95,374	63	23,167	2,506	483,595
Additions purchased	0	12,827	0	6,959	3,713	0	604	29	24,132
Additions leased	0	1,015	0	0	223	0	0	0	1,238
Additions donated and government granted	0	0	0	0	265	0	0	11	276
Reclassifications from assets under construction	0	0	0	(3,612)	1,815	0	1,797	0	0
Disposals	0	0	0	0	(1,443)	0	0	0	(1,443)
Impairments charged to the revaluation reserve	0	(1,314)	(10)	0	0	0	0	0	(1,324)
Revaluation surpluses credited to revaluation reserve	0	111	0	0	0	0	0	0	111
Cost or valuation at 31 March 2020	**3,386**	**367,434**	**1,256**	**6,385**	**99,947**	**63**	**25,568**	**2,546**	**506,585**
Accumulated depreciation at 1 April 2019	1,236	187,220	656	118	63,126	52	17,254	2,350	272,012
Disposals	0	0	0	0	(1,270)	0	0	0	(1,270)
Impairments	0	11,852	0	0	11	0	49	0	11,912
Reversal of impairments	0	0	0	0	0	0	0	0	0
Provided during the year	0	3,960	20	0	7,946	2	1,398	53	13,379
Accumulated depreciation at 31 March 2020	**1,236**	**203,032**	**676**	**118**	**69,813**	**54**	**18,701**	**2,403**	**296,033**
Net book value at 1 April 2019									
Owned	2,150	20,555	610	2,504	27,874	10	5,664	147	59,514
Private Finance Initiative	0	139,961	0	47	0	0	0	0	140,008
Finance Lease	0	200	0	0	1,219	0	109	0	1,528
Government granted	0	799	0	0	420	0	25	0	1,244
Donated	0	6,060	0	369	2,735	1	115	9	9,289
Net book value total at 1 April 2019	**2,150**	**167,575**	**610**	**2,920**	**32,248**	**11**	**5,913**	**156**	**211,583**
Net book value at 31 March 2020									
Owned	**2,150**	**18,858**	**580**	**5,851**	**26,522**	**8**	**6,755**	**141**	**60,865**
Private Finance Initiative	**0**	**138,791**	**0**	**47**	**0**	**0**	**0**	**0**	**138,838**
Finance Lease	**0**	**120**	**0**	**0**	**925**	**0**	**0**	**0**	**1,045**
Government granted	**0**	**780**	**0**	**0**	**280**	**0**	**17**	**0**	**1,077**
Donated	**0**	**5,853**	**0**	**369**	**2,407**	**1**	**95**	**2**	**8,727**
Net book value total at 31 March 2020	**2,150**	**164,402**	**580**	**6,267**	**30,134**	**9**	**6,867**	**143**	**210,552**

9. Property,plant and equipment (continued)

9.2 Prior year - Property, plant and equipment comprise the following:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
Group and Trust									
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2018	3,966	333,835	1,266	10,720	89,910	52	21,583	2,484	463,816
Additions purchased	0	0	0	13,375	3,605	11	520	22	17,533
Additions leased	0	0	0	0	147	0	0	0	147
Additions donated and government granted	0	0	0	4,230	518	0	79	0	4,827
Reclassifications from assets under construction	0	22,458	0	(25,287)	1,844	0	985	0	0
Disposals	(634)	(5,572)	0	0	(650)	0	0	0	(6,856)
Impairments charged to the revaluation reserve	0	(5,171)	0	0	0	0	0	0	(5,171)
Revaluation surpluses credited to revaluation reserve	54	9,245	0	0	0	0	0	0	9,299
Cost or valuation at 31 March 2019	**3,386**	**354,795**	**1,266**	**3,038**	**95,374**	**63**	**23,167**	**2,506**	**483,595**
Accumulated depreciation at 1 April 2018	0	135,518	311	118	55,779	51	15,557	2,290	209,624
Disposals	0	0	0	0	(562)	0	0	0	(562)
Impairments	1,251	64,331	360	0	0	0	0	0	65,942
Reversal of impairments	(15)	(15,257)	(27)	0	0	0	0	0	(15,299)
Provided during the year	0	2,628	12	0	7,909	1	1,697	60	12,307
Accumulated depreciation at 31 March 2019	**1,236**	**187,220**	**656**	**118**	**63,126**	**52**	**17,254**	**2,350**	**272,012**
Net book value at 1 April 2018									
Owned	3,966	17,842	955	7,843	29,067	0	5,361	177	65,211
Private Finance Initiative	0	175,575	0	0	0	0	0	0	175,575
Finance Lease	0	280	0	0	1,728	0	502	0	2,510
Government granted	0	811	0	376	571	0	117	0	1,875
Donated	0	3,809	0	2,383	2,765	1	46	17	9,021
Net book value total at 1 April 2018	**3,966**	**198,317**	**955**	**10,602**	**34,131**	**1**	**6,026**	**194**	**254,192**
Net book value at 31 March 2019									
Owned	**2,150**	**20,555**	**610**	**2,504**	**27,874**	**10**	**5,664**	**147**	**59,514**
Private Finance Initiative	**0**	**139,961**	**0**	**47**	**0**	**0**	**0**	**0**	**140,008**
Finance Lease	**0**	**200**	**0**	**0**	**1,219**	**0**	**109**	**0**	**1,528**
Government granted	**0**	**799**	**0**	**0**	**420**	**0**	**25**	**0**	**1,244**
Donated	**0**	**6,060**	**0**	**369**	**2,735**	**1**	**115**	**9**	**9,289**
Net book value total at 31 March 2019	**2,150**	**167,575**	**610**	**2,920**	**32,248**	**11**	**5,913**	**156**	**211,583**

9. Property, plant and equipment (continued)

9.3 Property, plant and equipment - revaluation

A desktop revaluation exercise was undertaken during March as at 31 March, 2020 on the Group and Trust's owned land and buildings by Cushman and Wakefield. The exercise was undertaken in accordance with the HM Treasury's Modern Equivalent Asset (MEA) recommendation adjusting the valuation undertaken at 31 March 2019, for average movements in building cost indices over a 2 period and location factors over a 5 year period.

In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020, the valuer has declared a "material valuation uncertainty" in the valuation report. This is on basis of uncertainties in markets caused by COVID-19 and that at the valuation date, the valuer considers that they can attach less weight to previous market evidence and published build cost information, for comparison purposes, to inform opinions of value. Consequently, less certainty and a higher degree of caution, should be attached to the valuation than would normally be the case. The values in the report have been used to inform the measurement of property assets at valuation in these financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust.

The desk top exercise undertaken as at 31 March, 2019, identified a net revaluation decrease of £1.8 million over the James Cook and Friarage sites. The resulting impairments and changes in valuation on both exercises are summarised in Note 8.2.

9.4 Economic lives of property, plant and equipment

The economic asset lives are as follows:

	Min life Years	Max life Years
Buildings excluding dwellings	17	55
Dwellings	47	47
Plant and machinery	8	15
Transport equipment	7	7
Information technology	5	7
Furniture and fittings	5	7

This represents the current range of asset lives relating to these assets.

9.5 Capital management

The Trust's capital programme is approved on an annual basis via the Capital Planning Oversight Group, Senior Leadership Team and Finance Investment Committee with final approval through the Board of Directors. The full plan is included in the Annual Plan submitted to NHS England/Improvement. The revised capital programme for the year amounted to £29.5 million and included essential investment on the estate, medical equipment and Information Technology replacement programmes and lifecycle works under the PFI contract.

9.6 Donated assets

There are no restrictions or conditions imposed by the donor on the use of a donated assets reported within the Trust's Statement of Financial Position.

10. Intangible assets

10.1 Intangible assets

2019/20: Group and Trust	Computer software purchased £000	Assets under construction £000	Total £000
Gross cost at 1 April 2019	9,493	0	9,493
Additions purchased	1,773	658	2,431
Additions donated	26	0	26
Reclassifications from assets under constuction	657	(657)	0
Gross cost at 31 March 2020	**11,949**	**1**	**11,950**
Accumulated amortisation at 1 April 2019	5,335	0	5,335
Provided during the year	1,158	0	1,158
Accumulated amortisation at 31 March 2020	**6,493**	**0**	**6,493**
Net book value at 1 April 2019			
Purchased	3,531	0	3,531
Donated	627	0	627
Net book value total at 1 April 2019	**4,158**	**0**	**4,158**
Net book value at 31 March 2020			
Purchased	4,968	1	4,969
Donated	488	0	488
Net book value total at 31 March 2020	**5,456**	**1**	**5,457**

10.2 Prior year Intangible assets

2018/19: Group and Trust	Computer software purchased £000	Assets under construction £000	Total £000
Gross cost at 1 April 2018	7,452	972	8,424
Additions purchased	362	707	1,069
Reclassifications from assets under constuction	1,679	(1,679)	0
Gross cost at 31 March 2019	**9,493**	**0**	**9,493**
Accumulated amortisation at 1 April 2018	4,426	0	4,426
Provided during the year	909	0	909
Accumulated amortisation at 31 March 2019	**5,335**	**0**	**5,335**
Net book value at 1 April 2018			
Purchased	2,379	596	2,975
Donated	647	376	1,023
Net book value total at 1 April 2018	**3,026**	**972**	**3,998**
Net book value at 31 March 2019			
Purchased	3,531	0	3,531
Donated	627	0	627
Net book value total at 31 March 2019	**4,158**	**0**	**4,158**

10. Intangible assets (continued)

10.3. Intangible assets - asset lives

Each class of intangible asset has a finite remaining life as detailed below:

Economic lives of assets

	Min life Years	Max life Years
Computer software	5	5

This represents the current range of asset lives relating to these assets.

11. Assets held under finance leases

11.1 Assets held under finance leases comprise of the following:

2019/20:	Buildings excluding dwellings	Plant and machinery	Information technology	PFI	Total
	£000	£000	£000	£000	£000
Group and Trust					
Cost or valuation at 31 March 2020	**10,053**	**9,258**	**2,658**	**188,464**	**210,433**
Accumulated depreciation at 31 March 2020	**9,933**	**8,333**	**2,658**	**49,626**	**70,550**
Net book value at 1 April 2019					
Finance lease	200	1,219	109	0	1,528
PFI	0	0	0	140,008	140,008
Net book value total at 1 April 2019	**200**	**1,219**	**109**	**140,008**	**141,536**
Net book value at 31 March 2020					
Finance lease	120	925	0	0	1,045
PFI	0	0	0	138,838	138,838
Net book value total at 31 March 2020	**120**	**925**	**0**	**138,838**	**139,883**

11.2 Prior year assets held under finance leases:

2018/19:	Buildings excluding dwellings	Plant and machinery	Information technology	PFI	Total
	£000	£000	£000	£000	£000
Group and Trust					
Cost or valuation at 31 March 2019	**10,053**	**9,095**	**2,658**	**179,458**	**201,264**
Accumulated depreciation at 31 March 2019	**9,853**	**7,876**	**2,549**	**39,450**	**59,728**
Net book value at 1 April 2018					
Finance lease	280	1,728	502	0	2,510
PFI	0	0	0	175,575	175,575
Net book value total at 1 April 2018	**280**	**1,728**	**502**	**175,575**	**178,085**
Net book value at 31 March 2019					
Finance lease	200	1,219	109	0	1,528
PFI	0	0	0	140,008	140,008
Net book value total at 31 March 2019	**200**	**1,219**	**109**	**140,008**	**141,536**

12. Capital commitments

Contracted capital commitments at 31 March not otherwise included in these accounts:

Group and Trust	31 March 2020 £000	31 March 2019 £000
Property, plant and equipment	**3,160**	1,067
Intangible assets	**96**	0
Total	**3,256**	1,067

13. Subsidiaries and consolidation of charitable funds

The Trust's 1 principal subsidiary, South Tees Healthcare Management Limited, and South Tees Hospitals Charity and Associated Funds are included in the consolidation at 31 March 2020. The accounting date of the financial statements for these subsidiaries is in line with the Trust date of 31 March 2020. The South Tees Institute of Learning, Research and Innovation LLP also has a financial year end of 31 March 2020 but the transactions of this company in 2019/20 has not been consolidated on the basis of materiality. Key financial information for the charitable fund and South Tees Healthcare Management Limited are provided as follows:

South Tees Hospitals Charity and Associated Funds

13.1 Reserves

	31 March 2020 £000	31 March 2019 £000
Restricted funds	**63**	63
Unrestricted funds	**5,839**	6,769
Total	**5,902**	6,832

Funds specific to wards or departments are held as un-restricted designated funds. Legacies and donations received for a specific purpose or 'trust' are recorded and accounted for as restricted funds. Further information covering the nature of the restricted and unrestricted funds is available within Accounting Policy 1.2.

13.2 Aggregated amounts relating to the charitable fund

	31 March 2020 £000	31 March 2019 £000
Summary Statement of Financial Position:		
Non-current assets	**5,107**	5,885
Current assets	**2,727**	2,412
Current liabilities	**(1,932)**	(1,465)
Net assets	**5,902**	6,832
Reserves	**5,902**	6,832
Summary Statement of Financial Activities:		
Income	**1,317**	1,819
Expenditure	**(1,492)**	(1,840)
Total	**(175)**	(21)
Net realised gains on investment assets and other reserve movements.	**(755)**	584
Net movement in funds	**(930)**	563

13. Subsidiaries and consolidation of charitable funds (continued)

South Tees Healthcare Management Limited

13.3 Subsidiary undertakings

The company is a 100% subsidiary to the Trust that began operations on 6 October 2019 providing an outpatient pharmacy service. Further information covering the nature of the company is available within Accounting Policy 1.2.

13.4 Aggregated amounts relating to the the company

	31 March 2020 £000
Summary Statement of Financial Position:	
Current assets	**2,900**
Current liabilities	**(2,891)**
Net assets	**9**
Reserves	**9**
Summary Statement of Financial Activities:	
Income	**(6,505)**
Expenditure	**6,494**
Total	**(11)**
Corporation Tax	**2**
Net movement in funds	**(9)**

13.5 Group eliminations of the subsidiary and charitable funds

In 2019/20 on the charity, eliminations consisted of a £0.302 million adjustment to income and expenditure for capital transactions (£0.703 million in 2018/19) and adjustments to working capital amounted to £0.926 million (£0.297 million in 2018/19).

On the subsidiary, intra group eliminations on income and expenditure consisted of a £6.452 million adjustment for drug recharges and corporate service charges and adjustments for working capital amounting to £1.684 million.

The above summary statements have initially been presented before group eliminations with an explanation to reconcile to the amounts included within the consolidated statements. As per accounting policy 1.2 the accounts of the charitable fund and the subsidiary have been consolidated in full after the elimination of intra group transactions and balances.

14. Other investments

The management of the investment portfolio of South Tees Hospitals Charity and Associated Funds moved from Barclays Wealth to CCLA during 2019/20. Cash funds are held outside the portfolio by the fund to deal with short term cash flow issues. As a cosequence of the economic and market uncertainty caused by COVID-19 there was a fall in the valuation of the investment porfolio at 31 March 2020 of approximately 16% in the capital value. The impact of this reduuction is provided in the table below.

	31 March 2020	31 March 2019
	£000	£000
Market value brought forward	**5,885**	5,420
Additions	**726**	1,345
Disposals	**(749)**	(1,464)
Fair value (losses) / gains	**(755)**	584
Market value at 31 March	**5,107**	5,885
Investments held:		
Bonds	**0**	791
Equities	**0**	4,236
Alternative assets	**351**	563
Other holdings	**0**	295
COIF Charities Ethical Investment Fund	**4,756**	0
	5,107	5,885

15. Inventories

15.1 Inventories	Group		Trust	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000	£000	**£000**	£000
Group and Trust				
Drugs	**5,176**	3,738	**4,239**	3,738
Consumables	**7,597**	8,628	**7,597**	8,628
Total	**12,773**	12,366	**11,836**	12,366

15.2 Inventories recognised in expenses	Group		Trust	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000	£000	**£000**	£000
Group and Trust				
Inventories recognised as an expense	**132,796**	125,970	**126,570**	125,970
Write-down of inventories recognised as an expense	**128**	81	**118**	81
Total	**132,924**	126,051	**126,688**	126,051

16. Cash and cash equivalents

	Group		Trust	
Group and Trust	**31 March 2020 £000**	31 March 2019 £000	**31 March 2020 £000**	31 March 2019 £000
At 1 April	**7,350**	9,988	**6,091**	8,213
Net change in year	**(1,502)**	(2,638)	**(2,668)**	(2,122)
Balance at 31 March	**5,848**	7,350	**3,423**	6,091
Broken down to:				
Cash with the Government Banking Service	**2,652**	6,041	**2,652**	6,041
Commercial banks and in hand	**3,196**	1,309	**771**	50
Cash and cash equivalents as in statement of cash flows	**5,848**	7,350	**3,423**	6,091

17. Trade and other receivables

17.1 Trade and other receivables

	Group		Trust	
Group and Trust	**31 March 2020 £000**	31 March 2019 £000	**31 March 2020 £000**	31 March 2019 £000
Current				
Contract receivables invoiced	**17,671**	33,008	**17,671**	33,008
Contract receivables not yet invoiced	**17,674**	26,056	**19,198**	25,200
Capital receivables	**503**	166	**503**	166
Other trade receivables	**2,729**	2,323	**2,729**	2,323
VAT	**5,302**	2,029	**4,122**	2,029
PDC dividend receivable	**350**	1,298	**350**	1,298
Allowance for impaired contract receivables	**(3,444)**	(641)	**(3,444)**	(641)
Prepayments (*)	**39,022**	36,870	**39,022**	36,870
Total	**79,807**	101,109	**80,151**	100,253
Non-current				
Contract receivables not yet invoiced	**3,860**	3,353	**3,860**	3,353
Allowance for impaired contract receivables	**(1,859)**	(1,671)	**(1,859)**	(1,671)
Total	**2,001**	1,682	**2,001**	1,682

(*) Included in prepayments is £20.230 million (2018/19 £24.493 million) in respect of prepaid PFI lifecycle costs relating to the James Cook PFI scheme. This contract was entered into in 2003 and expires in 2033. Under this contract the PFI operator is required to build and to maintain the majority of the Trust's estate. As is the norm for lifecycle replacement under a PFI scheme, the timing of the actual expenditure incurred by the operator is different to the profile of the planned expenditure in the financial model and this has resulted in the Group and Trust recognising a prepayment for the payment in advance of the lifecycle work being undertaken. When the replacement expenditure is received the prepayment will be derecognised and new items of property plan and equipment will be recognised

The great majority of trade is with Clinical Commissioning Groups and NHS England, as commissioners for NHS patient care services. As these NHS bodies are funded by government to buy NHS patient care services, no credit scoring of them is considered necessary.

Following the application of IFRS 15 from 1 April 2018, the Trust's entitlements to consideration for work performed under contracts with customers are shown separately as contract receivables and contract assets. This replaces the previous analysis into trade receivables and accrued income.

17. Trade and other receivables (continued)

17.2 Allowance for credit losses

	31 March 2020	31 March 2019
	£000	£000
Balance at 1 April	**2,312**	2,437
Impact of IFRS9 implementation on 1 April	**0**	44
Utilisation of allowances	**(164)**	(86)
Reversal of allowances	**(577)**	(278)
Increase in provision	**3,732**	195
Balance at 31 March	**5,303**	2,312

The provision relates to outstanding Compensation Recovery Unit debts concerning Road Traffic Accidents (21.79% provision created on all outstanding debt), and provisions on non-NHS debtors (providing between 10 and 100% dependant on the type of debt) that includes provisions for individual invoices in dispute and in formal recovery . The Group does not hold any collateral in support of these debts.

18. Trade and other payables

	GROUP		**TRUST**	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	£000	£000	**£000**	£000
Current				
NHS payables	**8,175**	5,835	**8,175**	5,835
Amounts due to other related parties	**532**	920	**532**	920
Other trade payables - revenue	**23,605**	35,994	**22,397**	35,994
Other trade payables - capital	**4,606**	1,524	**4,606**	1,524
Taxes payable (VAT, Income Tax and Social Security)	**0**	6,953	**0**	6,953
Accruals	**2,214**	2,666	**1,208**	1,498
Receipts in advance	**4,500**	3,545	**4,500**	3,545
Other payables	**196**	5,821	**196**	5,821
Total current trade and other payables	**43,828**	63,258	**41,614**	62,090

19. Borrowings

Group and Trust	31 March 2020 £000	31 March 2019 £000
Current		
Loans from Department of Health		
- Capital loans	**28,872**	5,413
- Revenue support	**88,973**	13,927
- Revolving working capital facilities	**29,410**	35,685
Obligations under:		
Finance leases	**572**	607
Private finance initiative contracts	**2,399**	1,906
Total current borrowings	**150,226**	57,538
Non-current		
Loans from Foundation Trust Financing Facility		
- Capital loans	**12,232**	37,131
- Revenue support	**0**	42,939
Obligations:		
Finance leases	**491**	923
Private finance initiative contracts	**92,569**	94,968
Total non-current borrowings	**105,292**	175,961

The loans from the Foundation Trust Financing Facility covers periods ranging from 3 to 25 years and loan rate payment terms range from 0.77% to 3.84%. The loans are not secured against Trust assets.

20. Finance lease obligations

Significant contractual arrangements have been reviewed to assess compliance with IAS 17. Those identified as finance lease obligations include the Group and Trust's equipment agreements and Managed Service Contracts for Energy Management and the Picture Archiving and Communications System. The term of leases range from 5 to 15 years in line with the economic lives of the individual assets.

Minimum lease payments outstanding on the lease agreements amount to £1.329 million (£2.058 million as at 31 March 2019). The Present Value of minimum lease payments included on the Group and Trust's Statement of Financial Position amounts to £1.063 million (£1.530 million at 31 March 2019), with the variance of £0.266 million (£0.528 million at 31 March 2019) relating to future finance charges on the agreements. The values disclosed do not include any liabilities relating to the private finance initiative.

Amounts payable under finance leases:	**Minimum lease payments**	
Group and Trust	**31 March 2020 £000**	31 March 2019 £000
Within one year	**736**	867
Between one and five years	**593**	1,191
Less: finance charges allocated to future years	**(266)**	(528)
Present value of minimum lease payments	**1,063**	1,530
Net lease liabilities		
Not later than one year	**572**	607
Later than one year and not later than five years	**491**	923
	1,063	1,530

Note: the Group and Trust does not offer any leases as a Lessor and does not recover any rental income through such arrangements.

21. Private finance Initiative contracts

21.1 PFI schemes on Statement of Financial Position

The scheme was for the development of the James Cook University Hospital (JCUH) site resulting in the rationalisation of four existing sites into one. Services at Middlesbrough General Hospital, North Riding Infirmary and West Lane Hospital transferred to JCUH upon completion of the scheme in August 2003.

The scheme comprised 60,000m^2 of new build with 11,000m^2 of refurbishment, with an approximate capital cost of £157 million. Upon completion of the scheme the Trust granted a head lease with associated rights to Endeavour SCH Plc for a period of 30 years. Endeavour maintain the site, providing facilities management services via Serco Group plc (formerly Sovereign Healthcare), and grant an underlease with associated rights to the Trust for the use of the buildings. The Trust makes a unitary payment, quarterly in advance, to Endeavour SCH Plc for use of the building and associated facilities management services that amounts to approximately £53.468 million per annum excluding VAT. An element of the payment is also set aside to fund lifecycle expenditure amounting to £10.657 million. In return the Trust receives guaranteed income of approximately £0.314 million in respect of mall retail units, laundry and catering income. Responsibility for the collection of car parking income transferred back to the Trust from 1 April 2014.

The annual service fee is indexed linked in line with the 12 month rolling average of retail price indices (CHAW) as at January of each year, for the following contract year. The availability fee is uplifted in line with RPI twice a year based upon the published CHAW indices for March (effective from 1 April) and September (effective from 1 October).

The soft services element of the facilities management service is subject to market testing or benchmarking every 5 years, although the Trust has the option to extend this period by a further 12 months. The hard service element of the service is subject to benchmarking every 10 years.

Upon the Contract Period Expiry Date the Trust has a number of options ("the Expiry Options"):
- to extend the agreement on terms to be agreed with the concessionaire;
- to re-tender for the provision of services;
- to leave the hospital and terminate the underlease; and
- to remain in the hospital and assume responsibility for the provision of services.

Under the control test of IFRIC 12, the asset has been treated as an asset of the Trust. The substance of the contract is that the Trust has a finance lease and payments to the contractor comprise 2 elements; an imputed finance lease charge and service charges.

Total imputed finance lease obligations for on-Statement of Financial Position PFI contracts due:

Group and Trust	**31 March 2020 £000**	31 March 2019 £000
Not later than one year	**9,972**	9,638
Later than one year, not later than five years	**40,435**	39,613
Later than five years	**112,172**	122,964
Sub total	**162,579**	172,215
Less: interest element	**(67,611)**	(75,341)
Total	**94,968**	96,874
Net PFI liabilities		
Not later than one year;	**2,399**	1,906
Later than one year and not later than five years;	**12,342**	10,638
Later than five years	**80,227**	84,330
	94,968	96,874

21. Private finance initiative contracts (continued)

21.2 Charges to expenditure

The total charged in the year to expenditure in respect of the service element of on-Statement of Financial Position PFI contracts was £34.894 million (2018/19 £21.103 million). The movement between years being mainly due to the write back of PFI lifecycle costs to revenue in 2019/20 that amounted to £5.9 million.

The Trust is committed to the following annual charges:

	31 March 2020	31 March 2019
Group and Trust	**£000**	£000
Not later than one year	**29,705**	27,268
Later than one year, not later than five years	**126,432**	116,062
Later than five years	**310,664**	321,677
Total	**466,801**	465,007

21.3 Total concession arrangement charges

The Trust is committed to the following annual charges in respect of the PFI.

	31 March 2020	31 March 2019
Group and Trust	**£000**	£000
Not later than one year	**57,868**	55,035
Later than one year, not later than five years	**247,791**	236,100
Later than five years	**616,397**	665,450
Total	**922,056**	956,585

21.4 Total unitary payment charge on PFI scheme

The unitary payment paid in year to the service concession operator is made up as follows:

	31 March 2020	31 March 2019
Group and Trust	**£000**	£000
Interest charge	**7,731**	7,898
Repayment of finance lease liability	**1,906**	2,171
Service element	**28,980**	21,103
Capital lifecycle maintenance	**9,006**	9,726
Contingent finance costs	**5,845**	5,720
Total	**53,468**	46,618

22. Reconciliation of Liabilities arising from financing activities

The total outstanding liability from financing is detailed below:

Group and Trust	**DHSC Loans £000**	**Finance Leases £000**	**PFI £000**	**Total £000**
Carrying value at 1 April 2019	**135,095**	**1,530**	**96,874**	**233,499**
Impact of applying IFRS 9 at 1 April	0	0	0	0
Cash movements:				
Financing cash flows - principal	24,336	(689)	(1,906)	21,741
Financing cash flows - interest	(2,889)	(331)	(7,731)	(10,951)
Additions	0	222	0	222
Interest charge arising in year	2,945	331	7,731	11,007
Carrying value at 31 March 2020	**159,487**	**1,063**	**94,968**	**255,518**

23. Provisions

	Current		Non-current	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
Group and Trust	**£000**	£000	**£000**	£000
Pensions relating to staff	**92**	108	**330**	379
Legal claims	**607**	545	**423**	409
Total	**699**	653	**753**	788

	Pensions relating to staff	**Legal claims**	**Total**
Group and Trust	**£000**	**£000**	**£000**
At 1 April 2019	487	954	1,441
Arising during the year	10	129	139
Changes in discount rate	35	48	83
Utilised during the year	(116)	(102)	(218)
Reversed unused	(4)	0	(4)
Unwinding of discount	10	1	11
At 31 March 2020	422	1,030	1,452
Expected timing of cash flows:			
- not later than one year;	92	607	699
- later than one year and not later than five years;	235	126	361
- later than five years.	95	297	392
Total	422	1,030	1,452

Pensions relating to staff

The amounts relate to sums payable to former employees who have retired prematurely. The outstanding liability is based on actuarial guidance from the NHS Pension Agency using computed life expectancies for the pension recipients. Variations in life expectancy will impact on these figures and the timings of payments. There is no contingent liability associated with this provision.

Legal claims

The timings and amounts within the provision are based upon the NHS Litigation Authority's assessment of probabilities in line with IAS 37 guidance. The provision relates to employer and public liability claims with the Group and Trust raised by staff and patients. This provision also includes injury benefit claims made by NHS employees with the level of awards determined by the NHS Pension Agency. The discounted provision is based on notifications received from the agency.

£273.273 million is included in the provisions of the NHS Litigation Authority at 31 March 2020, in respect of clinical negligence liabilities of the Group and Trust (2018/19 £270.210 million). This is not provided for within these financial statements.

24. Financial instruments

24.1 Financial assets

	GROUP		TRUST	
	31 March 2020 £000	31 March 2019 £000	**31 March 2020 £000**	31 March 2019 £000
Financial Assets held at amortised cost				
Receivables excluding non financial assets with DHSC and other bodies	**37,134**	62,594	**35,834**	61,441
Cash and cash equivalents at bank and in hand	**5,848**	7,350	**3,423**	6,091
Assets at fair value through income and expenditure				
Investments	**5,107**	5,885	**0**	0
Total	**48,089**	**75,829**	**39,257**	**67,532**

24.2 Financial liabilities

	GROUP		TRUST	
	31 March 2020 £000	31 March 2019 £000	**31 March 2020 £000**	31 March 2019 £000
Financial Liabilities held at amortised cost				
DHSC loans	**(159,487)**	(135,095)	**(159,487)**	(135,095)
Obligations under finance leases	**(1,063)**	(1,530)	**(1,063)**	(1,530)
Obligations under PFI contracts	**(94,968)**	(96,874)	**(94,968)**	(96,874)
Trade and other payables excluding non financial liabilities with DHSC and other bodies	**(39,328)**	(52,609)	**(38,760)**	(51,441)
Total	**(294,846)**	(286,108)	**(294,278)**	(284,940)

24.3 Maturity of financial liabilities

	GROUP		TRUST	
	31 March 2020 £000	31 March 2019 £000	**31 March 2020 £000**	31 March 2019 £000
In one year or less	**(189,554)**	(110,148)	**(188,986)**	(108,980)
In more than one year but not more than two years	**(5,135)**	(43,373)	**(5,135)**	(43,373)
In more than two years but not more than five years	**(12,220)**	(23,412)	**(12,220)**	(23,412)
In more than five years	**(87,937)**	(109,175)	**(87,937)**	(109,175)
Total	**(294,846)**	(286,108)	**(294,278)**	(284,940)

24.4 Fair values of financial instruments

The fair values of financial instruments are considered to be materially

24.5 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the year in creating or changing the risks a body faces in undertaking its activities. Due to the continuing service provider relationship that the NHS Foundation Trust has with Clinical Commissioning Groups and NHS England and the way that these are financed, the NHS Foundation Trust is not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Group has limited powers to invest surplus funds and can only borrow to the Prudential Borrowing Limit approved by Monitor. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Group in undertaking its activities.

The Group's treasury management operations are carried out by the finance department, within parameters defined formally within the Group's Treasury Management Policy and Standing Financial Instructions agreed by the Board. A key theme of the Group's strategic direction is business stability which means achieving target levels of financial surplus to enable investment. To support this target, the key objectives of the Treasury Management Policy include the achievement of a competitive return on surplus cash balances, ensure competitively priced funds are available to the Group when required and effectively identifying and managing financial risk.

24. Financial instruments (continued)

24.5 Financial risk management (continued)

Currency risk

The Group is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and sterling based. The Group has no overseas operations. The Group therefore has low exposure to currency rate fluctuations.

Interest rate risk

The Group and Trust borrows from government for capital expenditure, subject to affordability. The borrowings are for 1 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Group and Trust therefore has low exposure to interest rate fluctuations.
The Trust is exposed to interest rate risk on the PFI scheme due to the linkage of the availablity payment to RPI which impacts on contingent rent, PFI lifecycle and non-operating expenditure.

Credit risk

The majority of the Group's income comes from contracts with other public sector bodies, the Group has low exposure to credit risk. The maximum exposures as at 31 March 2020 are in receivables from customers, as disclosed in Note 17.

The financial instruments utilised by the Group and Trust are deemed to be minimum risk; in relation to borrowing the Group and Trust has utilised the NHS Financing Facility with debt repayments linked to the economic life of the assets. In relation to investments, the Group and Trust only uses United Kingdom based financial institutions, investing a maximum of £4.000 million with one organisation for a period not exceeding 3 months. This is in line with Monitor guidance and investments are based on approved counterparty listings, supplied by Sector Treasury Services Ltd, and based on the ratings of leading credit rating agencies. Group treasury activity is subject to review by the Group's internal auditors.

Liquidity risk

The Group's operating costs are incurred under contracts with Clinical Commissioning Groups and NHS England, which are financed from resources voted annually by Parliament . The Group and Trust funds its capital expenditure from funds obtained within its prudential borrowing limit and does not have any flexibility to vary principal or interest payments on any of its fixed term liabilities, including those relating to the PFI contract. This inability to vary its long term debt repayments introduces an element of risk into the medium term financial planning process. Further information on risk within the Group and Trust's annual plans is included within the Accounting Policy on Going Concern in Note 1.3.1.

25. Events after the reporting year

On 2 April 2020, the DHSC and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. Given this relates to liabilities that existed at 31 March 2020, DHSC has updated its Group Accounting Manual to advise this is considered an adjusting event after the reporting period for Trusts. Outstanding interim loans totalling £147.2 million as at 31 March 2020 in these financial statements have been classified as current liabilities as they will be repayable within 12 months.

26. Related party information

26.1 Related party transactions

South Tees Hospitals NHS Foundation Trust is a body corporate established by order of the Secretary of State for Health. The note has been prepared in accordance with the requirements of IAS 24 "Related Party Disclosures".

26.2 Whole of Government Accounts bodies

All government bodies which fall within the Whole of Government accounts boundary are regarded as related parties because they are all under the common control of HM Government and Parliament. This includes for example, all NHS bodies, all local authorities and central government bodies.

Significant transactions and balances with all Whole of Government account bodies are detailed below. The following tables incorporates information extracted from the accounts of the Group and Trust and is included in the income, expenditure and on the face of the Statement of Financial Position of the Group and Trust for the financial year ending 31 March 2020.

	Income	Expenditure	Receivables	Payables
	£000	£000	£000	£000
NHS North Cumbria CCG	663	0	0	0
NHS Darlington CCG	7,578	0	34	0
NHS Durham Dales, Easington and Sedgefield CCG	12,286	11	89	15
NHS Hambleton, Richmondshire and Whitby CCG	82,509	352	544	0
NHS Harrogate and Rural District CCG	2,443	0	21	0
NHS Hartlepool and Stockton-on-Tees CCG	40,278	0	306	0
NHS Newcastle Gateshead CCG	302	0	0	0
NHS North Durham CCG	1,480	0	7	0
NHS Scarborough and Ryedale CCG	1,000	0	8	0
NHS South Tees CCG	236,367	0	2,038	999
NHS Sunderland CCG	1,024	0	35	341
NHS Vale of York CCG	1,422	0	9	0
NHS England	11,853	0	8,836	0
North East Specialised Commissioning	186,070	0	8,204	0
North of England Commissioning	0	0	0	374
South West Regional Office	1,684	0	0	0
North East and Yorkshire Regional Office	8,080	0	546	0
Department of Health	1,583	0	440	0
Care Quality Commission	0	421	0	0
Health Education England	16,511	0	142	165
NHS Property Services	501	7,907	971	868
NHS Resolution	0	17,127	0	9
Other NHS bodies	2,645	0	790	11
County Durham & Darlington NHS Foundation Trust	538	2,678	1,336	4,178
Newcastle Upon Tyne Hospitals NHS Foundation Trust	2,560	885	550	602
North Tees and Hartlepool NHS Foundation Trust	2,579	2,435	2,894	2,250
Tees, Esk and Wear Valleys NHS Foundation Trust	1,115	50	227	92
York Teaching Hospitals NHS Foundation Trust	149	326	132	6
Northumbria Healthcare NHS Foundation Trust	43	0	1,742	414
Salford Royal NHS Foundation Trust	0	760	0	0
Other Trusts	539	755	78	421
Middlesbrough Borough Council	618	2,944	361	126
North Yorkshire County Council	428	0	85	0
Redcar and Cleveland Borough Council	613	14	340	17
Hambleton District Council	0	627	0	0
Other local authorities	25	0	0	0

26. Related party information (continued)

	Income	Expenditure	Receivables	Payables
	£000	£000	£000	£000
NHS Blood and Transplant	30	2,951	6	362
HM Revenue and Customs	0	29,668	5,302	0
NHS Pensions Agency	0	48,011	0	37
Ministry of Defence	95	1,539	64	0
NHS Professionals	0	7,600	0	0
Department of Work and Pensions	0	1,658	0	0
Other WGA bodies	0	11	0	10

Significant transactions and balances with all Whole of Government account bodies in 2018/19 are detailed below:

	Income	Expenditure	Receivables	Payables
	£000	£000	£000	£000
NHS North Cumbria CCG	591	0	0	0
NHS Darlington CCG	6,740	0	0	0
NHS Durham Dales, Easington and Sedgefield CCG	12,292	0	0	0
NHS Hambleton, Richmondshire and Whitby CCG	80,096	12	725	0
NHS Harrogate and Rural District CCG	2,524	0	33	0
NHS Hartlepool and Stockton-on-Tees CCG	38,495	0	0	0
NHS North Durham CCG	1,376	0	0	0
NHS Scarborough and Ryedale CCG	969	0	3	0
NHS South Tees CCG	220,303	0	161	0
NHS Sunderland CCG	902	0	114	0
NHS Vale of York CCG	1,418	0	0	0
NHS England	23,371	0	14,359	0
Cumbria and North East Local Office	7,225	0	1,248	0
North East Specialised Commissioning	167,500	0	4,674	0
Yorkshire and the Humber Local Office	1,300	0	17	0
South West (North)	1,896	0	0	0
Department of Health	6,675	0	0	0
Care Quality Commission	0	408	0	0
Health Education England	15,712	0	1,777	0
NHS Property Services	470	7,819	1,070	0
NHS Resolution	0	17,890	0	0
Other NHS bodies	3,053	805	932	102
County Durham & Darlington NHS Foundation Trust	600	5,396	995	3,521
Newcastle Upon Tyne Hospitals NHS Foundation	2,448	699	299	124
North Tees and Hartlepool NHS Foundation Trust	1,382	2,094	2,709	3,212
Tees, Esk and Wear Valleys NHS Foundation Trust	1,540	98	1,288	9
Harrogate and District NHS Foundation Trust	150	0	325	0
Northumbria Healthcare NHS Foundation Trust	31	2,576	11	156
Salford Royal NHS Foundation Trust	6	758	1	64
Other Trusts	604	1,224	169	35
Middlesbrough Borough Council	820	674	146	37
North Yorkshire County Council	358	191	0	0
Redcar and Cleveland Borough Council	654	9	44	0
Other local authorities	15	0	0	0
NHS Blood and Transplant	62	2,669	13	883
HM Revenue and Customs	0	28,415	2,029	6,953
NHS Pensions Agency	0	32,058	0	0
Ministry of Defence	196	1,445	22	0
NHS Professionals	0	5,785	0	0
Department of Work and Pensions	30	1,506	0	0
Other WGA bodies	0	0	51	0

26. Related party information (continued)

26.3 Charitable funds

The Trust receives revenue and capital payments from a number of charitable funds, including South Tees Hospitals Charity and Associated Funds. The Trust Board members are also corporate trustees of the charity. The accounts of South Tees Hospitals Charity and Associated Funds are consolidated into the Trust's Annual Accounts as detailed in Accounting Policies 1.2 and Note 13 to the Accounts.

26.4 Board members and directors

During the year no Group Board Members or members of the key management staff, or parties related to any of them, have undertaken any material transactions with South Tees Hospitals NHS Foundation Trust.

Declarations of interests, completed on an annual basis by Executive and Non-Executive Directors, have been reviewed to identify any related party relationships requiring disclosure within this note.

IAS 24 specifically requires the separate disclosure of compensation payments made to management. In line with the standard, the HM Treasury has given dispensation that this requirement will be satisfied through disclosure in the Remuneration Report included in the Group and Trust's Annual Report.

27. Third party assets

The Group and Trust held £6,958 cash and cash equivalents at 31 March 2020 (£4,007 at 31 March 2019) relating to monies held by the Group and Trust on behalf of patients.

The Group and Trust held £884,492 cash and cash equivalents at 31 March 2020 (£833,380 at 31 March 2019) which related to monies held by the Group and Trust on behalf of staff, participating in the staff savings scheme. This has been excluded from the cash and cash equivalents figure reported in the accounts.

The Group and Trust held £23,741 cash and cash equivalents at 31 March 2020 (£28,181 at 31 March 2019) which related to monies held by the Group and Trust on behalf of the staff lottery scheme. This has been excluded from the cash and cash equivalents figure reported in the accounts.

28. Losses and special payments

The total number and value of losses and special payments in year amounted to the following:

	2019/20		2018/19	
Group and Trust	**Number of cases**	**Total value of cases £000**	Number of cases	Total value of cases £000
Losses:				
Losses of cash	**14**	**2**	11	7
Bad debts and claims abandoned	**0**	**0**	341	41
Damage to buildings, property as a result of theft, criminal damage etc.	**96**	**4**	102	15
Special payments:				
Ex gratia payments	**85**	**153**	127	195
Total	**195**	**159**	581	258

The amounts included above are reported on an accruals basis and exclude provisions for future losses.

There were no special severance payments (2018/19, there were no cases over £100,000 and there were no severance payments requiring HMT approval) arising from divisional restructuring or other cases of clinical negligence, fraud, personal injury, compensation under legal obligation or fruitless payment cases where the net payment exceeded £300,000.

29 Initial application of IFRS9

IFRS 9 Financial instruments as interpreted and adapted by the GAM has been applied by the Trust from 1 April 2018. the standard is applied retrospectively with the cumulative effect of initial application recognised as an adjustment to reserves on 1 April 2018.

IFRS 9 replaces IAS39 and introduces a revised approach to classification and measurement of financial assets and financial liabilities, a new forward looking 'expected loss' impairment model and a revised approach to hedge accounting.

Under IFRS9, borrowings from the DHSC, which were previously held at historic cost, are measured on an amortised cost basis. Consequently, on 1 April 2018 borrowings increased by £0.160 million and trade payables correspondingly reduced.

Reassessment of allowances for credit losses under the expected loss model resulted in a £0.044 million decrease in the carrying value of receivables.

The GAM expands the definition of a contract in the context of financial instruments to include legislation and regulations, except where this gives rise to a tax. Implementation of this adaptation on 1 April 2018 has led to the classification of receivables relating to Injury Cost Recovery as a financial asset measured at amortised cost. The carrying value of these recevables at 1 April 2018 was £6.074 million.

30 Application of IFRS15

The transition to IFRS 15 has been completed in accordance with paragraph C3 (b) of the Standard, applying the Standard retrospectively recognising the cumulative effects at the date of initial application. In the adoption of IFRS 15 a number of practical expedients offered in the Standard have been employed. These are as follows;

• As per paragraph 121 of the Standard the Trust does not disclose information regarding performance obligations as part of a contract that has an original expected duration of one year or less,

• Similarly, the Trust has not disclosed information where revenue is recognised in line with the practical expedient offered in paragraph B16 of the Standard where the right to consideration corresponds directly with value of the performance completed to date.

• The FReM has mandated the exercise of the practical expedient offered in C7(a) of the Standard that requires the Trust to reflect the aggregate effect of all contracts modified before the date of initial application. In line with this requirement, the Trust has analysed its contract terms and has not identified any contractual income that require specific disclosure. No adjustments have been made to the income figures reported on the adoption of IFRS15 in either the current or previous year.

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