NHS

South Tyneside and Sunderland

NHS Foundation Trust

ANNUAL REPORT & ACCOUNTS 2019/20

The path to excellence

SOUTH TYNESIDE & SUNDERLAND NHS FOUNDATION TRUST

ANNUAL REPORT & ACCOUNTS

2019/20

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of the National Health Service Act 2006

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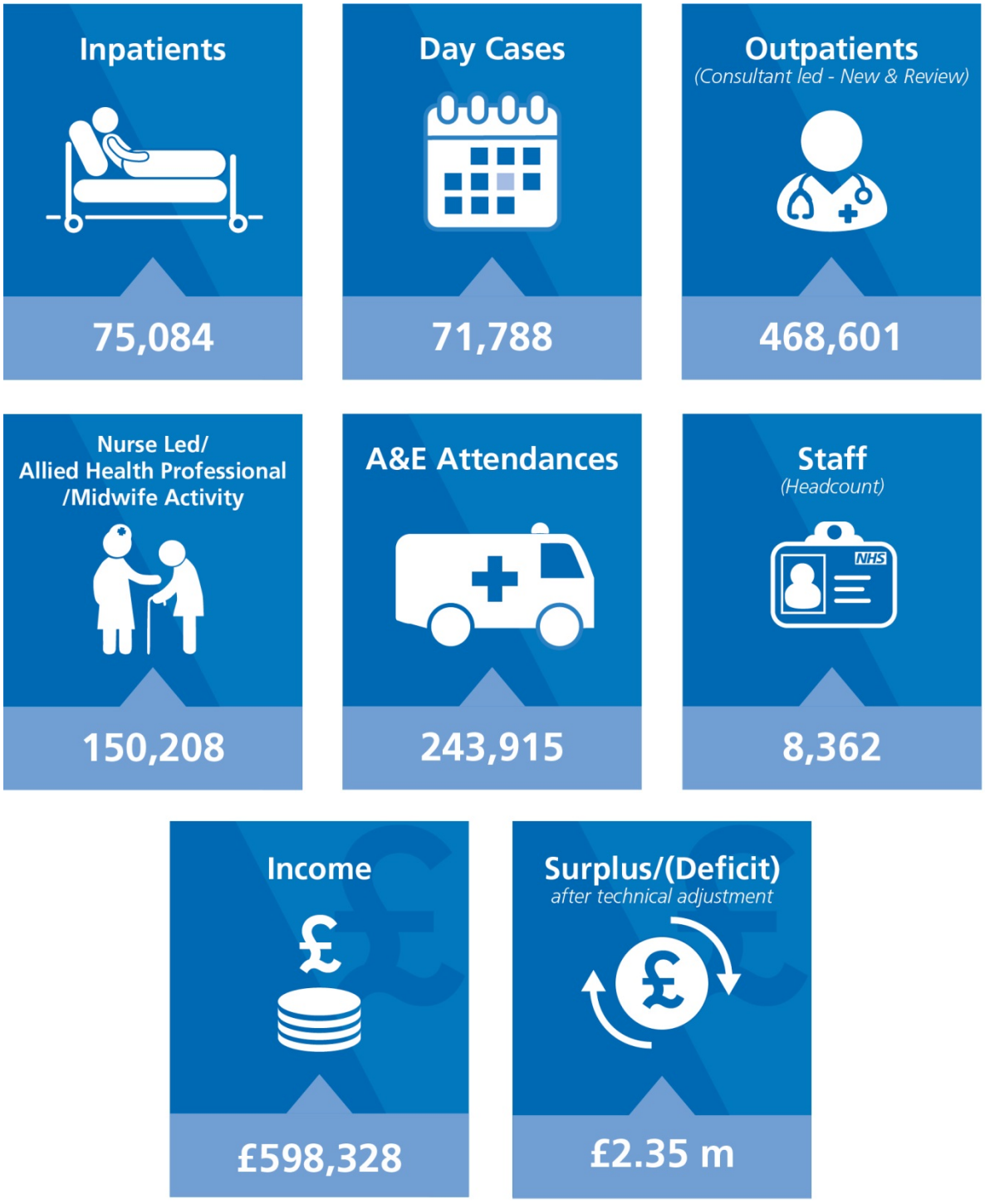
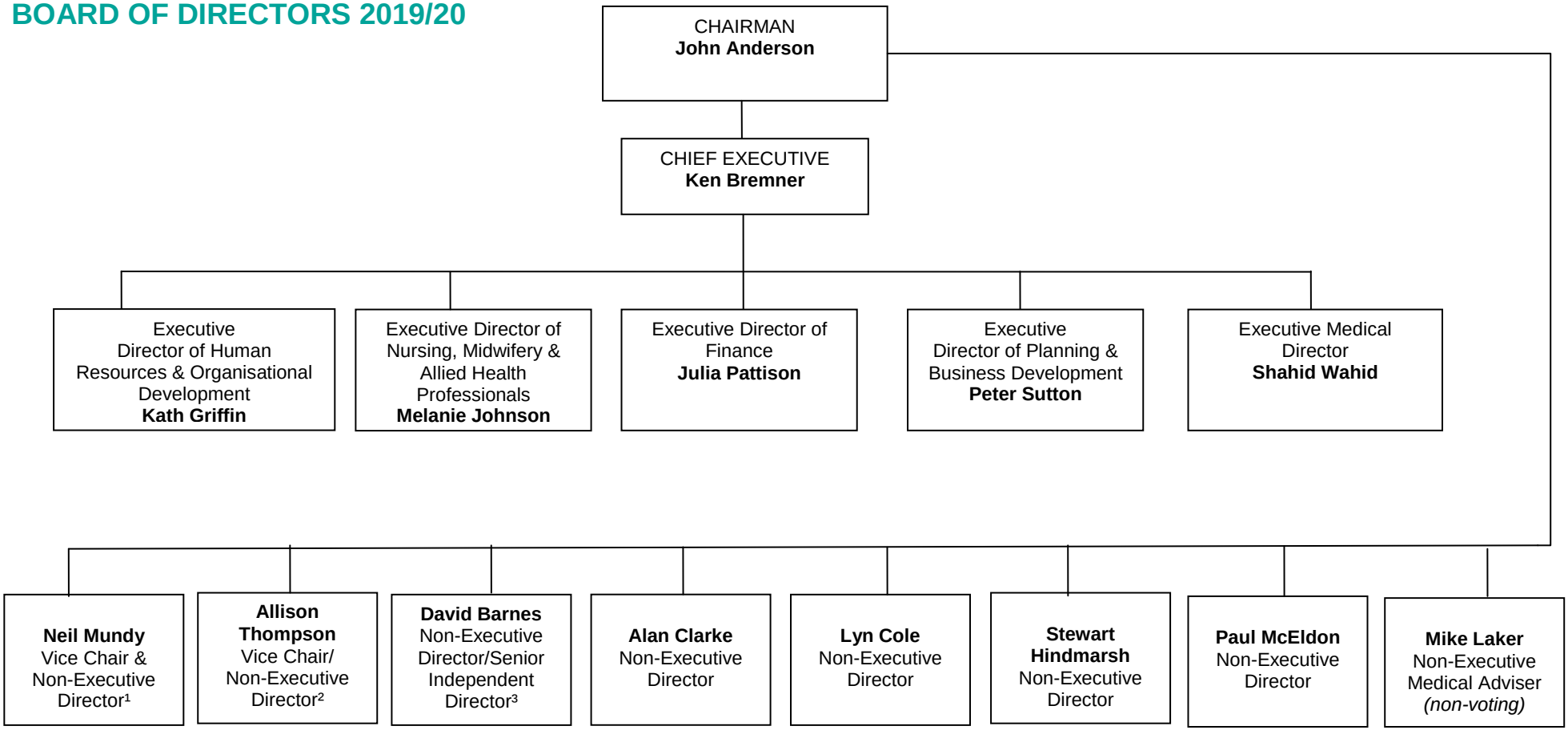


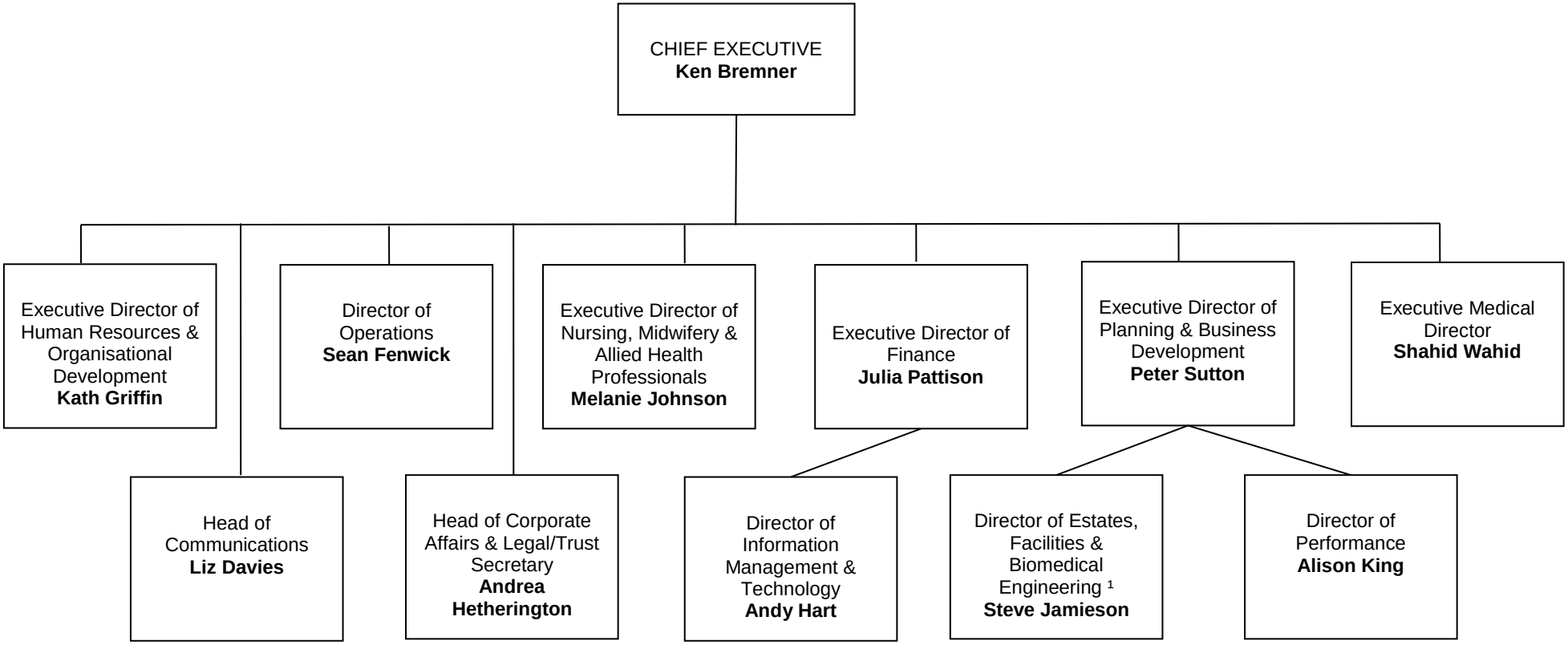
BOARD OF DIRECTORS 2019/20



[1] Until September 2019
[2] Vice Chair from November 2019
[3] Senior Independent Director from November 2019

The Chairman, all non-executive directors and the Chief Executive were appointed on an interim basis on formation of the Trust and subsequently confirmed as substantive in August 2019 following formal appointment by the Council of Governors

EXECUTIVE TEAM 2019/20



[1]South Tyneside sites and services only

CHAIRMAN'S STATEMENT 2019/20

I am delighted to present the first annual report for South Tyneside and Sunderland NHS Foundation Trust.

This annual report provides an opportunity to reflect on our first year of operation following the merger of South Tyneside NHS Foundation Trust and City Hospitals Sunderland NHS Foundation Trust. Those of you who have followed annual reports from our predecessor organisations will notice that this is a much slimmer version than previous documents. The reason for this is, in light of the pressures caused by the public sector response to COVID-19, NHS Improvement (the regulator of Foundation Trusts) has made some amendments to the annual report requirements. One of the main changes is removal of the requirement for inclusion of the Quality Report as a section of the Annual Report this year. Please be assured however, that we will be producing a separate Quality Report document in order to provide detail on progress and achievements against the Trust's quality and safety priorities for the last financial year and also report on the focus for the forthcoming year.

Ken Bremner, Chief Executive, in his review of the year will outline a number of achievements and challenges that we faced throughout the year however I want to say that I believe we have had an overall successful first year, which we will be, able to build upon going forward. I do not underestimate how unsettling change can be but I do feel we are now in a better position to drive forward quality improvements for the benefit of both our patients and staff.

During this past year, the overwhelming feeling I have had is pride. I'm proud to have been appointed by the Council of Governors to be the first Chairman of the organisation and I am proud of the services we provide to many, many patients and their families across South Tyneside, Sunderland, Gateshead, Durham and beyond. But most of all, I am extremely proud of our wonderful staff and I thank them most sincerely for their dedication, commitment and passion.

At the end of the last year, governors from the previous Trusts stood down from their roles and we commenced the process to elect new governors. In July I was delighted to formally welcome newly elected and appointed stakeholder governors to the organisation. We have a mix of new and experienced former governors and I feel we have worked well together (I hope they do too) with the right balance of support, and challenge when needed. I would like to thank them for their contribution; I hope they have enjoyed their first year and I look forward to continuing to work with them all over the next year or two.

I am indebted to the Board of Directors and in particular my non-executive director colleagues who provide constructive challenge to ensure the Board is rigorous in its decision making and scrutiny but importantly so they are able to seek and gain assurance. They have a wealth of knowledge developed from experience in many different business and operational settings, but importantly they also have organisational memory of our predecessor organisations. This has, without doubt, been so important this past year and I am thankful to them all. I would like to particularly thank Neil Mundy who was Vice Chairman until September. As former Chairman of South Tyneside NHS Foundation Trust, Neil served the community diligently and I was extremely grateful for his continued support as Vice Chairman of the merged organisation. He moved to a new role in the North East and North Cumbria Integrated Care System in September which meant he had to step down from his position with the Trust and, on behalf of the Board and all his colleagues, I wish him well in his new role.

My final thanks this year must go to Ken Bremner, Chief Executive. Under Ken's leadership, the organisation has got off to a magnificent start and I know it will go from strength to strength and we will succeed in our vision "*to deliver nationally recognised, high quality, cost effective, sustainable healthcare for the people we serve, with staff who are proud to recommend our services."* Thank you.

JOHN N ANDERSON QAEP CBE
Chairman

CHIEF EXECUTIVE'S STATEMENT 2019/20

My overview this year should have been dedicated to the first successful year as South Tyneside and Sunderland NHS Foundation Trust, after the merger between the two previous organisations, South Tyneside and City Hospitals Sunderland NHS Foundation Trusts.

However, as I write this we are right in the epicentre of the COVID-19 pandemic, with our country currently in lockdown. Over the course of my NHS career, which started in 1982, I have seen many major incidents and emergencies – but nothing quite like this. This pandemic is against an unknown force and many of our usual responses either don't or won't work. Fortunately, I work in a fantastic service – the NHS – which has demonstrated its benefit far and wide. It's now a key part of our nation's DNA. The heartfelt support from all parts of our society, evidenced every week via 'Clap for our Carers', should make everybody proud of the role they play – whether it be in our hospital or community services, front or back of house. Sadly we have seen the other side of COVID-19 with two members of our staff losing their lives. I have previously paid tributes to both Fiona Anderson (District Nurse) and Keith Dunnington (NHSP nurse working primarily at South Tyneside) but can I reiterate how shocked we all were and I know they will both be remembered by us all.

There will be plenty of time after we all get through this together to reflect back on the successes and the failures, but here and now, let me say a massive thank you to all our staff for what they have done so far and what I know they will continue to do in future days, weeks and possibly months.

Let me start with the merger. I am very pleased that we successfully got through what was a tough and robust assessment process and the feedback we had from the regulatory body – NHSI – was good, enabling us to proceed successfully with the transaction. For me though, this merger was never just about that. Yes I'm pleased at how we handled the legal and financial process – but I've been more focussed on how we position ourselves going forward as a much bigger (around 8000 staff) and more complex integrated organisation.

How do we step into change and continue to build a successful organisation that will stand the test of time?

Three things are worthy of note here. Firstly, we need to relentlessly focus on our patients' needs and provide care to the highest quality. Secondly, demonstrate – in everything we do – a commitment to continuous improvement, innovation and always being relevant in changing times. Thirdly, accepting that with greater size and impact, the more responsibility you have. On this last point what I mean is:

- being a 'great' employer with a focus on diversity.
- being mindful of our environment (carbon neutral, paper free, plastics)
- supporting wealth creation in our local communities and restoring civic pride.
- protecting the most vulnerable in our society; and
- working closely with all our partners and stakeholders, including universities, other hospitals, local authorities, clinical commissioning groups and local businesses amongst others.

So the merger has happened – it's history now - and whilst I will never forget the heritage of both previous organisations, our journey ahead now is about patients, change, renewal and taking greater responsibility. Public service at its very best – and these will be the true measure of the success for South Tyneside and Sunderland NHS Foundation Trust.

If you think that I've have forgotten the other main issue that had significantly affected us this year – that is leaving the European Union – then I haven't! 'Brexit' had already created enormous uncertainty and we had to step up our contingency planning mechanisms (led by Peter Sutton, Executive Director of Planning and Business Development) to make sure any Brexit related risks were managed and mitigated as best we could. Despite a robust process it took up significant management time, nonetheless. We were confident that we were as prepared as we could be.

As a consequence of all the above, assessing the Trust's performance in 2019/20 is complicated – not least because of the impact of COVID-19 and the effective stand down we enacted mid-March in all non-urgent activity. When reviewing our year-end figures/ performance this should be borne in mind.

In summary, 2019/20 operational performance then looks like this. A&E overall attendances still increased by 2%, despite March 2020 showing a significant drop due to COVID-19. Performance for the year was consistently below the 95% target, and ended at 83.08%. RTT delivered above the 92% target for the majority of the year – dipping below only in the last few months, and ended at 91.9% despite a 4% reduction in referrals. This was also affected by the reduced capacity due to Pension changes.

Cancer performance again mirrored previous years with all the waiting time standards achieved, except the 62 standard for urgent GP referrals. Performance against the 62 day standard was 77.51 %. Diagnostics achieved their target of <1% of patients waiting less than 6 weeks for a diagnostic test for the majority of the year, only failing the target in February and March, and ended up at 1.2%. IAPT (Improving Access for Psychological Therapies) performance against waiting time and recovery standards successfully achieved respective targets. The access standard however was narrowly missed (18.7% v 19.75%).

Financially, the Trust ended the year with a surplus of £2.349m after receiving £28.566m for hitting our agreed control total, which was a great result given the circumstances. Again, COVID-19 issues impacted, however the effect of these (£613k up to the end of the financial year) was funded directly by NHSE so had no material impact on the Trust's final position. We would expect a similar treatment of COVID-19 costs in 2020/21. The Trust's cash position ended the year at £33.39m – a significant improvement against plan. The report from the Executive Director of Finance will give more detail on this, including our capital expenditure for the year.

I am delighted to say that we have successfully completed the NHSX assurance process for the Sunderland Global Digital Exemplar (GDE) programme, and can confirm Sunderland as being the first of the 16 GDE Trusts to have completed its objectives, and to therefore achieve NHSX GDE accreditation. We have also continued to progress with work in South Tyneside as part of the GDE Fast Follower programme. In parallel, Sunderland also underwent a separate accreditation process with the *Healthcare Information and Management Systems Society (HIMSS)*. HIMSS is an internationally recognised organisation and accreditation standard. It is pleasing to note that Sunderland became a "Level 6" accredited organisation with HIMSS in January 2020, only the 5th in our country. This is an internationally recognised accreditation standard, so it's a fantastic achievement

and well done to Andy Hart, Director of IM&T and the whole clinical and IT team for delivering this. It was equally pleasing – and just as challenging – to successfully introduce Meditech to South Tyneside in October 2019 as a 'Fast Follower', with a "Big Bang" go-live. A large number of people made this happen – too many to thank here – but after some inevitable teething problems, the system is now, I hope, helping staff manage patients better with more robust real time clinical information. This GDE Fast Follower programme at South Tyneside is approximately 1 year ahead of schedule (acknowledged by NHSX as "setting the bar" for EPR implementations at other Trusts). Final elements are planned for 2020. This progress will soon allow us to undertake similar accreditation programmes at South Tyneside.

Our Path to Excellence programme, or Phase 1 at least, was finally implemented in early August 2019. This covered three main areas:

- Acute stroke services – confirmed permanently at Sunderland Royal Hospital;
- Urgent/Emergency Paediatrics – realigned opening hours at South Tyneside; and
- Maternity – a Midwifery-led Birthing Centre created at South Tyneside, with more complex, consultant led births at Sunderland Royal Hospital.

Phase 2 of the programme has been held up by access to capital which will hopefully be resolved one way or the other during 2020/21. Full consultation on this phase is now anticipated sometime in 2021.

Despite the particular pressures this past year, many of our staff, who are our greatest asset, have done some great things – be it in research, innovation, education and of course, hands-on patient care. It was particularly pleasing to see Pat Bealing, Chaplain at South Tyneside receive a very well deserved Lifetime Achievement Award at the Shields Gazette/Sunderland Echo Best of Health award ceremony earlier in 2019. Early in 2020, Linda Longstaff, Chaplain at Sunderland Royal Hospital visited Buckingham Palace to receive a richly deserved MBE for her outstanding community service as part of the Queen's 2019 Birthday Honours. Well done Linda – I know you had a fantastic trip to London!

I was also delighted, alongside our Chairman, to officially launch the Rainbow badge scheme and our overall approach to equality, diversity and inclusion at the former Trusts' AGM in September 2019.

To cap it all we also went through a comprehensive CQC inspection in January, right in the middle of winter – our peak season. The results – which have just been published as this report is being finalised – confirmed our new Trust has been rated an overall 'Good'. I will say more about this in next year's report but in the context of the first year we've had as a new NHS Foundation Trust, I think this isn't just a good result, it's a great result. Well done and thanks to all our staff particularly those working in the community and St Benedicts Hospice who have achieved an 'Outstanding' rating for their services.

I must say 'thank you' to our Chairman John Anderson for his continued leadership, direction and support to myself in this first year as a new Foundation Trust and also to the non-executive directors, governors and the Executive Team too for a great start to life as South Tyneside and Sunderland NHS Foundation Trust.

Finally, my sincere and heartfelt thanks to you, our staff, for the high quality care you have given to our patients right across our hospitals and communities.

It's certainly been a tough year but yet again you have risen to the challenge and shown why the nation is rightfully proud of the NHS and its staff. Thank you.

KEN BREMNER
Chief Executive **Date: 23 June 2020**

A BRIEF PROFILE OF THE ORGANISATION

South Tyneside and Sunderland NHS Foundation Trust (STSFT) was formed on 1 April 2019 following the merger of City Hospitals Sunderland NHS Foundation Trust and South Tyneside NHS Foundation Trust.

The Trust provides acute and community healthcare services to a core population of over 430,000 people living in and around the borough of South Tyneside and the City of Sunderland, as well as thousands of people from Durham who regularly use our services. We also provide a number of community and other services to the Gateshead population as well as a range of specialist services accessed by patients across the whole of the North East and beyond, serving a population of almost 1 million people.

We are very proud to employ over 8,000 highly committed staff (headcount) who excel every day in delivering outstanding, compassionate care to people within our hospitals, in their own homes and from our multiple community venues and outreach services. Prior to the merger, since 2016, our two former Trusts worked in close collaboration as part of a strategic alliance.

Our Principal Clinical Activities

Specialist

- Audiology
- Bariatric surgery
- Cardiology
- Ear, nose and throat
- Haematology
- Head and neck cancer
- Neonatal
- Neurology
- Ophthalmology
- Oral surgery
- Orthodontics
- Renal medicine
- Spinal service
- Urology
- Vascular

Community

- Community learning disability
- Community dermatology
- Community matrons
- Community midwifery
- District nursing
- Family planning
- Health visiting
- Home assessment / home care support
- Palliative care
- Podiatry
- Psychological therapies
- School nursing
- Sexual health
- Speech and language therapy

Acute

- Acute medicine
- Adult emergency medicine
- Anaesthetics
- Chronic heart failure service
- Delirium and dementia outreach team (Alexandra Centre)
- Diabetes and endocrinology
- Diagnostics (blood sciences, pathology, cellular sciences, medical physics, medical photography, neurophysiology)
- Elderly care
- Endoscopy
- Epilepsy service
- Frailty service
- Gastrointestinal surgery
- General surgery
- General medicine
- Gastroenterology
- Infectious diseases
- Critical care / intensive care
- Intermediate care / interface team
- Multiple sclerosis service
- Nutrition and dietetics
- Occupational therapy
- Obstetrics and gynaecology
- Oncology
- Orthogeriatric service
- Paediatrics
- Paediatric emergency medicine
- Pain service

Acute (continued)

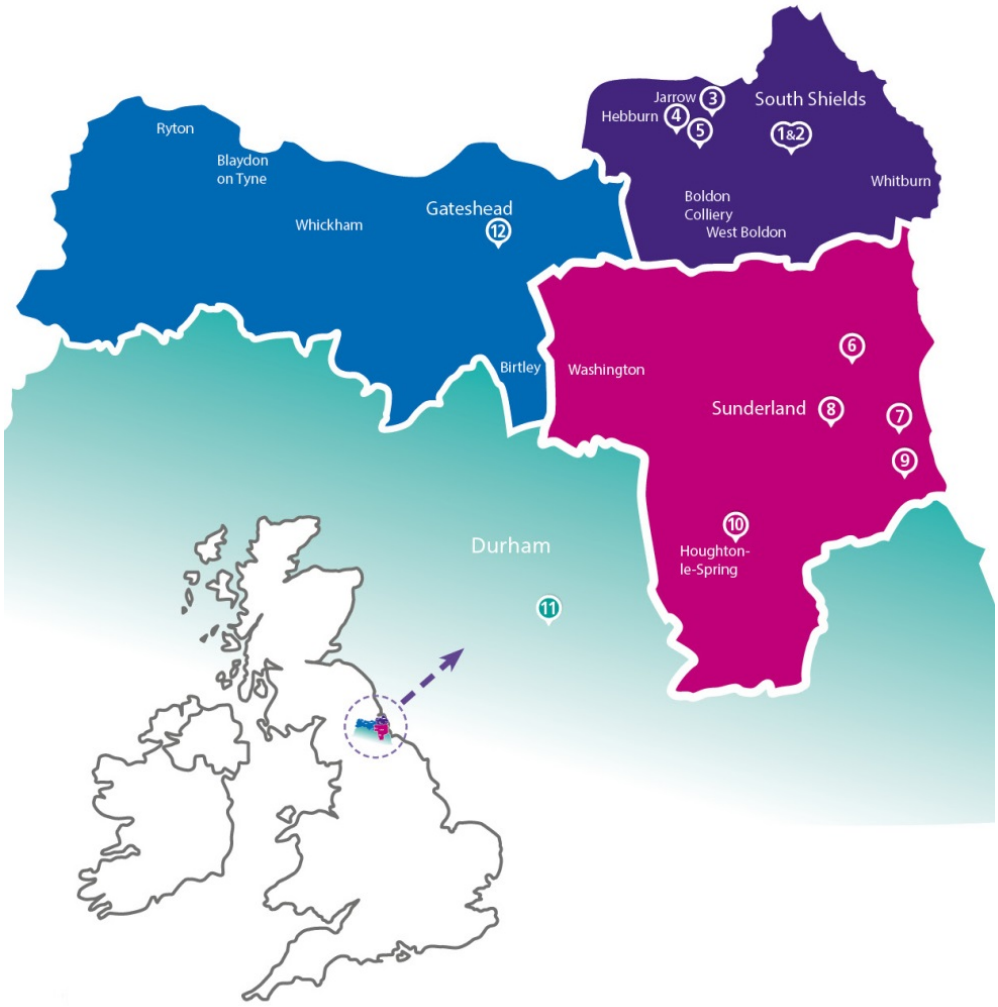
- Parkinson's disease service
- Perioperative risk evaluation and preparation clinic (PREP)
- Pharmacy
- Physiotherapy
- Psychology services
- Radiology (CT, MRI, X-Ray)
- Respiratory medicine
- Rheumatology
- Same day emergency care
- Sexual health
- Specialist palliative care
- Stroke medicine
- Trauma and orthopaedics
- Urgent care services

These services are arranged into seven clinical divisions plus the departments of the Trust's corporate functions.

- Division of Clinical Support
- Division of Community Services
- Division of Family Care
- Division of Medicine
- Division of Perioperative and Critical Care
- Division of Surgery
- Division of Urgent and Emergency Care
- Corporate Functions

Our Geographical Footprint

1. South Tyneside District Hospital
2. Haven Court
3. Palmer Community Hospital
4. Clarendon
5. Elmville Unit, Monkton Hall
6. Sunderland Royal Hospital
7. Sunderland Eye infirmary
8. Sunderland Children's Centre
9. St Benedict's Hospice
10. Intermediate Care and Rehabilitation Unit
11. Durham Treatment Centre
12. Gateshead Equipment Service

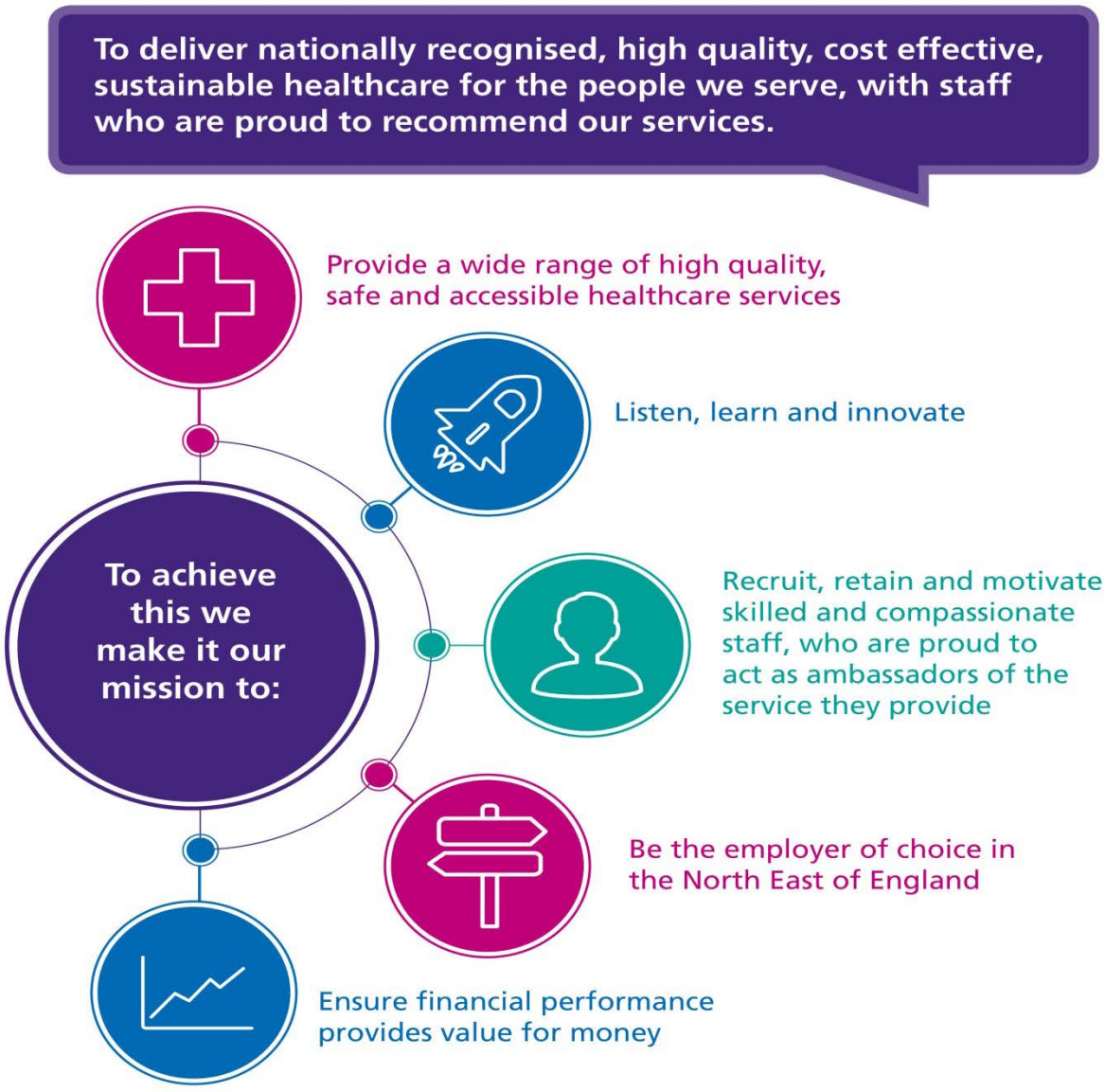


The Trust has around 1,045 acute beds, an annual income of £598.56m and non-current assets of £234.21m.

KEY AIMS AND OBJECTIVES

VISION

Prior to the merger of the two legacy Trusts, the Healthcare Group which was an alliance of both organisations developed one vision and one set of values, which was subsequently confirmed as the agreed vision for South Tyneside and Sunderland NHS Foundation Trust (STSFT).



This is supported by our values:

- compassionate and dignified, high quality, safe patient care always the first priority;
- working together for the benefit of our patients and their families or carers;
- openness and honesty in everything we do;
- respect and encouragement for our staff; and
- continuous improvement through research and innovation.

The Trust has a number of enabling strategies in place to achieve our vision as highlighted below.

Supporting the delivery of the strategies and the objectives within, the Trust has a robust planning framework in place which describes the **objectives** of the Trust, the specific **goals** that need to be achieved, the **strategies** that will be adopted and the **measurements** that will be in place to track progress. The OGSM framework is used across the Trust to ensure all plans are aligned to deliver the organisation's key objectives.

STRATEGIC DIRECTION

The Trust's strategic aims build on the strengths and ambitions of the two legacy organisations and is aligned to supporting the delivery of the NHS Long Term Plan.

Clinical Services Review (Path to Excellence)

One of the priorities of the Trust, is the programme of reviewing and planning services, through a programme of clinical service reviews.

The review of clinical services is a large scale programme which is clinically led. Each team is asked to address 4 key issues:

- clinical efficacy and sustainability;
- accessibility and choice;
- deliverability and capacity; and
- affordability and financial sustainability.

Phase 1 of the programme was finally able to be implemented in August 2019 following a delay in doing so as a result of challenge around the decisions made by the local CCGs.

The changes made were:

For maternity (obstetrics) and women's healthcare (inpatient gynaecology) services

- a new midwife-led Birthing Centre at South Tyneside District Hospital for low risk deliveries;
- consultant-led maternity care for high risk deliveries and co-located midwifery-led care at Sunderland Royal Hospital (including Special Care Baby Unit and Neonatal Intensive Care);
- outpatient antenatal and postnatal care to continue on both main hospital sites;
- community midwifery care delivered through a joined-up team across both South Tyneside and Sunderland; and
- gynaecology outpatients to continue on both main hospital sites (with the majority of day case surgery at South Tyneside District Hospital and inpatient surgery at Sunderland Royal Hospital).

For stroke services:

- to combine all hyper-acute and acute stroke care at Sunderland Royal Hospital; and
- all hospital-based acute rehabilitation to be delivered at Sunderland Royal Hospital.

For urgent and emergency paediatrics

- a nurse-led paediatric minor injury/illness service at South Tyneside District Hospital (8am until 10 pm); and
- 24/7 paediatric emergency department at Sunderland Royal Hospital.

Phase 2 of the programme is now underway and the services included in this phase are grouped into four areas:

Clinical Services Review Work Streams

Medicine & Emergency Care	Surgery, Theatre & Critical Care	Clinical Support Services	Elective & Specialist
Including: • Emergency Department • Acute Medicine • Integrated Assessment Unit/Emergency Admissions Unit • Ambulatory Emergency Care • Care of the Elderly • Respiratory • Cardiology • Gastroenterology • Metabolic Medicine • Specialties – including renal, haematology, neurology	Including: • Trauma • Orthopaedics • General Surgery • Anaesthetics • Endoscopy • Critical Care	Including: • Radiology – including Medical Photography • Therapies – including Dietetics, Occupational Therapy, Physiotherapy, Podiatry, Speech and Language Therapy • Pathology • Pharmacy	Including: • Moving work back to STDH • Specially commissioned cardiology • Vascular Review

In response to feedback received during Phase 1, significant staff and wider stakeholder engagement was undertaken during 2019/20 to help shape the emerging ideas, which will then inform which models are taken forward to full consultation. Further detail regarding consultation and involvement can be found on page 64.

Centre of Excellence

The Trust already has a number of specialist services such as bariatric surgery, ear nose and throat, nephrology, neurology, oral and maxillofacial surgery, ophthalmology and urology which operate on a regional/sub-regional basis and where part of the services are commissioned by the North of England Specialised Commissioning Group and part by the local clinical commissioning groups (CCGs). The Trust's ambition to be recognised as a centre of excellence supports the local CCGs in demonstrating they are delivering a key element of their plan to have specialised services concentrated in centres of excellence relevant to the locality.

As part of the Regional Strategic Transformational Plans, it was agreed with commissioners and Trusts to transfer the care and management of vascular patients from University Hospitals North Durham to STSFT, making STSFT the third major arterial centre in the North East (along with Newcastle and South Tees).

In May 2019, the final phases of the reconfiguration of vascular surgery took place and we were delighted that colleagues from County Durham and Darlington NHSFT transferred across to join STSFT to become part of a larger vascular teams, serving in the region of 800,000 people with the centre being Sunderland Royal Hospital.

Community Services

In South Tyneside, the Trust continued to support the integration of services and is actively involved in the development and refinement of 'health pathways'. Clinical teams are working in partnership with local GPs to assist with the care and management of patients within South Tyneside. 'Health Pathways' are accessible to GPs during their clinical consultations with patients and provide an up-to-date, step-by-step resource for the management of numerous clinical conditions. Each pathway includes information on self-care, social prescribing, available third sector support and referral processes to specialist services appropriate to the individual pathway.

Alliancing in South Tyneside

In South Tyneside, the CCG, Local Authority, Cumbria, Northumberland, Tyne and Wear NHSFT and other partners have continued to work through an alliancing approach to system working, which involves collaboration in planning and decision-making across commissioners and providers. The fundamental principles include the concept of all organisations within a system either succeeding together or failing together.

Within this approach, decisions are made on a 'best for patient, best for system' basis with joint ownership and reduced silo working encouraged. An Alliance Leadership Team oversees some of the key work programmes within the borough. This operates within parameters of high-trust and low-bureaucracy and tries to move the points of decision-making as close to the patient as possible, encouraging front-line staff to develop their own solutions.

In turn, the senior system leaders are encouraged to 'say yes' to these ideas and to find ways of making the finances work to support them, as well as ensuring the South Tyneside pound is spent more wisely. To this end, we have already established a number of Service Level Alliances to drive particular priority areas, including end of life care, frailty, respiratory disease and cancer.

All Together Better (ATB) Sunderland

On 1 April 2019, ATB Sunderland formally came into operation as an 'alliance' of providers (including GPs in their role as providers) and commissioners working together to join-up community health and care services across Sunderland with the aim of improving health outcomes for people living across the City.

Work throughout 2019/20 has focussed on developing governance and partnership arrangements to facilitate closer working at both a local neighbourhood level and across the wider City of Sunderland. Three key transformational priorities have also been further refined and agreed:

- improving health outcomes and reducing inequality;
- enhanced integrated primary care services; and
- the transformation of care and support services.

Underpinning these are clear plans for delivery which are organised under four programmes of activity each with a senior responsible officer and senior responsible clinician from across the ATB Sunderland partner organisations:

- general practice;
- mental health, learning disabilities and autism;
- enhanced primary and community care; and
- intermediate and urgent care.

Since April 2019, ATB Sunderland has successfully:

- ✓ established a shared vision, objectives, care and business models;
- ✓ published a system-wide plan on a page and annual operational plan;
- ✓ identified and started to implement an ambitious system-wide transformation programme
- ✓ developed governance arrangements;
- ✓ established capacity through staff alignment and commitment of resource from all partners;
- ✓ developed the ATB architecture and ways of working;
- ✓ matured the way we operate at executive and programme level;
- ✓ secured premises to facilitate collaborative working (with Sunderland CCGs support); and
- ✓ developed a communications and engagement strategy.

The work taking place through the alliancing approach in South Tyneside and ATB Sunderland is in line with the ambitions outlined in the NHS Long Term Plan and the Integrated Care System (ICS) across the North East and North Cumbria. ATB Sunderland is represented at the Durham, South Tyneside and Sunderland Integrated Care Partnership (ICP) which forms part of the region's ICS.

The Wider Health Economy – South Tyneside and Sunderland

It is recognised that communities within the South Tyneside and Sunderland areas have poor outcomes against multiple measures. This highlights the additional pressures of health services within the local communities. In conjunction, the local health economy (LHE) also faces a significant financial challenge.

During 2019/20 clinical leaders across South Tyneside and Sunderland continued to collaborate and work differently with the aim of improving the outcomes for our local populations.

In developing the LHE plan, three key work streams have emerged:

- Prevention and Self Care;
- Out of Hospital; and
- In Hospital

These broadly align to how each organisation has been approaching its plans.

Prevention and Self Care – covering:
- In Hospital Prevention;
- Making every contact count; and
- Increasing patient activation

Out of Hospital – covering:
- Ongoing care needs and enhanced primary and community care;
- Interface with specialists and reforming outpatients;
- Primary care prescribing; and
- Packages of care

In Hospital – covering
- Path to excellence; and
- Specialised service reviews

The ultimate aim of the plan is to improve the health outcomes for our local populations and to improve the financial efficiency of the services provided across health and care.

The Wider Health Economy – Integrated Care Systems (ICS) and Integrated Care Partnerships (ICP)

During 2019/20, the North East and Cumbria was officially confirmed as an ICS. The ambitions for the ICS are outlined in the diagram overleaf and STSFT will take an active role in delivering these.

Our ambition

By working with local communities, our partner organisations and our amazing health and care staff, our ambition is to significantly improve health outcomes for people who live in our region and create a health and care system which is fit for the future. To do this, we have agreed six shared priorities:

1. Improve population health and prevent ill health

by increasing public awareness on living healthy and well, developing screening to better prevent, detect and manage the biggest causes of premature death and continuing to reduce tobacco and alcohol consumption.

2. Improve the quality and sustainability of local health services

by working together across organisational boundaries and with our frontline clinical teams to develop future services models which ensure all patients have fair access to safe, effective, high-quality care and the best possible clinical outcomes.

3. Improve how we use technology

to ensure that we are running efficient and effective services for the benefit of our staff and patients. This includes transforming the way we deliver traditional outpatient care by helping people to make appointments, manage prescriptions and view health records online to reduce unnecessary visits to hospital or other services.

4. Improve the health, wellbeing and sustainability of our workforce

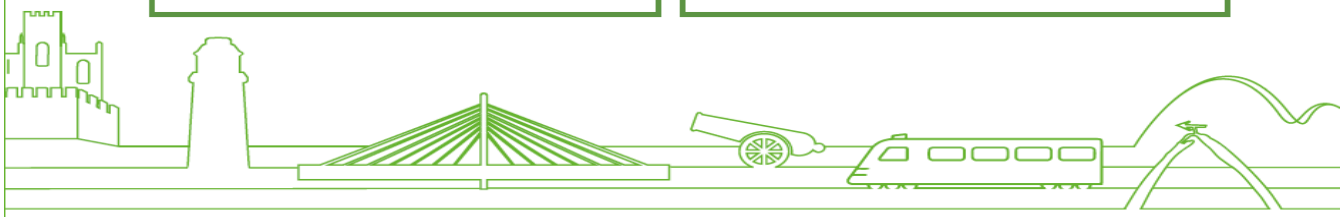
by making our region a great place to work and ensuring staff have the skills and support they need, whilst developing how we collectively recruit, retain and train our staff to work differently and more flexibly in the future.

5. Improve access to and standards of care for people with learning disabilities

so that more people can live in the community, with the right support close to home and receive the best possible health outcomes.

6. Improve access to and standards of mental health care

by breaking down the barriers between physical and mental health services, supporting people with severe and enduring mental illness and improving the emotional wellbeing and mental health of children and young people.



To support the delivery of these ambitions at a more local level there are 4 Integrated Care Partnerships (ICPs) covering the North East and Cumbria, as outlined below:

STSFT and other stakeholders and colleagues from Durham are now working in a more integrated way to deliver the ambitions highlighted above and there will be more to report on in 2020/21 as the work progresses.

Continuous Improvement

The Trust has developed a Lean Continuous Improvement Strategy which outlines our approach to the implementation of a lean continuous improvement philosophy. The goals and objectives of the strategy are:

- to do things right, first time every time;
- to ensure continuous improvement programmes and projects are clearly linked and aligned to the Trust's vision and priorities identified within our annual planning cycle ensuring quality and performance measures are met;
- to utilise a programme management approach to ensure new organisational capacity is delivered and benefits realised;
- to continue to build organisational capacity and capability in lean and programme management methodology across corporate and clinical services; and
- to support a culture where sharing of best practice and learning from each other is the norm.

During 2019/20 the Trust continued with a number of improvement initiatives and transformational programmes, including:

The Perfect System: Due to an increase in urgent and emergency care activity on the Sunderland Royal Hospital site and ongoing challenges in meeting performance standards, all partners within the All Together Better Alliance (ATBA) made a commitment to come together to support a review and test the system's performance and resilience to understand the increase in activity.

A week-long initiative from 16-22 May 2019 was planned using the principles from the Perfect Week model. By changing the name to the 'Perfect System', this reflects the system-wide commitment to drive changes and improvement across the health and social care system in Sunderland.

Key features of the week included assigning colleagues from across the system into System Liaison Officer roles (SLO) to support the data collection and establishing Bronze and Sliver Command structures as well as close system-wide working to understand challenges across the system.

This was an invaluable exercise which allowed us to collaborate as a system to increase knowledge and understanding into pressures and challenges within each other's organisation. The week allowed us to gather detailed intelligence to help identify opportunities for longer term improvements so patients flow through our system in the safest and most efficient way possible.

Arising from the Perfect System work a range of actions have already been completed. These are:

- agreement and adoption of a regional profile of Urgent Treatment Centres;
- development of an App to enable real time visibility of capacity for Sunderland Emergency Department, Urgent Treatment Centre, extended access and GP enhanced services;
- support for military personnel to be able to easily access urgent care services when on home leave;
- the development of a City-wide campaign to support patient choice and awareness raising to promote alternative services to Emergency Departments;
- expanded opening times in the urgent treatment centre to increase the opportunity to stream patients to the correct provision; and
- revision of footprint and operating models associated with same day emergency care (see below).

Ambulatory and Same Day Emergency Care: In response to the Perfect System initiative, transformation workshops involving key stakeholders were held in July and October 2019 to agree, standardise and harmonise patient processes from the Emergency Department to back of house to improve the flow of patients. The key outcomes were;

- a relocation of the same day emergency care (SDEC) provision at SRH to what was formerly the integrated assessment unit (IAU) following investment from NHS England/Improvement. This allowed for a further roll out of specialty ambulatory care services with designated rooms in SDEC, eg Head and Neck treatment room; and
- communication and roll out to primary care of direct referral/admission to SDEC patients with GP letters thus reducing the demands on the Emergency Department and providing a seamless flow to SDEC from primary care.

The next key development will be the full opening of SDEC which will involve two additional four bedded bays.

Procurement: The Kaisen Promotion Office (KPO) was asked to undertake a full review of the purchase to pay processes in the organisation to ensure they were robust, appropriate and consistent across multiple locations. The improvement work focussed initially on processes undertaken in estates and facilities, catering, pharmacy, community services and in CHoICE (a wholly owned subsidiary of the Trust).

The stakeholders worked with supply chain management and a future state process was created to act as a standard operating procedure and a training and reference document to ensure consistency and reduce variability in the processes. The materials management processes in wards and departments were also reviewed and a new process was agreed to be implemented which will again reduce variation and ensure a satisfactory range and supply of essential stock is maintained.

Outpatient Reform - 100 day challenge: Members of the KPO team and operational teams worked with colleagues from North West and Midlands Commissioning Support Group to deliver the 100 day challenge initiative in the organisation. The initiative itself is a way of engaging staff to identify, initiate and improve services within a 100 day timeframe with intensive support from the local and regional teams and with peer support from other organisations also adopting the methodology to gain improvements. The services selected to participate in the initial 100 day challenge events were Ophthalmology and Rheumatology principally due to those services being in high demand.

Ophthalmology's launch event took place in December 2019 and focussed on two key objectives:

1) the roll out of a text reminder service and digital letters with a view to reducing the did not attend rate from 10% to 7.5%. The actual reduction was more than halved; and
2) a reduction in inappropriate face to face appointments for patients suspected of having glaucoma who have been referred from community optometry. A new pathway has been designed and agreed and will result in a reduction of face to face appointments in both primary and secondary care for a large cohort of the selected patient group.

The launch event for Rheumatology took place in January 2020 and the intended outputs of the challenge is to switch the blood monitoring of rheumatology patients on certain medications from an acute care setting to one in primary care. The initiative has resulted in an agreed process and an agreed cohort of patients who will have their care transferred. The rheumatology challenge will have three separate stages and already at stage 1 there has been additional specialist nursing time freed up from administrative tasks associated with the monitoring of this group of patients.

Long Length of Stay: The KPO team has been working with operational and corporate colleagues to make improvements to length of stay within the areas of stroke and rehabilitation. A mini improvement event was held with staff from the rehabilitation and stroke wards, Therapy Services and Community Rehabilitation. As a result of the initiative an action plan has been developed that involves maintaining the therapy rooms on the ward, introducing electronic referrals from the base ward to the rehabilitation service in order to make this a more timely process, and involvement in family meetings by the community stroke rehabilitation teams in order to facilitate communication and decision making.

RISK MANAGEMENT

Financial Risks

Key financial risks during 2019/20 included:

- managing the financial impact of bringing together the two legacy Trusts, City Hospitals Sunderland NHS Foundation Trust and South Tyneside NHS Foundation Trust into a new organisation from 1 April 2019;
- delivering the challenging cost improvement target on top of maintaining the achievements from prior years;
- managing the financial cap process for agency workers;
- delivering against the quality (CQUIN) targets as agreed with the commissioners;
- minimising actions that would have resulted in the application of penalties;
- achievement of the financial Control Total set by NHSI and the conditions associated with the 'Provider Sustainability Fund' (PSF);
- managing costs within a block income arrangement;
- managing cash flow; and
- in the latter weeks of the year, managing the impact of the COVID-19 pandemic preparations.

Non-financial Risks

Non-financial risks for the year included:

- maintaining the relevant performance standards including the 18-week target for 92% of admitted patients in year across all specialties and the maximum 4 hour wait for A&E waits and the 62 day cancer targets; at the end of the year the Trust did not achieve the A&E target (83.08%) but did declare achievement of the cancer targets;
- managing infection rate targets including the *c-difficile* position which showed an improvement from the number of cases from the legacy organisations for the prior year at 71 cases by the end of 2019/20;
- maintaining the standards required by the Care Quality Commission to maintain compliance with licence requirements; and
- managing the impact of the COVID-19 pandemic planning in terms of potential COVID patients and the wider patient population.

Directors' Approach to Risk Management

This includes:

- as part of an agreed system-wide financial recovery plan, a cost reduction plan to reduce the Trust's operating costs during 2019/20 to meet the efficiency target inherent in the national tariffs;
- working with commissioners to plan service redesign and service capacity requirements including identifying all implications financial and non-financial;
- managing the levels of actual activity and the costs associated in specialties with capacity constraints; and
- managing activities that would impact upon the delivery of the Trust's overarching approach to improving the quality of services provided to patients

The Board of Directors is responsible for ensuring that the Trust's system of internal control and risk management is sound and for reviewing the effectiveness of those systems.

The Trust has processes for identifying, evaluating and managing the significant risks faced by the organisation. These processes cover all material controls, including financial, clinical, operational and compliance controls and risk management systems. These processes have been in place for the whole of 2019/20.

One of the key milestones in the Trust's Risk Management Strategy is to achieve progressive compliance with national, general and maternity NHS Resolution risk management standards. The Trust has updated the previously approved Risk Management Strategy with the aim of continuing to robustly mitigate and manage risks. At the same time the Trust has worked closely with NHS Resolution to better understand the drivers for the growth in referrals and put in place actions to minimise clinical risk which has culminated in minimal changes in the premiums from the prior year.

The Board of Directors has approved an assurance framework that meets national guidance which is managed by the Governance Committee. The framework is subject to at least annual review and approval by the Board of Directors. The framework is based on the Trust's strategic objectives and contains an analysis of the principal risks to achieving those objectives. It is underpinned by the detailed risks and associated actions set out in the Trust's risk register. During 2019/20, the Trust continued to report the key risks to the Board of Directors. This maintains visibility for the whole Board on an ongoing basis.

Each of the key objectives has been assigned a Board or Executive lead and the framework is utilised to ensure that the necessary planning and risk management processes are in place to deliver the annual plan and provide assurance that all key risks to compliance with the Trust licence have been appropriately identified and addressed.

YEAR END POSITION

Excluding the impact of the consolidation of charitable funds, South Tyneside and Sunderland NHS Foundation Trust has reported an operational surplus position of £2.35m for the financial year 2019/20. The Trust delivered cost improvements of £18.80m by the year end. The delivery of cost improvement targets was closely monitored in-year by a Board Committee, the Finance and Performance Committee.

For 2019/20, the Trust signed legally binding contracts for its services provided to commissioners. These related to payment by results (PbR) activity and services subject to local prices where national tariffs had not been set.

The Trust's largest commissioners had set 2019/20 contract baselines predominantly based on the 2018/19 actual activity delivered with funding specifically relating to the maintenance of all of the relevant targets. For this year the majority of those contracts were on a 'block' basis to manage risk across the wider health system.

GOING CONCERN

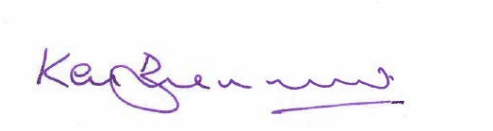
After making enquiries, the directors have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have continued to adopt the going concern basis in preparing the 2019/20 accounts.

Whilst recognising the significant financial challenges facing the new Trust, the directors have considered the work undertaken as part of the local health economy which has culminated in the development of a system wide Financial Recovery Plan (FRP) which has been approved by regulators, who have recognised the robustness of the plan by setting control totals in line with the information provided in the FRP. The annual plan for 2019/20 had been set at breakeven including a cost improvement plan for the year which is historically lower than prior years. The draft annual plan for the 2020/21 financial year assumed achievement of the control total which again had been set to reflect the work undertaken through the FRP which recognised a stretched but achievable control total. The positive financial position throughout the financial year meant that the Trust did not require any cash drawdown support and there is no expectation of a requirement to access cash support during 2020/21.

The financial regime for the 2020/21 financial year has changed as a result of the COVID pandemic, with all local contract agreements paused until at least October 2020. The government has committed to supporting all providers to cover costs associated with COVID specific costs and normal running costs with a financial 'top-up' to ensure, as a minimum, a breakeven position on a month on month basis. Whilst there is some uncertainty around the financial regime for the latter part of the year and associated funding, the Trust continues to have an expectation of funding to ensure the continuity of services for patients.

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. The affected loans totalling £22,129k 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.

Based upon the above the Directors have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.



KEN BREMNER
Chief Executive **Date: 23 June 2020**

PERFORMANCE ANALYSIS

NON-FINANCIAL PERFORMANCE

Performance Against Key Targets 2019/20

This year has been extremely challenging for many Trusts like ourselves who have continued to experience increasing demand for urgent and elective services alongside capacity challenges. Despite this, the Trust has continued to perform well against national operational and quality requirements (as shown below).

Indicator	Last Year 2018/19[1]	Target 2019/20	2019/20	Variance	Year[2]
Operational Performance Measures					
A&E: Maximum waiting time of four hours from arrival to admission / transfer / discharge	90.44%	≥95.00%	83.08%	-11.92%	🔴
Referral to Treatment waits % incomplete pathways waiting less than 18 weeks[3]	93.57%	≥92.00%	91.88%	-0.12%	🟠
All Cancer 62 day urgent referral to treatment wait	82.53%	≥85.00%	77.51%	-7.49%	🔴
Diagnostic Test waiting times[3]	0.58%	<1.00%	1.23%	0.23%	🟠
Improving Access to Psychological Therapies – patients moving to recovery	54.79%	≥50.00%	53.44%	3.44%	🟢
Improving Access to Psychological Therapies – patients seen within 6 weeks	98.88%	≥75.00%	98.61%	23.61%	🟢
Improving Access to Psychological Therapies – patients seen within 18 weeks	99.92%	≥95.00%	99.63%	4.63%	🟢
National Operational Standards					
Cancelled operations not rescheduled within 28 days	47	0	77	77	🔴
All Cancer Two Week Wait	94.27%	≥93.00%	94.26%	1.26%	🟢
31 day standard for cancer diagnosis to first definitive treatment	99.07%	≥96.00%	98.52%	2.52%	🟢
31 day standard for subsequent cancer treatments - surgery	99.05%	≥94.00%	97.68%	3.68%	🟢
31 day standard for subsequent cancer treatments - anti cancer drug regimens	99.91%	≥98.00%	99.84%	1.84%	🟢
62 day wait for first treatment following referral from an NHS Cancer Screening Service	94.44%	≥90.00%	96.30%	6.30%	🟢
Mixed sex accommodation breach	0	0	10	10	🔴
National Quality Requirements					
RTT waits over 52 weeks for incomplete pathways	0	0	0	0	🟢
Ambulance Handover Delays 30-60 mins	2,638	0	3,757	3,757	🔴
Ambulance Handover Delays 60+ mins	499	0	1,398	1,398	🔴
Trolley waits in A&E not longer than 12 hours	0	0	0	0	🟢
No urgent operation should be cancelled for a second time	0	0	0	0	🟢
VTE risk assessment for inpatient admissions	98.29%	≥95.00%	97.11%	2.11%	🟢

[1]Combined performance of the two predecessor organisations

[2] Rated as amber if performance is close to target, ie within 2 percentage points or 5 individual cases

[3] Excludes non English commissioners as per NHS England published statistics

Accident and Emergency (A&E)

During 2019/20 the Trust has continued to receive an increasing number of patients through our A&E departments with a 2.3% increase in first attendances compared to 2018/19. As a result we did not achieve the national standard of 95% of patients spending a maximum of 4 hours in the departments. Despite this, performance was better than the national average for some of the year and the Trust ranked 73rd out of 142 Trusts. We saw an improvement in performance during the last quarter of the year as a result of fewer Type 1 attendances, with more patients being streamed to the nearby Urgent Treatment Centre and Same Day Emergency Care. We also saw the benefit of increased bed capacity from January for those patients who needed to be admitted to a hospital bed.

Earlier in the year we experienced significant pressure in our Paediatric Emergency Department at Sunderland Royal Hospital, as a result of increased attendances both in the department and paediatric inpatient admissions.

Although there have been increasing attendances year-on-year, we did not see an increase in patients arriving by ambulance compared to last year. Unfortunately, we did however see an increase in ambulance handover delays of over 30 minutes compared to 2018/19. Work is underway with Sunderland Local A&E Delivery Board (LAEDB) and North East Ambulance Service NHS Foundation Trust to reduce conveyances to the emergency departments and improve the ambulance handover process.

The Trust continues to work with our local partners as part of the LAEDBs to provide system leadership and focus to improve access to urgent and emergency care services. The Sunderland LAEDB is reviewing its urgent care strategy and over the coming months will formalise its plans to improve services to support delivery of the 4 hour standard.

Referral to Treatment Time – 18 weeks (RTT)

Performance against the national standard of at least 92% of patients waiting less than 18 weeks for treatment from referral was above standard for the majority of the year but unfortunately dipped below target in Q4. Our capacity was reduced partly due to the impact of changes to HMRC rules relating to pensions which, as a consequence of consultants reducing the number of additional sessions being undertaken, meant we were unable to undertake our usual level of activity to treat patients on the waiting list. Whilst plans were put in place to mitigate the risk unfortunately it meant that we were unable to meet the standard for the year. The Trust was also adversely impacted by COVID-19 during March due to the national pause in the routine elective programme.

There were challenges in some specialties whereby the national standard was not achieved due to capacity issues, ie most surgical specialties with the exception of ophthalmology and ENT, and thoracic medicine.

The Trust continued to ensure no patients waited over 52 weeks for their treatment and although the overall waiting list increased, the average wait still remains below the national average.

As part of the annual planning process we are looking at capacity requirements to meet demand for the year ahead.

Cancer Waiting Times

The Trust has continued to achieve the national waiting time standards for the majority of cancer targets. The only standard not met was for patients treated within 62 days after being referred from their GP. The Trust was below target for the year however performance was above the national average for half of the year. A 5% increase in referrals for suspected cancer was seen.

Work has been ongoing throughout the year to improve cancer pathways and ensure patients receive timely treatment, with the delays relating to clinical complexity, diagnostics and capacity. There have been ongoing capacity challenges in the urology service which accounts for a large proportion of all cancers in the Trust. In addition, we have seen delays due to oncology services and PET scans which are a regional issue therefore affecting other Trusts also.

Achievement of this standard remains a challenge for 2020/21 however we continue to improve cancer pathways and in particular we are working towards implementation of the 28 day faster diagnosis standard pending agreement of this new nationally. This will mean that patients with suspected cancer will either be informed they do not have cancer or receive a cancer diagnosis within 28 days of referral. Achievement of this standard would also improve performance against the 62 day waiting time standard.

Diagnostic Waiting Times

The Trust achieved the target for patients waiting over 6 weeks for their diagnostic test for the majority of the year. There were only 2 months where the standard was not met due to capacity challenges in endoscopy and echocardiography in particular, as well as the impact of COVID-19 in March. There are ongoing capacity challenges in other diagnostic areas such as MRI and CT scans with increasing turnaround times from order of the scan to report. This has also had an impact on cancer pathways throughout the year and options are being considered for the short and medium term.

Delayed Transfers of Care and Long Length of Stay

Throughout the year there has been a focus on freeing up beds for patients requiring admission by reducing the number of medically fit patients awaiting discharge. We saw a significant increase in the number of patients whose discharge was delayed from July onwards mainly attributable to social care, ie patients requiring a care package in their own home. There is an established multi-agency process to facilitate timely discharge from hospital and the system-wide surge group is leading on a number of actions looking at improving flow.

Approach to Measuring Performance – What and How We Measure

Performance against targets such as waiting times for consultant-led treatment, cancer, diagnostic procedures and time in A&E are taken into consideration by NHS Improvement, the regulator of Trusts, as part of their regular assessment process, to determine any support required. NHS Improvement also reviews performance against other areas such as quality of care, finance and use of resources. Trusts are segmented into four categories based on the level of support required in order to meet required standards from 1 (maximum autonomy/no support) to 4 (special measures/mandated support). The Trust has remained in segment 2 during 2019/20 with some targeted support in place in order to improve

performance against the A&E standard in particular, as well as to improve the financial position of the Trust.

The Trust measures performance across a wide range of indicators including:

- National indicators, Operational Performance Measures, National Operational Standards and National Quality Requirements – these are set by NHS Improvement and the Department of Health and Social Care;
- Local Quality Requirements – agreed with commissioners and included in our contract; and
- Internal indicators – these are agreed as part of our annual planning process and key performance indicators (KPIs) are developed to measure progress against delivery of our corporate objectives.

To support performance monitoring, management and improvement, a performance framework is in place to ensure issues are identified early and acted upon to prevent failure of key standards where possible. This includes:

- monthly reporting of key performance indicators by directorate and specialty to the Finance and Performance Committee, Executive Committee and Board of Directors;
- regular corporate and operational management reports to monitor progress against delivery of key standards;
- monthly meetings with directorate managers and representatives from the contracting and performance teams to identify trends and areas of concern in time to plan ahead and agree action plans; and
- quality and contracting review meetings with Clinical Commissioning Groups.

Clinical Review of Access Standards

The NHS Long Term plan published in January 2019 included a review of clinical standards to support new services models and improved outcomes, specifically around mental health, cancer, urgent and emergency care and elective care. The current access standards have been in place for a number of years and have contributed to driving improvements in care and outcomes however the review will ensure access standards continue to ensure the sickest and most urgent patients are given priority, are easy to understand for patients and the public and are practically achievable. A number of Trusts are field testing the proposed new standards and the review is due to be published in the Autumn of 2020/21. The Trust will implement any new standards once approved nationally.

Environmental Performance

The Trust is acutely aware of the impact on the environment as a result of delivering the services provided to the local population. We place significant importance on reducing this impact as much as we can and have therefore developed both a Sustainable Development Strategy and a Sustainable Development Management Plan.

FINANCIAL PERFORMANCE

Context

This year has seen a period of inordinate change which started with the establishment of South Tyneside and Sunderland NHS Foundation Trust from its legacy two preceding Trusts on 1 April 2019. During the year we continued with the implementation of the system-wide, longer term financial recovery plan (FRP), and in the latter part of the year planned for the unprecedented impact of the COVID-19 pandemic. It is within this context that this financial overview is presented.

At the start of the year as part of the annual plan process, the newly merged Trust had been set by its regulators a 'control total' or financial limit, to hit a deficit target to be no worse than £28.57m. If this was achieved, the Trust would have access to additional sustainability funds of £28.57m. The target deficit mirrored the anticipated financial position as outlined in the FRP which had been previously approved in October 2018. After careful consideration and reflecting on the year end position in 2018/19, plus known pressures into 2019/20, the Board of Directors accepted this control total and set the annual plan on that basis.

Overview

Ahead of the start of the 2019/20 financial year, the Trust agreed block clinical income contracts with the majority of its major commissioners. The aim was to free capacity to focus on longer term financial recovery across a wider health 'system'. It was recognised that many acute hospitals were facing financial pressures as a result of continued tariff reductions and shortfalls in commissioner allocations. In order to therefore address the underlying system financial gap a different approach was required; this had proved successful in the prior year and has enhanced the closer working relationships with major commissioners.

The control total for the year was a £28.57m deficit, offset by additional sustainability funds totalling the same value. If the control total was achieved, the sustainability funding would be received and the net position would therefore be a breakeven position. To deliver this position, the Trust needed to deliver £19m worth of cost improvement plans (CIPs).

The Trust over achieved against its control total for the year by £2.35m and was therefore eligible for the sustainability funds. As part of delivering the financial position, the Trust delivered cost improvements of £18.80m against a target of £18.97m.

The Trust ended the year with a 'Use of Resources' risk rating of '3', in line with plan (see page 94).

As a newly merged Trust, there are a number of technical adjustments within the accounts. These include the impact of transfer by absorption, impairments and charities. These all need to be removed in order to assess the underlying operational position as reported to the Board and NHS Improvement throughout the year. The Group position includes the charitable funds and all subsidiary companies. The reported position all year excludes the charities.

	Group £000	Group exc charities £000
Accounts – Surplus for the Year	**152,807**	**147,143**
Less Transfer by Absorption*	**(167,035)**	**(160,990)**
Deficit before Absorption	**14,228**	**(13,847)**
Technical adjustments – Revaluation costs	16,927	16,927
Technical adjustments – Other	(730)	(730)
Operational Surplus	**1,969**	**2,350**

*Transfer by absorption recognises the transfer of the assets from the predecessor Trusts (City Hospitals Sunderland NHS Foundation Trust and South Tyneside Foundation Trust) into the new Trust. It is a one-off process for 2019/20 only and establishes the asset base of the Trust.

The surplus position of £2.35m against plan represents a favourable variance. The key reasons for this variance include:

- operating income (excluding PSF) was £25.3m higher than planned;
- operating expenses were £23.3m higher than plan; and
- PDC dividend and depreciation costs was £408k lower than plan.

This was partly due to timings associated with the setting of the plan which was concluded earlier than in previous years and did not have the final contractual agreements fully factored into the plan at the time. In addition, there were a number of material changes that started in year such as the transfer of vascular services from County Durham and Darlington Foundation NHS Foundation Trust which were not included in the plan.

The following sections will provide further information regarding the financial position for the year.

Subsidiaries

CHoICE Limited – City Hospitals Independent Commercial Enterprises Limited (CHoICE Ltd) was a wholly owned subsidiary of City Hospitals Sunderland NHS Foundation Trust, operational since 2014. From the end of 2016/17, CHoICE took on responsibility for the management and operation of all estates services and the majority of facilities services previously managed directly by the Trust. The subsidiary initially managed outpatient pharmacy services but from 1 February 2017, CHoICE took on a wider responsibility with over 300 estates and facilities staff being transferred to the company under the TUPE regulations. In December 2017, the procurement team within the legacy Trust was also transferred to CHoICE under TUPE regulations and from 1 April 2018, the provision of services previously provided by G4S was also included into the remit of the company. CHoICE transferred to the new Trust on its formation, and it now provides a fully managed service to the legacy Sunderland sites. In October 2019, it also took responsibility for providing a procurement service to South Tyneside-based services, with procurement staff being TUPE transferred to the company. Given the material scale of the turnover of the company, the accounts are consolidated into the main NHS Foundation Trust's accounts as a wholly owned subsidiary of the Trust.

STFT Holdings – The legacy South Tyneside NHS Foundation Trust had four subsidiary companies, two of which are dormant; all have been transferred to the new Trust. STFT Holdings Limited is a wholly owned subsidiary of the Trust and holds the main contract with South Tyneside Council for the provision of an Integrated Care Services Hub (Haven Court). Haven Court is a purpose built and innovatively designed community resource for older people in South Tyneside which is located on the North Eastern boundary of the existing South Tyneside District Hospital site. South Tyneside Integrated Care Limited (STICL) is a wholly owned subsidiary of STFT Holdings Limited and is contracted by STFT Holdings Limited as a CQC approved organisation to deliver care services within Haven Court.

Income and Contracts Overview

The complexity of the tariff-based clinical income funding system continues to be a barrier to system-wide working. As a consequence, the local health 'system' across Sunderland and South Tyneside has agreed a block contracting approach over the last few years to support innovation and financially not penalise organisations for doing the right thing for patient care.

The 2019/20 contracts with some of our main commissioners, NHS Sunderland Clinical Commissioning Group (CCG) and NHS South Tyneside CCG, continued to be based on a 'block' arrangement with the intent to manage risk and focus on joint system-wide opportunities. This was the third year of this approach and builds on the previous 'Local Health Economy' (LHE) work. In addition the previously agreed 'risk share agreement' remained in place and the Trust benefited from the receipt of funding in-year as part of the risk share agreement. Two of the larger Durham commissioners also moved to this block contracting arrangement in 2019/20. Some commissioners remained on a standard 'payment by results' (PbR) contract.

Over and above the local contracts that the Trust negotiates for the provision of services each year, additional funding has been provided to provider organisations under the badge of 'sustainability' funding. A 'Sustainability and Transformation Fund' (STF) of £1.8bn was nationally provided across the NHS. In 2017/18 and 2018/19, this continued to be predominantly focused on sustainability, with the STF being changed to 'Provider Sustainability Fund' (PSF) in 2018/19. In 2019/20 the terminology changed again, with sustainability funding provided from three routes, being PSF (as before), Marginal Rate Emergency Tariff (MRET) and Financial Recovery Fund (FRF). The MRET funding was a refund relating to a previous tariff policy. The FRF is targeted funding provided to those organisations who have developed a system-led financial recovery plan (FRP). As the Trust had previously undertaken the development of a system-wide FRP, it was eligible for this funding. The combined sustainability funds from these three sources equated to £28.57m and if the conditions of this funding were achieved each quarter, the Trust was eligible to these funds.

There were a number of service changes that occurred in-year that affected the overall income and cost base of the Trust. In May 2019, the Trust took on the responsibility for the provision of vascular services across a wider geographical area including the Durham area. The consequence was additional contractual income of over £2.48m and associated additional costs, plus additional non-recurrent set-up funding and costs; at the time of setting the annual plan these figures had not been finalised and therefore were not included. In addition, following the Path to Excellence service changes agreed through a formal public consultation process, maternity and paediatric services changed from August 2019. Furthermore, changes in the provision of urgent care services across Sunderland

culminated in the Trust taking on an enhanced walk in centre service provision at Pallion resulting in additional income and costs to facilitate this change from December 2019.

The national tariff assumed a net uplift of 0.1% which is the impact of assumed level of inflation funding to cover cost growth less assumed levels of cash releasing efficiency assumption for tariff services.

The year was a complex one already given the newly established Trust and the number of service changes that were being implemented in-year. However, during the latter few weeks of the year the impact of the COVID-19 pandemic was also being felt. The Trust was preparing by materially reducing the level of elective and outpatient activity. As the Trust was operating in a block contract environment, this did not materially impact upon the level of income received from commissioners. A number of specific actions were requested of Trusts and the costs of these, both revenue and capital, were fully funded.

Expenditure Overview

During the year the Trust continued to recruit to funded nursing vacancies. This year saw a material step-up in the Trust's appointment of overseas nurses, with the latter six months seeing an increase on average of 20 extra nurses starting each month. Funding was available to support these posts however the historical level of underspends on these budgets was no longer available to support the Trust financial position which resulted in an in-year financial pressure; a positive position from an operational position, but more challenging financially.

Agency staffing continued to be a pressure for the Trust, spending £11.12m equating to 2.8% of the overall pay bill. Almost 70% of the agency spend is on medical staffing and as a consequence a Medical Workforce and Assurance Group (MWAG) was established to review the use of locums and agency workers, working with directorates to identify longer term solutions for service sustainability. Work had been undertaken to target those high spending areas and identify alternative options such as locum recruitment or alternative means of providing a specific service. In addition, the tightening of the agency 'caps' scheme to provide a consistent approach across the country for in demand staff groups has continued to help stem what has been a steady price increase year on year. However, despite this work, the Trust breached the agency cap for the first time over the latter few months of the year, with the actual spend being £11.12m against a cap of £9.93m.

Cost Reduction Plans

The cost improvement plans (CIP) included within the annual plan was £18.97m. However in order to allow for potential slippage and to prepare for the following year, a stretched target of £21m was set. Given the pressures in-year, the stretched target was not achieved however the Trust did achieve cost improvements of £18.80m, a marginal shortfall against the annual plan target.

Capital Funding

Capital investment in 2019/20 was funded from internally generated funds and additional public dividend capital (PDC) and charitable donations. The total spend for the year was £16.53m. This included information technology spend of £8.98m mainly linked to the Global Digital Exemplar (GDE) programmes at both Sunderland and South Tyneside sites, medical equipment of £4.33m and a variety of backlog maintenance and other build schemes totalling £3.22m.

At the end of the year, the Trust had an outstanding balance on a number of Independent Trust Financing Facility (ITFF) loans of £80.67m.

Cash Flow Management

The cash balances at the year-end were £33.39m, ahead of the plan of £6.06m by £27.34m. This is mainly due to a high number of creditors and receipt of additional income at the end of the year.

Looking Forward

The forthcoming 2020/21 financial year will be materially different from other years due to the impact of the COVID pandemic. At the point of writing, the Trust had ceased all but essential elective and outpatient work and all normal annual planning and contractual agreement processes had stopped. The financial regime is completely different to a normal year with nationally determined block funding agreements in place until at least the end of October 2020. The arrangements include a national financial 'top-up' arrangement to ensure that all organisations break-even on a monthly basis and therefore mitigates the risk of funding shortfalls. From a cost management perspective the expectation of delivering cost improvement plans has also been paused whilst the focus is upon supporting the pandemic plans, although all normal financial governance and oversight arrangements continue.

As a consequence of these arrangements the areas of spend will also look different, with less commitments on variable spend items to support elective work, and more on specific items that support the pandemic. National contracts for items such as PPE are in place resulting in the Trust not incurring the cost of these items. As it is difficult to predict how the disease will progress, financial planning becomes challenging given the level of uncertainty. However, there is a national commitment from the government to fund all appropriate costs and to date this commitment has been honoured.

The majority of normal developments and planning processes have ceased until such time as the financial regime is more certain.

Financial Risks 2020/21

Given the current circumstances, there is significant uncertainty around the degree of financial risk facing the Trust. In one respect the commitment to fund the costs incurred by the Trust minimises risk. However, once a degree of normality returns, the cost to the NHS and the country of this pandemic will require reconciling and inevitably there will be risks and opportunities to be considered. As an example the use of technology for staff and patients will materially affect the way that healthcare will be delivered into the future. The impact could be that traditional face to face activities reduce, providing a level of risk if the national tariff is not adapted to keep track, but likewise opportunities in the way that the Trust uses its facilities.

Over and above these kinds of examples are public expectations. Until now the demands on the NHS have been relentless and over winter in particular national messages constantly emphasise how busy the NHS is. During this period the 'normal' demands on the NHS have reduced for multiple reasons including patient choice, and this will have consequences for some more vulnerable groups going forward. All of this will have an impact on what and how we deliver services into 2020/21 and beyond, and ultimately the income and costs of

the Trust. At this stage the demands on services and the financial consequences for the year remain unclear; the key will be accurate tracking of national and local commitments and continued vigilance to ensure that the Trust robustly manages the funds provided to it.

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the NHS Foundation Trust's normal purchase, sale or usage requirements, are recognised when, and to the extent to which, performance occurs, eg when receipt or delivery of the goods or services is made.

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.

All other financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

Credit risk is the possibility that other parties might fail to pay amounts due to the Foundation Trust. Credit risk arises from deposits with banks as well as credit exposures to the Foundation Trust's commissioners and other debtors. Surplus operating cash is only invested with the National Loans Fund. The Foundation Trust's cash assets are held with Lloyds and the Government Banking Service (GBS) only. The Foundation Trust's net operating costs are incurred largely under annual contracts with local clinical commissioning groups, which are financed from resources voted annually by Parliament.

The NHS Foundation Trust normally receives cash each month based on the agreed level of contract activity and there are quarterly payments/deductions made to adjust for the actual income due under the tariff system. This means that in periods of significant variance against contracts there can be a significant cash-flow impact. This process has been paused for at least the first seven months of the year, with guaranteed funding streams in place to protect critical services.

Related Party Transactions

The Trust has a system in place to identify all new related party transactions. As NHS Foundation Trusts and NHS Trusts have common control through the Secretary of State, there is an assumption that government departments and agencies of government departments are related parties. The Department of Health is regarded as a related party. During the 2019/20 financial year the Trust has had a significant number of material transactions with the Department and with other entities for which the Department is regarded as the parent Department. In addition there are other transactions with other government bodies with the most material being the University of Newcastle for the funding of medical education. A full list of the relevant bodies can be found in note 22.1 of the accounts.

Financial Performance

For the financial year 2019/20 key headline financial indicators are as follows:

- the year ended with an operating surplus (excluding charitable funds) of £2,349k;
- the year ended with cash balances of £33.39m; and
- capital investment of £16.53m;

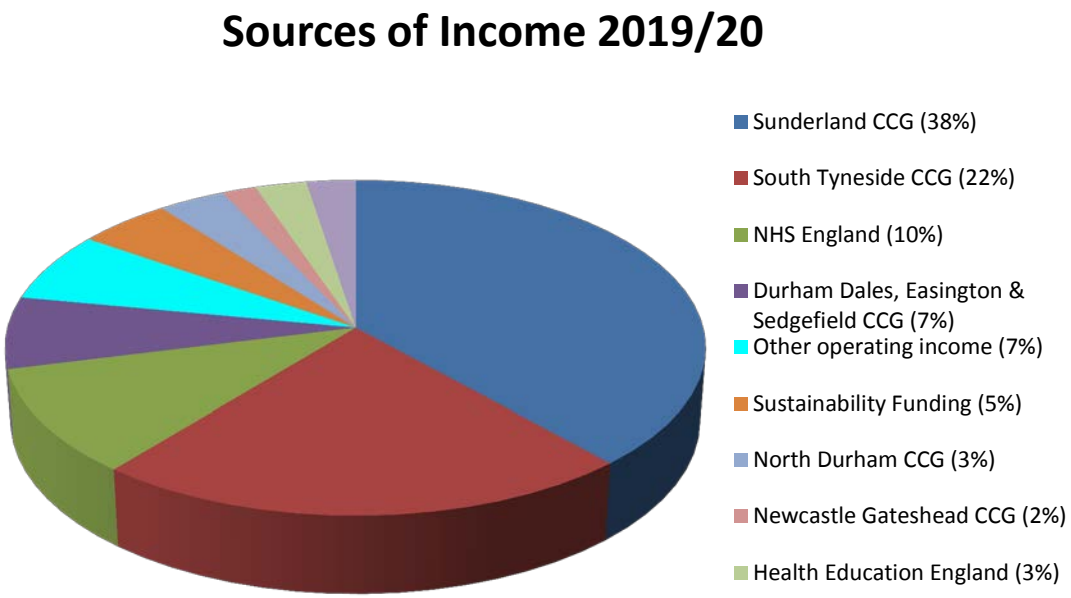
Financial Headlines

2019/20	Group Position £ Million	Charitable Funds £ Million	Group Position w/o Charities £ Million
Operating Income	598.56	1.16	597.43
Operating Expenses	(605.94)	(1.28)	(604.66)
Financing Costs – including Dividends paid	(6.85)	(0.26)	(6.62)
Deficit before Fixed Asset Revaluation	**(14.23)**	**(0.38)**	**(13.85)**
Adjustments inc Impairments	**16.20**		**16.20**
Operational Surplus	**1.96**		**2.35**

Capital Expenditure	16.53

Total Fixed Assets	230.35

All income totalled £598.56m. A breakdown of the key sources is shown below:



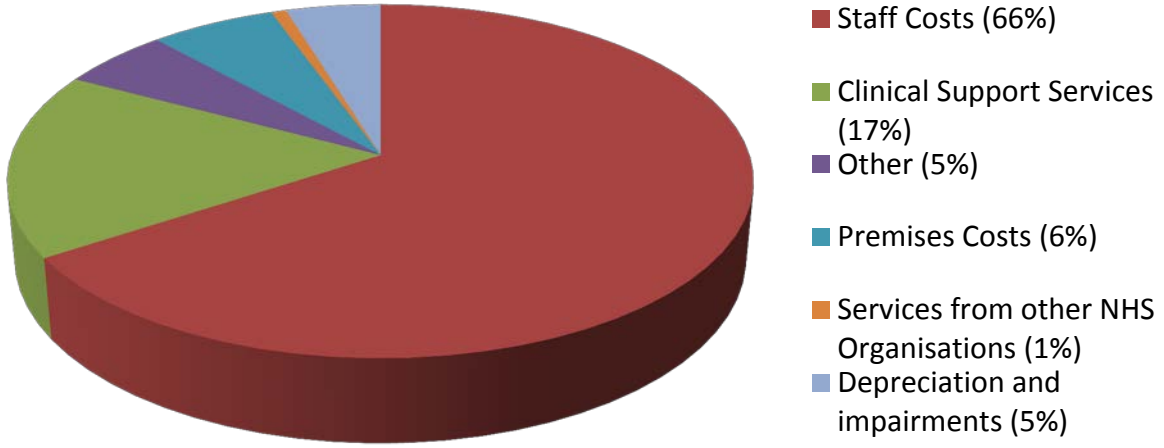
Expenditure

All expenditure amounted to £605.94m.

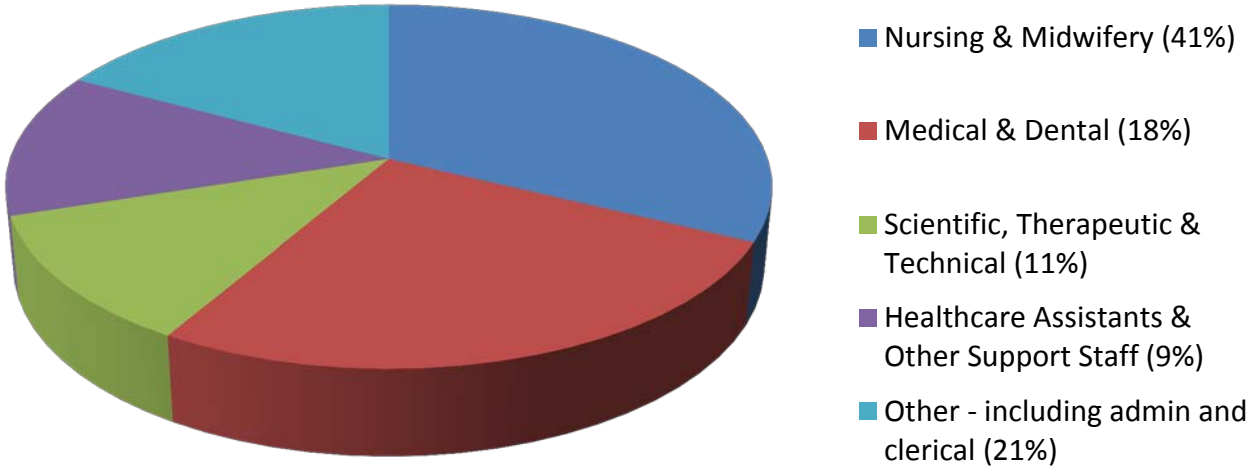
The majority of expenditure (66%) related to staff costs at £397.34m.

Full details of directors' remuneration can be found in the Remuneration Report on pages 67 to 76.

Expenditure 2019/20



Staff Analysis 2019/20



Planned Investment Activity

Capital expenditure in 2019/20 totalled £16.53m with investment in premises, medical equipment and information technology.

	£ Million
Premises (including backlog maintenance)	3.22
IT systems (majority on the Global Digital Exemplar programme)	8.98
Medical equipment	4.33

The value of the Trust's fixed assets, both tangible and intangible, at the end of 2019/20 was £230.35m.

Charitable Funds

The newly merged Trust took on the responsibilities for the charities that were run and operated by City Hospitals Sunderland NHS Foundation Trust and South Tyneside NHS Foundation Trust who both operated as the corporate trustee to the respective charitable funds. The Trust has assessed its relationship to these charitable funds and determined them to be subsidiaries because the Trust is exposed to, or has rights to, variable returns and other benefits for itself, patients and staff from its involvement with the charitable funds and has the ability to affect those returns and other benefits through its power over the funds.

The Trust is required to consolidate any material charitable funds which it determines to be subsidiaries. From 2016/17 City Hospitals Sunderland NHS Foundation Trust consolidated its charitable fund into the accounts as a subsidiary; South Tyneside Foundation Trust did not consolidate its fund.

For the 2019/20 financial year, the legacy charitable funds have remained separately registered with the Charity Commission. The City Hospitals Sunderland NHS Foundation Trust Charitable Fund (registered number 1052366) and the South Tyneside Foundation Trust General Charitable Fund (registered number 1059500) are both registered with the Charity Commission.

As at 31 March 2019, the value of the funds for the City Hospitals Sunderland fund was £4,682k. As at 31 March 2020, the value of the funds is estimated as £4,337k. This represents an estimated net decrease in value of £345k.

As at 31 March 2019, the value of the funds for the South Tyneside fund was £1,363k. As at 31 March 2020 the value of the funds is estimated as £1,328k. This represents an estimated net decrease in value of £35k.

The Board of Directors acts as the Corporate Trustee for all 'Funds Held on Trust' which are registered with the Charities Commission as a single charity. The Trust continues to receive donations from a wide variety of benefactors for which it is extremely grateful, and continues to utilise these funds for the benefit of both patients and staff in accordance with the terms of the donation. The Charitable Funds Committee represents the Corporate Trustee in the day to day management of the funds.

JULIA PATTISON **Date: 23 June 2020**
Director of Finance

Information Governance

Information Governance (IG) relates to the way organisations process or handle information. It covers personal information, ie that relating to patient/service users and employees, as well as corporate information, eg financial and accounting records. Information governance provides a way for employees to deal consistently with the many different rules about how information is handled.

The four fundamental aims are:

- to support the provision of high quality care by promoting the effective and appropriate use of information;
- to encourage responsible staff to work closely together, preventing duplication of effort and enabling more efficient use of resources;
- to develop support arrangements and provide staff with appropriate tools and support to enable them to discharge their responsibilities to consistently high standards; and
- to enable organisations to understand their own performance and manage improvement in a systematic and effective way.

The Data Security and Protection (DSP) Toolkit is a Department of Health policy delivery vehicle that NHS Digital is commissioned to develop and maintain. The DSP Toolkit is based on the ten Data Security Standards identified by the 'National Data Guardian for Health and Care Review of Data Security, Consent and Opt-Outs'. Organisations in scope of this are required to carry out self-assessments of their compliance against the standard's requirements.

The Trust is required to carry out such a self-assessment of compliance. This consists of a detailed review of compliance against 44 requirements (40 of which are mandatory), consisting of 148 evidence items across the 10 Data Security Standards.

In 2019/20, the Trust undertook a full review of performance against the DSP Toolkit standards ready for the year-end submission to NHS Digital in March 2020. This confirmed that 43 of the 44 mandatory DSP standards had been met. The exception was the standard which ensured that at least 95% of the Trust's workforce had successfully completed their annual mandatory Information Governance training. In March 2020, noting the significant pressures the NHS was facing during the COVID-19 pandemic, NHS Digital confirmed that the deadline for completion and submission of the DSP Toolkit was being extended until 30 September 2020. The Trust will ensure that this training target is achieved prior to this deadline in order to confirm that 40 of the mandatory DSP requirements have been fully met.

The Trust can confirm it has systems and processes in place to ensure information risks are reliably identified, prioritised and managed. AuditOne, the Trust's provider of internal audit services, has independently substantiated this assessment. Having completed the 32nd mandatory standard (IG annual mandatory training – 95% target), a report demonstrating the DSP Toolkit outcome for 2019/20 will be submitted to Executive Committee and IM&T Strategy Committee prior to final submission.

The Trust reported one information governance breach to the Information Commissioner's Office during 2019/20. This pertained to a community-based individual who inadvertently left confidential information in a wallet on the top of their car and drove away resulting in the loss of the information. Whilst a thorough search was conducted, the data was not recovered but has also not resulted in any adverse impact to the individuals concerned who were all informed of the loss. The incident was reviewed and closed by the Information Commissioner's Office with no further action. The Trust has re-issued guidance to all community workers on the importance of keeping information secure.

Cyber Essentials Plus Accreditation

Sunderland, as a Global Digital Exemplar site, was one of the first wave of NHS Trusts invited to partake in an 'NHS Cyber Assurance Process' which was driven/hosted by NHS Digital. Cyber Essential Plus is a UK government information assurance scheme operated by the National Cyber Security Centre (NCSC) which encourages organisations to adopt good practice in information security. The Trust's IT team worked extensively in evaluating the requirement of Cyber Essentials Plus and in implementing new solutions and working practices. The Trust successfully achieved this standard on 20 March 2019, and was Cyber Essential Plus accredited. This was two years ahead of the deadline, one of only six acute Trusts nationally, and the first acute Trust in our region. It is also pleasing to note that the Trust was reassessed in March 2020, and retained its Cyber Essentials Plus accreditation.

Social, Community, Anti-Bribery and Human Rights

Providing best value and ensuring that decisions are taken transparently and clearly are key principles of the NHS Constitution and as such the Trust recognises the importance of ensuring its services are delivered in an honest and ethical manner.

The Trust's Counter Fraud and Corruption Policy provides a framework to staff in relation to the detection and investigation of fraud, bribery and corruption and work has commenced on a review of this policy. It also provides advice and guidance whilst promoting a climate and environment of openness where staff feel able to raise concerns sensibly and responsibly. Information for staff from our Local Counter Fraud Specialists is regularly shared via the Trust's intranet and staff bulletin. In addition, the Trust's Standards for Business Conduct Policy aims to ensure that all staff employed by, and acting on behalf of, the organisation observe and comply with all applicable legislation and regulations and undertake ethical business practices, acting with high standards of business integrity at all times.

As an organisation, we are committed to promoting human rights and providing equality of opportunity not only in our employment practices but also in the way we provide and deliver services. To ensure that this commitment is put into practice we adopt positive measures which will seek to remove barriers to equal opportunity and eliminate unfair and unlawful direct and indirect discrimination. All policies within the Trust are subject to an Equality Impact Assessment which ensures that as an organisation we give due regard and consideration of the effects that our policies will have on people who share a protected characteristic. Further information in relation to activities undertaken by the organisation to increase awareness of equality, diversity and inclusion can be found on page 80.

ACCOUNTABILITY REPORT

DIRECTORS' REPORT

The Companies Act 2006 requires the organisation to set out in this report a fair review of the business of the Trust during the financial year ended 31 March 2020 including an analysis of the position of the Trust at the end of the financial year and a description of the principal risks and uncertainties facing the Trust.

Business Review

The information which fulfils the business review requirements can be found in the following sections of the Annual Report which are incorporated into this report by reference:

- Chairman's Statement on pages 9 to 10
- Chief Executive's Statement on pages 11 to 14
- Board of Directors on pages 47 to 57
- Financial Performance on pages 36 to 44
- Register of Interests on page 59

Board of Directors

Board Purpose

The Board of Directors provides leadership of the Trust within a framework of prudent and effective controls, enabling risk to be assessed and managed. It determines the strategic direction of the Trust and reviews and monitors operating, financial and risk performance. A formal schedule of matters reserved to the Board includes:

- defining the values, strategic aims and objectives of the Trust;
- approving of the Trust's Annual Plan;
- adoption of policies and standards on financial and non-financial risks; and
- approval of significant transactions, mergers, acquisitions, separations or dissolutions.

The Executive Committee of the Trust is responsible to the Board for:

- delivering the strategy; and
- overall performance of the Trust, and managing the day to day business of the Trust.

The matters reserved to the Council of Governors are:

- to hold the Non-Executive Directors, individually and collectively, to account for the performance of the Board of Directors;
- to represent the interests of the members of the Trust, and the public as a whole;
- to appoint, re-appoint or remove the Chairman and other Non-Executive Directors of the Trust and decide the remuneration and allowances thereof;
- to appoint, re-appoint or remove the Trust's auditor;
- to be presented with the Trust's Annual Report and Accounts;
- to approve an appointment by the Chairman and Non-Executive Directors of the Chief Executive;
- to give the views of the Council of Governors to Directors for the purpose of preparing the Trust's Annual Plan;

- to approve significant transactions or approve an application by the Trust to enter into a merger, acquisition, separation or dissolution;
- to decide whether the Trust's non-NHS work would significantly interfere with its principal purpose; and
- to approve amendments, with the Board of Directors, to the Trust's Constitution.

The Board of Directors has a balance of skills and experience to undertake the business of the Trust. As at 31 March 2020, the Board of Directors, excluding the Chairman, has a majority of non-executive directors. The non-executive directors are drawn from a diverse background bringing a broad range of views and experience to Trust deliberations.

During the six months leading up to the merger of City Hospitals Sunderland NHS Foundation Trust (CHSFT) and South Tyneside NHS Foundation Trust (STFT), the NHS Improvement (NHSI) Transaction Guidance required the establishment of an Interim Board.

Whilst the Councils of Governors of CHSFT and STFT did not have a statutory role in the appointment of the Interim Chairman and Interim Vice Chairman, the Lead Governors from each Foundation Trust were invited to be involved in the selection.

In agreement with NHSI, and overseen by KPMG providing independent advice, a rigorous process was undertaken that ensured the best appointments were made to provide a suitably balanced Interim Board in terms of skills, aptitudes and diversity. In October 2018 the two legacy Trusts appointed an Interim Board which became the Trust's shadow Board upon merger on 1 April 2019, although prior to merger it also had delegated oversight of the merger transaction process.

Although there was no specified time period in the legislation as to how long the new Foundation Trust could take to appoint its substantive Board, NHSI's Transaction Guidance stated that the Interim Board of Directors should hand over and disband as soon as possible and should not remain in place for more than five months following merger.

A meeting of the Governors' Nominations, Appointments and Remuneration Committee was held on 30 July 2019 to consider options for appointing the substantive Chairman, Vice-Chairman, Non-Executive Directors and Chief Executive with the aim of presenting recommendations to the full Council of Governors for consideration and approval on 13 August 2019. At this meeting, the Council of Governors approved the substantive appointment of the Chairman, Vice Chairman, Non-Executive Directors and Chief Executive Officer. The appointment of the Executive Directors had been made prior to merger on an interim basis however following approval of the confirmed appointment of the Chief Executive by the Governors' Nominations, Appointments and Remuneration Committee, the Executive Director appointments were confirmed as substantive in August 2019. The substantive Board of Directors was formally convened in September 2019.

Following the resignation of Mr Neil Mundy, a further meeting the Governors' Nominations, Appointments and Remuneration Committee recommended the appointment of Mrs Allison Thompson as Vice Chair, and was approved by the Council of Governors in November 2019.

Board of Directors 2019/20

John N Anderson QAEP CBE
Chairman
Interim Board Appointment: October 2018
Substantive Appointment: August 2019 (to April 2022)

Mr Anderson sold his main business (Mill Garage Group) in 1993 and has since devoted his time to public/private partnerships. He is Executive Chairman of Milltech Training Ltd, a company that assists young people into work through apprenticeships and also Chairman of the North East Business and Innovation Centre. Mr Anderson was Chairman of City Hospitals Sunderland NHS Foundation Trust prior to merger with South Tyneside NHS Foundation Trust to form South Tyneside and Sunderland NHS Foundation Trust.

Committee Member:
Board of Directors; General Purposes Committee.

David Barnes
Non-Executive Director/Senior Independent Director
Interim Board Appointment: October 2018
Substantive Appointment: August 2019 (to April 2022)

Mr Barnes is a Chartered Accountant and retired Non-Executive Chairman of TTR Barnes Ltd based in Sunderland. He was a Trustee and Audit Chair of United Learning, a national group of schools and academies until his retirement on 31 March 2013. He was a non-executive director of Sunderland Teaching Primary Care Trust and also held its appointed Governor position to the Trust's Council of Governors until December 2011. Until April 2019 he was Chair of AuditOne, a provider of internal audit, counter fraud and advisory services to the public sector in the North of England. Mr Barnes was a non-executive director of City Hospitals Sunderland NHS Foundation Trust prior to merger with South Tyneside NHS Foundation Trust to form South Tyneside and Sunderland NHS Foundation Trust. Mr Barnes was appointed Senior Independent Director in November 2019 and is also the Trust's Counter Fraud and Security Champion.

Committee Member:
Board of Directors; General Purposes Committee; Audit Committee; Charitable Funds Committee; Competitive Tendering Committee; Finance and Performance Committee.

Alan Clarke CBE
Non-Executive Director
Interim Board Appointment: October 2018
Substantive Appointment: August 2019 (to April 2022)

Mr Clarke has had a long career in local government, working for South Tyneside and Newcastle City Councils before becoming Assistant Chief Executive at Sunderland City Council in 1995 and Chief Executive of Northumberland County Council in 2000. Mr Clarke was Chief Executive of One Northeast from 2003 to 2012 and was awarded a CBE in 2011 for services to regeneration in the North East. He was a non-executive director of South Tyneside NHS Foundation Trust prior to merger with City Hospitals Sunderland NHS Foundation Trust to form South Tyneside and Sunderland NHS Foundation Trust. Mr Clarke is also the Trust's Mortality Champion and IM&T Champion.

C*ommittee Member:*
Board of Directors; General Purposes Committee; Audit Committee; Finance and Performance Committee; IM&T Committee; Strategy Committee.

Lyn Cole
Non-Executive Director
Interim Board Appointment: October 2018
Substantive Appointment: August 2019 (to April 2022)

Mrs Cole has extensive experience at director level of delivering high impact strategic change programmes working with large, multi-site and multi-functional teams. She is Deputy Chair of the Appointments Committee for the General Pharmaceutical Council and was named in the 2016 'New View 50' list as one of the most influential BAME people working in the public sector. Mrs Cole was a non-executive director of South Tyneside NHS Foundation Trust prior to merger with City Hospitals to form South Tyneside and Sunderland NHS Foundation Trust. She was also previously a member of the EY Foundation until February 2020. Mrs Cole is also the Trust's Equality and Diversity Champion and Dementia Champion.

C*ommittee Member:*
Board of Directors; General Purposes Committee; Charitable Funds Committee; Competitive Tendering Committee; Governance Committee; Policy Committee

Stewart Hindmarsh
Non-Executive Director
Interim Board Appointment: October 2018
Substantive Appointment: August 2019 (to April 2022)

Mr Hindmarsh is Chairman and Managing Director of SHA Advertising and Marketing in Sunderland. He is also Chairman and Managing Director of The Cedars Nursery Ltd, Chairman and Managing Director of A&R Healthy Living and Grainger CD, Chairman and Director of JG Windows, the music store and Managing Director of Cedar Grove Developments. He was a non-executive director of City Hospitals Sunderland NHS Foundation Trust prior to merger with South Tyneside NHS Foundation Trust to form South Tyneside and Sunderland NHS Foundation Trust. Mr Hindmarsh is the Trust's Safeguarding Adults and Children Champion, Research and Innovation Champion and Freedom to Speak up Champion.

Committee Member:
Board of Directors; General Purposes Committee; Patient, Carer, Public Engagement Committee; Remuneration Committee; Strategy Committee; Workforce Committee.

Mike Laker
Non-Executive Medical Advisor (non-voting)
Interim Board Appointment: October 2018
Shadow Appointment: April 2019

Dr Laker was Medical Director at Newcastle Hospitals NHS Foundation Trust from 1998 until 2006. He was also an adviser in patient safety for the North East Strategic Health Authority until 2010. He was lead clinician in the Independent Case Note Reviews at the Mid-Staffordshire NHS Trust. Dr Laker was non-executive medical advisor (non-voting) of City Hospitals Sunderland NHS Foundation Trust prior to merger with South Tyneside NHS Foundation Trust to form South Tyneside and Sunderland NHS Foundation Trust.

Committee Member:
Board of Directors; General Purposes Committee.

Paul McEldon
Non-Executive Director
Interim Board Appointment: October 2018
Substantive Appointment: August 2019 (until April 2022)

Mr McEldon is a Chartered Accountant and has been Chief Executive of the North East of England BIC Ltd since 2001. He was previously a Non-Executive Director for Northumberland, Tyne and Wear NHS Foundation Trust until July 2017. Mr McEldon is a member of the North East LEP Business Support Board and Sunderland Economic Leadership Board. He is Vice Chair and a Governor at Sunderland College since 2013. Mr McEldon was a non-executive director of City Hospitals Sunderland NHS Foundation Trust prior to merger with South Tyneside NHS Foundation Trust to form South Tyneside and Sunderland NHS Foundation Trust. He is the Trust's Emergency Planning Champion and Falls Champion.

Committee Member:
Board of Directors; General Purposes Committee; Audit Committee; Governance Committee; Policy Committee; Remuneration Committee.

Neil Mundy
Non-Executive Director/Vice Chair
Interim Board Appointment: October 2018
Substantive Appointment: August 2019

Mr Mundy has extensive experience in both executive and non-executive roles in public, private and third sector organisations in the North East and London. He was Chairman of South Tyneside NHS Foundation Trust prior to merger with City Hospitals Sunderland NHS Foundation Trust to form South Tyneside and Sunderland NHS Foundation Trust. Mr Mundy stood down from his role in September 2019 to take up a role within the North East and Cumbria Integrated Care System.

Allison Thompson
Non-Executive Director/Vice Chair
Interim Board Appointment: October 2018
Substantive Appointment: August 2019 (to April 2022)
Vice Chair: November 2019

Mrs Thompson built her career on solid, business, commercial and marketing foundations over a 24 year period and latterly held executive positions as Chief Operating Officer and Human Resources Director. Mrs Thompson has a track record of significant commercial and restructuring success throughout her career. She was a non-executive director of South Tyneside NHS Foundation Trust prior to merger with City Hospitals Sunderland NHS Foundation Trust to form South Tyneside and Sunderland NHS Foundation Trust. Mrs Thompson was appointed Vice Chair in November 2019 following the resignation of Mr Mundy. She is also the Trust's Control of Infection Champion and Revalidation Champion. Mrs Thompson is also the Chair of STFT Holdings Ltd, a subsidiary company of the Trust.

Committee Member:
Board of Directors; General Purposes Committee; Finance and Performance Committee; Governance Committee; Patient, Carer, Public Experience Committee; Remuneration Committee; Workforce Committee

Ken Bremner MBE
Chief Executive
Interim Board Appointment: October 2018
Substantive Appointment: August 2019

Mr Bremner is a qualified accountant and started working in Sunderland in 1988 becoming Finance Director in 1994. In 2004 he was appointed the Chief Executive of City Hospitals Sunderland NHS Foundation Trust and in 2016 also Chief Executive of South Tyneside NHS Foundation Trust. Mr Bremner chairs the Sunderland Partnership Board and is a member of the SAFC Foundation of Light Audit Committee and the North East and North Cumbria Academic Health Sciences Network. He was awarded an MBE in 2018 for services to NHS Leadership and is also an Honorary Fellow of the University of Sunderland.

Committee Member:
Board of Directors; General Purposes Committee; Remuneration Committee (for Executive Directors only); Finance and Performance Committee; Strategy Committee

Kath Griffin
Executive Director of Human Resources and Organisational Development
Interim Board Appointment: October 2018
Substantive Appointment: August 2019

Ms Griffin joined City Hospitals Sunderland NHS Foundation Trust in 2003 and in May 2016 her role was extended to also include South Tyneside NHS Foundation Trust. Prior to joining the NHS, Ms Griffin spent 20 years working in a variety of roles, primarily HR, in Scotland and England firstly with the Post Office Group before moving onto Social Services in Sunderland. Ms Griffin is also a shareholder representative on the Board of CHoICE, a wholly owned subsidiary of the Trust.

Committee Member:
Board of Directors; General Purposes Committee; Remuneration Committee; Workforce Committee.

Melanie Johnson
Executive Director of Nursing, Midwifery and Allied Health Professionals
Interim Board Appointment: October 2018
Substantive Appointment: August 2019

Ms Johnson is a registered nurse who has worked in the NHS since 1985 and joined the City Hospitals Sunderland NHS Foundation Trust in January 2016 and her role was extended to include South Tyneside NHS Foundation Trust in November 2016. She has held a variety of clinical and management posts in London and Leeds and was Director of Nursing in Newcastle and Edinburgh. Ms Johnson is a Visiting Professor at the University of Sunderland and is also a director of South Tyneside Integrated Care Ltd which is a subsidiary company of STFT Holdings Ltd, a subsidiary of the Trust.

Committee Member:
Board of Directors; General Purposes Committee; Governance Committee; Policy Committee; Patient, Carer and Public Experience Committee; Workforce Committee.

Julia Pattison
Executive Director of Finance
Interim Board Appointment: October 2018
Substantive Appointment: August 2019

Mrs Pattison is a qualified accountant and has worked in the NHS since 1989. She joined City Hospitals Sunderland NHS Trust in May 2006 as Head of Finance and Contracting previously working as Head of Finance and Service Level Agreements at North of Tyne Commissioning Consortium. Mrs Pattison became Director of Finance in July 2008 and her role was extended to include South Tyneside NHS Foundation Trust in November 2016. Mrs Pattison is also a shareholder representative on the Board of CHoICE, a wholly owned subsidiary of the Trust.

Committee Member:
Board of Directors; General Purposes Committee; Audit Committee; Charitable Funds Committee; Governance Committee; Competitive Tendering Committee; Finance and Performance Committee; IM&T Committee; Strategy Committee; Workforce Committee.

Peter Sutton
Executive Director of Planning and Business Development
Interim Board Appointment: October 2018
Substantive Appointment: August 2019

Mr Sutton has worked in the NHS since 1995. He joined City Hospitals Sunderland NHS Foundation Trust in 1999 and previously held the post of Director of Service Transformation working on behalf of NHS South of Tyne and Wear, South Tyneside NHSFT and Gateshead NHSFT. Mr Sutton became Director of Planning and Business Development in September 2013 and his role was extended to include South Tyneside NHS Foundation Trust in November 2016. Mr Sutton is also a director of STFT Holdings Ltd, a subsidiary company of the Trust and South Tyneside Integrated Care Ltd, a subsidiary company of STFT Holdings Ltd.

Committee Member:
Board of Directors; General Purposes Committee; Finance and Performance Committee; Strategy Committee.

Dr Shahid Wahid
Executive Medical Director
Interim Board Appointment: October 2018
Substantive Appointment: August 2019

Dr Wahid was a medical student at Newcastle Medical School from 1990 and then worked in a number of training posts in the North East from 1995 as a junior doctor before joining South Tyneside NHS Foundation Trust in October 2003 as Consultant Physician with an interest in Diabetes, Endocrinology and Acute Medicine. He was the Clinical Lead in Emergency Care before being appointed as Medical Director in December 2015 and was appointed as Medical Director for South Tyneside and Sunderland NHS Foundation Trust in April 2019. He has held various regional and national roles such as Training Programme Director Diabetes and Endocrinology, Royal College of Physicians Regional Specialty

Advisor, Advisor for the Emergency Care Intensive Support Team, Editor for the regional newsletter ENDODIABOLOGY and Secretary for the Northern Endocrine Regional Research and Audit Group.

Committee Member:
Board of Directors; General Purposes Committee; Governance Committee; IM&T Committee; Strategy Committee; Workforce Committee.

The non-executive directors bring independent judgement on issues of strategy development, performance management, risk and quality through their contribution to Board, committee and governor Meetings. The Board has concluded that each of the non-executive directors is independent in character and judgement, in accordance with the criteria set out in the NHS Foundation Trust Code of Governance.

The Board has appointed an Independent non-executive director, Mrs Allison Thompson, to be Vice Chair, and Mr David Barnes to be the Senior Independent Director in accordance with the provisions of the NHS Foundation Trust Code of Governance. It is for the Council of Governors at a general meeting to appoint or remove the Chairman and other non-executive directors. Removal of a non-executive director requires the approval of three-quarters of the members of the Council of Governors. All appointments are made for a period of office in accordance with the Terms and Conditions of appointment decided by the Council of Governors.

During the year, the following Board members held other company directorships or other significant interests:

Board Evaluation

Individual evaluation of the executive and non-executive directors was undertaken during the year in relation to performance for the predecessor organisations. As part of this process, the Chairman undertook appraisals with each of the non-executive directors and Chief Executive. The Chief Executive carried out formal appraisals of each of the Executive Directors. Evaluation for performance in relation to 2019/20 will be undertaken in 2020/21.

A review of the committee structure was undertaken prior to merger and the draft Terms of Reference were subsequently approved within the year. As the committees and their membership have now completed a full year, a self-assessment against the requirements of the agreed Terms of Reference will be undertaken early in 2020/21.

All directors, both executive and non-executive, meet the requirements of the ‘Fit and Proper Persons Test’ as described in the Trust’s Provider Licence. No directors, including the Chairman and Chief Executive, have any significant interests or commitments which may conflict with their management responsibilities.

Meetings of the Board of Directors and Committees

Shadow Board of Directors from 1 April 2019 to 31 August 2019
Substantive Board convened 1 September 2019

Board of Directors		Shadow		Substantive	
		Number of Meetings	Actual attendance	Number of Meetings	Actual attendance
John Anderson	Chairman	2	2	4	4
David Barnes	Non-Executive Director	2	2	4	2
Ken Bremner	Chief Executive	2	2	4	4
Alan Clarke	Non-Executive Director	2	2	4	3
Lyn Cole	Non-Executive Director	2	2	4	4
Kath Griffin	Executive Director of HR & Organisational Development	2	2	4	4
Stewart Hindmarsh	Non-Executive Director	2	2	4	3
Melanie Johnson	Executive Director of Nursing, Midwifery & AHPs	2	2	4	4
Mike Laker	Non-Executive Director	2	1	4	3
Paul McEldon	Non-Executive Director	2	2	4	4
Neil Mundy	Non-Executive Director/Vice Chair[1]	2	2	n/a	n/a
Julia Pattison	Executive Director of Finance	2	1	4	4
Peter Sutton	Executive Director of Planning &Business Development	2	1	4	3
Allison Thompson	Non-Executive Director/Vice Chair [2]	2	2	4	4
Shahid Wahid	Executive Medical Director	2	2	4	4

General Purposes Committee		Shadow		Substantive	
		Number of Meetings	Actual attendance	Number of Meetings	Actual attendance
John Anderson	Chairman	2	2	2	2
David Barnes	Non-Executive Director	2	1	2	2
Ken Bremner	Chief Executive	2	1	2	2
Alan Clarke	Non-Executive Director	2	2	2	2
Lyn Cole	Non-Executive Director	2	2	2	2
Kath Griffin	Executive Director of HR & Organisational Development	2	2	2	2
Stewart Hindmarsh	Non-Executive Director	2	1	2	1
Melanie Johnson	Executive Director of Nursing, Midwifery & AHPs	2	2	2	1
Mike Laker	Non-Executive Director	2	1	2	2
Paul McEldon	Non-Executive Director	2	2	2	2
Neil Mundy	Non-Executive Director/Vice Chair [1]	2	2	n/a	n/a
Julia Pattison	Executive Director of Finance	2	2	2	1
Peter Sutton	Executive Director of Planning & Business Development	2	2	2	1
Allison Thompson	Non-Executive Director/Vice Chair[2]	2	2	2	2
Shahid Wahid	Executive Medical Director	2	2	2	2

[1] To September 2019

[2] From November 2019

Audit Committee		Number of Meetings	Actual attendance
David Barnes	Non-Executive Director	5	4
Alan Clarke	Non-Executive Director [3]	3	2
Paul McEldon	Non-Executive Director	5	5
Neil Mundy	Non-Executive Director/Vice Chair [1]	2	2
Julia Pattison	Executive Director of Finance	5	5

Charitable Funds Committee		Number of Meetings	Actual attendance
David Barnes	Non-Executive Director	4	3
Lyn Cole	Non-Executive Director	4	4
Julia Pattison	Executive Director of Finance	4	4

Competitive Tendering Committee		Number of Meetings	Actual attendance
David Barnes	Non-Executive Director	8	7
Lyn Cole	Non-Executive Director	8	7
Julia Pattison	Executive Director of Finance	8	8

Finance and Performance		Number of Meetings	Actual attendance
David Barnes	Non-Executive Director	10	9
Ken Bremner	Chief Executive	10	6
Alan Clarke	Non-Executive Director	10	9
Julia Pattison	Executive Director of Finance	10	8
Peter Sutton	Executive Director of Planning & Business Development	10	9
Allison Thompson	Non-Executive Director/Vice Chair	10	10

Governance Committee		Number of Meetings	Actual attendance
Lyn Cole	Non-Executive Director	11	8
Melanie Johnson	Executive Director of Nursing, Midwifery & AHPs	11	10
Paul McEldon	Non-Executive Director	11	10
Neil Mundy	Non-Executive Director/Vice Chair[1]	4	3
Julia Pattison	Executive Director of Finance	11	8
Allison Thompson	Non-Executive Director/Vice Chair[3]	6	5
Shahid Wahid	Executive Medical Director	11	11

IM&T Committee		Number of Meetings	Actual attendance
Alan Clarke	Non-Executive Director	3	3
Neil Mundy	Non-Executive Director/Vice Chair[1]	3	1
Julia Pattison	Executive Director of Finance	3	3
Shahid Wahid	Executive Medical Director	3	1

Patient Carer and Public Experience Committee		Number of Meetings	Actual attendance
Stewart Hindmarsh	Non-Executive Director	4	2
Melanie Johnson	Executive Director of Nursing, Midwifery & AHPs	4	2
Allison Thompson	Non-Executive Director/Vice Chair	4	4

[1] To September 2019
[2] From November 2019
[3] From October 2019
Note – meetings due to be held March 2019 were held virtually due to COVID-19 pandemic restrictions.

Policy Committee		Number of Meetings	Actual attendance
Lyn Cole	Non-Executive Director	13	9
Melanie Johnson	Executive Director of Nursing, Midwifery & AHPs	13	8
Paul McEldon	Non-Executive Director	13	10

Remuneration Committee		Number of Meetings	Actual attendance
Ken Bremner	Chief Executive	1	1
Kath Griffin	Executive Director of HR & Organisational Development	1	1
Stewart Hindmarsh	Non-Executive Director	1	1
Paul McEldon	Non-Executive Director	1	1
Allison Thompson	Non-Executive Director/Vice Chair	1	1

Strategy Committee		Number of Meetings	Actual attendance
Ken Bremner	Chief Executive	4	3
Alan Clarke	Non-Executive Director	4	4
Stewart Hindmarsh	Non-Executive Director	4	3
Julia Pattison	Executive Director of Finance	4	3
Peter Sutton	Executive Director of Planning & Business Development	4	4

Workforce Committee		Number of Meetings	Actual attendance
Kath Griffin	Executive Director of HR & Organisational Development	5	4
Stewart Hindmarsh	Non-Executive Director	5	5
Melanie Johnson	Executive Director of Nursing, Midwifery & AHPs	5	3
Julia Pattison[4]	Executive Director of Finance	4	0
Allison Thompson	Non-Executive Director/Vice Chair	5	3
Shahid Wahid	Executive Medical Director	5	3

[1] To September 2019
[2] From November 2019
[3] From October 2019
[4] Attendance delegated to Deputy Director of Finance. Terms of reference amended January 2020 when membership amended.

Note – meetings due to be held March 2019 were held virtually due to COVID-19 pandemic restrictions.

Audit Committee

The Audit Committee has reviewed and commented upon the internal and external audit plans and the Local Counter Fraud plan. With regard to internal audit and Local Counter Fraud Service (LCFS) reports it has reviewed their reports and updates on the basis of the report recommendations, and on a sample basis, the complete report. The Committee has reviewed in detail this Annual Report and the Annual Accounts of the organisation.

For the 2019/20 financial year, the external auditors of the Trust are Ernst and Young (EY) who were appointed by the predecessor organisations' Council of Governors with effect from April 2019 for a period of one year with a possible extension for a further year. In March 2020 the Council of Governors for South Tyneside and Sunderland NHS Foundation Trust approved an extension to the contract to the end of March 2021. The value of the contract was £86,055 per annum for the financial and quality audits.

Internal audit services are provided by 'AuditOne' as part of Cumbria, Northumberland, Tyne and Wear NHS Foundation Trust. The arrangements are run as a consortium contract with all members having formal voting rights in relation to the running of the service.

The Audit Committee works with the Finance and Performance Committee to ensure overall probity around financial resources within the Trust. The Finance and Performance Committee includes some members of the Audit Committee. The Chair of the Audit Committee, the Finance and Performance Committee and the Governance Committee discuss areas of joint work and ensure a common understanding and overview by Board members in the management of risk. The membership of the Audit Committee and the Finance and Performance Committee includes the Chair of the Governance Committee which strengthens the assurance process around risk management throughout the organisation.

The Board of Directors has reviewed the Annual Governance Statement and the Governance Committee, Audit Committee and Board of Directors have reviewed the Assurance Framework, both of which are part of the framework for managing and mitigating risk for the organisation as a whole, on the basis of systems of internal control being put in place, but also regarding the identification of potential risks, so that action can be taken proactively to address them.

The Audit committee considered the risks highlighted in the external audit plan and concluded that these risks were in line with the committee's understanding of the organisation. The risks considered were:

- risk of fraud in revenue and expenditure recognition;
- misstatements due to fraud or error;
- valuation of land and buildings;
- merger accounting;
- pension liability valuation;
- opening balances;
- going concern;
- arrangements for managing financial resources; and
- merger of South Tyneside NHS Foundation Trust and City Hospitals Sunderland NHS Foundation Trust.

Charitable Funds Committee

The committee has reviewed in detail the Charitable Accounts relating to funds held on Trust for the 2018/19 financial year for the City Hospitals Sunderland NHS Foundation Trust Charitable Fund (registered number 1052366) and the South Tyneside Foundation Trust General Charitable Fund (registered number 1059500). The Committee will consider the 2019/20 Charitable Funds accounts ahead of the formal submission to the Charities Commission.

External Audit

There were no non-audit services purchased during 2019/20.

The Audit Committee reviews the independence of the external auditors and considers any material non-audit services to ensure that independence is maintained.

The directors confirm that so far as they are aware, there is no relevant audit information of which the Trust's auditors are unaware and that each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Trust's auditors are aware of that information.

Fraud

The Trust has an active internal audit programme which includes counter fraud as a key element. It participates in national counter fraud initiatives/checks and utilises the AuditOne counter fraud specialists to follow up any potential issues identified.

Other Income

The accounts provide detailed disclosures in relation to "other income" where "other income" in the notes to the Accounts is significant. (Significant items are listed in Note 3 to the Accounts).

Register of Interests

A Register of Interests for the Board of Directors is maintained by the Trust Secretary. The register is available for inspection by members of the public via application to the Trust Secretary or through Trust's website.

Political Donations

The Trust made no political donations during 2019/20.

Better Payment Practice Code

The Government's better payment practice code requires public sector bodies to pay all trade creditors within 30 days. The performance of the Trust in 2019/20 against the target of 95% of invoices by value and number is shown below.

The Trust is an approved signatory of the prompt payment code, which is hosted by the Institute of Credit Management on behalf of the Department of Business Innovation and Skills. Signatories to the Code commit to:

- pay suppliers within agreed terms;
- ensure suppliers know how to invoice them; and
- encourage good practice.

Better Payment Practice Code - Measure of compliance	Total		NHS Payable		Non-NHS Payable	
	Number	Value £000	Number	Value £000	Number	Value £000
Total bills paid in the year	81,171	227,318	79,319	142,401	1,852	84,917
Total bills paid within 30 days	48,725	133,646	47,700	83,797	1,025	49,849
Percentage of bills paid within 30 days	60.0%	58.8%	60.1%	58.8%	55.3%	58.7%

The Trust's performance in terms of payment within 30 days has been lower than it would have liked during 2019/20 mainly as a consequence of an update to the financial system used and subsequent migration issues causing a delay in the ability to process payments.

The Late Payment of Commercial Debts (Interest Act) 1988	Year Ended 31.03.2020 £000
Amounts included within other interest payable arising from claims made under this legislation	14
Compensation paid to cover debt recovery costs under this legislation	0

The Trust has complied with all relevant guidance relating to the better payment practice code, calculation of management costs and declaration of the number and average pension liabilities for individuals who have retired early on ill health grounds during the year. The relevant declarations are detailed in the Annual Accounts.

In addition the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with the NHS Foundation Trust Annual Reporting Manual 2019/20.

Quality Governance

It is vitally important the Board ensures that governance arrangements remain fit for purpose. Good governance is essential in addressing the challenges the Trust faces and the Board must ensure it has oversight of quality of care, operational and financial matters and is able to assure itself that services are well-led. The Board achieves this through detailed discussion at a range of formal committees of the Board of Directors.

The Trust has an independent assurance function which reports directly to the Governance Committee.

Details of how the Board ensures arrangements are in place are identified within the:

- performance report;
- quality report*; and the
- annual governance statement.

**Due to the COVID-19 pandemic, Foundation Trusts are not required to include the Quality Report within this annual report, therefore for details on progress and achievements against the Trust's quality and safety priorities for the year 2019/20, and to see what the Trust will focus on in 2020/21, please see the separate Quality Report document.*

Key Constraints on Trust Activities

NHS Improvement (NHSI), the Care Quality Commission (CQC), nor any other regulatory body have not placed any restrictions on the activities of the Trust.

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

Arrangements for Monitoring Improvements

Care Quality Commission (CQC) Inspection

South Tyneside and Sunderland NHS Foundation Trust is required to register with the CQC and its current registration status is in full, with no conditions. Activities that the Trust is registered to carry or provide out are:

- accommodation for persons who require nursing or personal care;
- assessment and care of patients under the Mental Health Act;
- diagnostic and screening procedures;
- family planning services;
- maternity and midwifery services;
- surgical procedures;
- termination of pregnancies; and
- treatment of disease, disorder or injury.

From 14 to 17 January 2020, the CQC carried out its first comprehensive well-led inspection of the new Trust which included reviewing the Trust's core services against the CQC's key questions and key lines of enquiry:

- Is the organisation **safe**?
- Is the organisation **effective**?
- Is the organisation **caring**?
- Is the organisation **responsive**?
- Is the organisation **well led**?

A Well-Led and NHSI Use of Resources Inspection was carried out in parallel to the core CQC inspection. At the time of finalising this report, the CQC published the Trust's rating from the inspection which was confirmed as 'Good'.

Assurance Programme

The Assurance function within the Trust provides an independent test of our compliance against regulatory and evidence-based standards. Following agreement by the Governance Committee last year, the assurance format was changed into an Assurance Dashboard. This broadened the scope of the original Assurance Programme and improves oversight of the current position of the Trust particularly in relation to CQC standards.

The Assurance Dashboard provides an overview of compliance against each of the five CQC key questions and key lines of enquiry. Under each of the key lines of enquiry there are a number of prompts and each of these are populated and rated (red, amber or green) based on evidence available. This provides a visual representation of the overall current Trust compliance and highlights areas of concern where action and improvement is required.

In addition to the Assurance Dashboard, the CQC publishes its 'Insights' documents approximately ten times per year. This contains a wide range of information from data sources available nationally and indicate improvement or deterioration trends in each of the key lines of enquiry, which the CQC then use to focus its enquiries and inspections. Summaries of the Insights documents are presented to the Governance Committee.

Complaints Handling

The Trust strives to provide the highest level of service to our patients, however, we recognise there may be occasions when things go wrong and patients/relatives/carers may not be entirely satisfied with the level of service they have received. We recognise there is a need to view complaints positively as a valuable contribution to the development of better quality healthcare by improving services and we are committed to identifying lessons learned from complaints.

The Trust has an established complaints handling policy in line with the Department of Health's NHS and Social Care Complaints Regulations. This policy confirms the Trust has a robust system in place to allow patients (or their nominated representative) the opportunity to have their concerns formally investigated and to receive a comprehensive written response from the Chief Executive or an appropriate individual in his absence.

The Concerns and Complaints policy is based on the principles of Good Complaints Handling published by the Parliamentary and Health Service Ombudsman (PHSO). The key principles are as follows:

- getting it right;
- being customer focused;
- being open and accountable;
- acting fairly and proportionately;
- putting things right; and
- seeking continuous improvement.

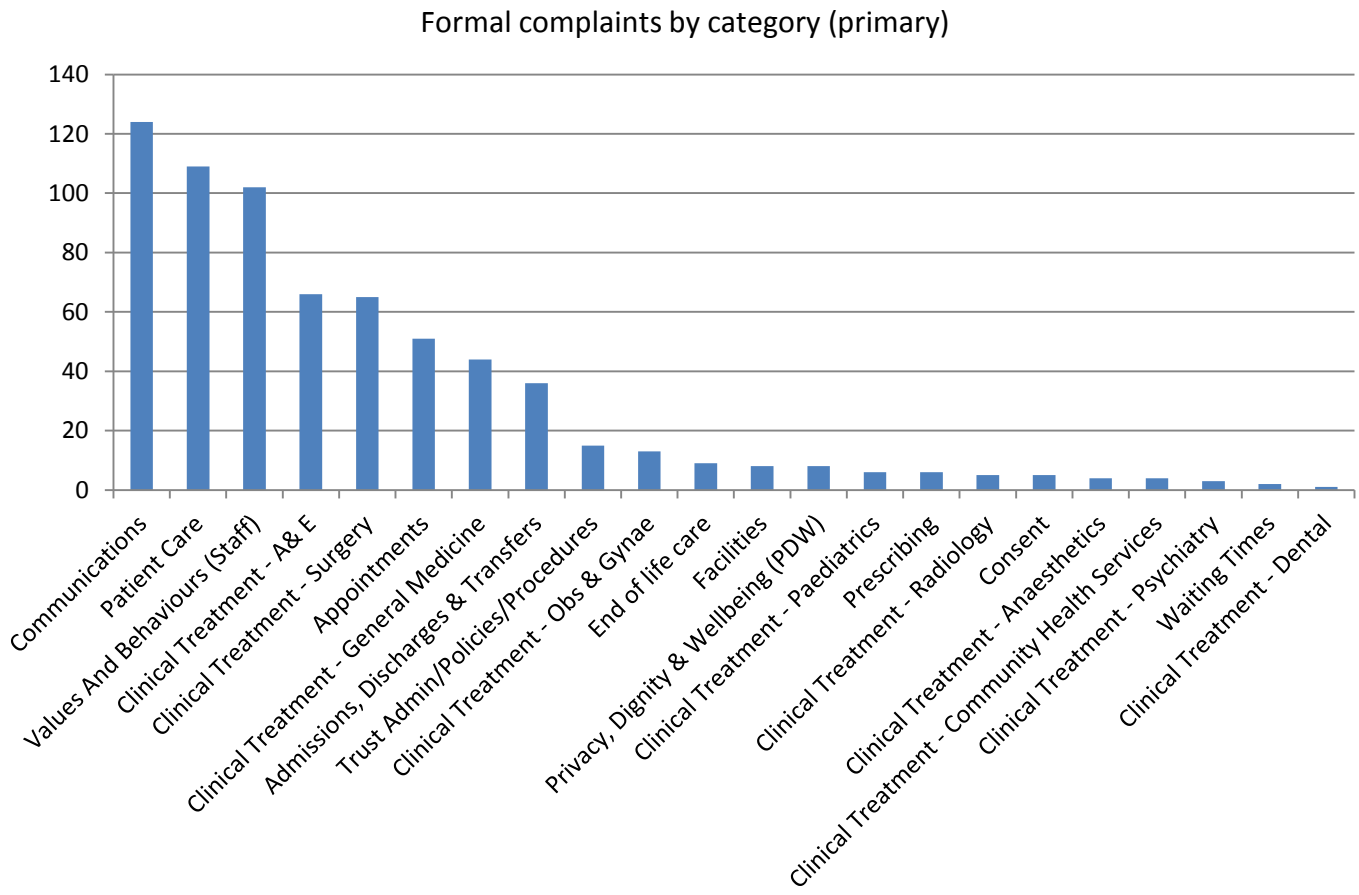
The policy aims to ensure that all complainants receive early contact by telephone to agree the issues, expected outcome, response time and response format. Complainants are also given information about the Independent Complaints Advocacy (ICA), who can support them in making a complaint if that were necessary.

Whilst the current regulations stipulate a maximum timescale of six months to respond to a complaint, the Trust aims to respond to complaints wherever possible within 20 working days but not more than 40 working days from receipt of a complaint. We do recognise however, that this is not always possible, for example if a complaint is complex involving other organisations or is subject to coronial investigation. Additional time can be negotiated to allow a thorough and comprehensive investigation to be undertaken. If the Trust is unable to respond within 40 working days we will contact the complainant to agree a revised response time.

From 1 April 2019 to 31 March 2020, the Trust received 697 formal complaints from patients or their representatives, an average of 58 per month.

Categories of Complaints

Most complaints have more than one theme, however the primary categories for complaints received in 2019/20 are illustrated in the chart below. The most common complaint categories related to communication (124), patient care (109) and values and behaviours of staff (102).



Complaints Investigation

Formal complaints are allocated to the appropriate directorate or department lead and a comprehensive investigation is commissioned. Investigating officers are usually Quality and Risk Facilitators or department managers, but responsibility for the investigation and associated actions remains with the Directorate Manager, or equivalent, and other key staff.

The Chief Executive provides a formal written response to the complainant who is given the opportunity, should they wish, to contact the Directorate Manager to discuss any outstanding concerns. If complainants remain dissatisfied, they are offered the opportunity to attend a formal meeting with relevant staff members to have an open discussion in an attempt to provide further clarification and resolve any outstanding concerns.

Following investigation, a judgement is made as to whether the concerns raised in a complaint have been validated. Of the complaints responded to in 2019/20:

- 99 were upheld;
- 206 were partially upheld; and
- 318 were not upheld.

Parliamentary and Health Service Ombudsman

Where complainants remain dissatisfied after conclusion of the meeting, and the Trust feels we have provided as much information as possible, then local resolution has been exhausted. In such cases, we would suggest the complainant contacts the Parliamentary and Health Service Ombudsman (PHSO) who may agree to undertake an independent review of their complaint.

During 2019/20, 23 complaints were referred to the PHSO.

Learning from Complaints

To provide assurance that the Trust is learning from experience, a complaints report is submitted to the Patient, Carer and Public Experience Committee (PCPEC), a formal committee of the Board.

Complaints data is also included in the Trust's Quality Report which is presented monthly to the Clinical Governance Steering Group, Governance Committee and the Board of Directors, along with other key patient safety and quality data to identify and monitor trends, and ensure action is taken to reduce the risk of recurrence and ensure learning.

Advice and Complaints Service

The Trust's Advice and Complaints Service (ACS) provides advice, signposting and support to patients, relatives and/or carers on a wide range of issues. The ACS is responsible for dealing with enquiries which can be resolved by liaising with staff to reach a quick and effective resolution. During 2019/20, the service received 450 informal enquires.

We continue to encourage feedback either positive or negative so that we can ensure that when things go wrong, or are not as they should be, lessons can be learned.

A more detailed Concerns and Complaints Annual Report can be found on the Trust's website.

Consultation and Involvement

Patient, Carer and Public Experience Committee

The Trust continues to develop the work of the PCPEC. The committee is chaired by a non-executive director and has governor, Healthwatch and carer representation. Key responsibilities are to ensure patient, carer and public involvement is integral to the Trust's overall strategy and to ensure the Trust takes account of the NHS Constitution in its decisions and actions – in particular the rights and pledges to which patients, carers, the public and staff are entitled.

The committee also monitors the outcomes and resulting actions from national surveys such as the inpatient survey, maternity services survey, and the cancer patient experience survey. These provide valuable feedback from patients on how services are being delivered but more importantly how they can be improved.

Path to Excellence – Phase 2

Path to Excellence is a five-year transformation of healthcare services across Sunderland and South Tyneside. It has been set up to secure the future of local NHS services and to identify new and innovative ways of delivering safe, high quality, joined up, sustainable care that will benefit the populations of both Sunderland and South Tyneside for many years to come.

During 2019/20 extensive work has continued to take place to engage and involve staff, patients, members of the public and key stakeholders in Phase Two of the Path to Excellence programme which is looking at the following areas of hospital care:

- **emergency care and acute medicine** – the care provided when patients arrive at the Emergency Department or need emergency admission to hospital;
- **emergency surgery** – the care provided when patients are admitted to hospital as an emergency and require an immediate operation;
- **planned care (including surgery and outpatients)** – the care provided when patients are referred to hospital by their GP for a test, scan, treatment or operation; and
- **clinical support services** – these services provide vital care such as therapy services, diagnostics and radiology (imaging) and pharmacy.

So far, the programme has heard from around 18,000 people which is documented in 14 published reports to date, with feedback and key insights carefully considered by the clinical design teams at each stage to support them in developing their working ideas. Patient feedback has also helped inform the development of evaluation criteria that will be used to help determine which scenarios move forward to formal public consultation and, ultimately, by our local Clinical Commissioning Groups (CCGs) in their final decision making process.

Work undertaken throughout 2019/20 has been led by clinical service review design teams which include a variety of frontline staff from within the specialties being reviewed. A third update to the case for change was published in October 2019 (building on previous versions published in July 2018 and February 2019 which outlined the key challenges and working ideas developed by the design teams) and focused specifically on how public, patient and staff feedback had influenced the working ideas developed by the programme

Our robust engagement process is being assured by the Consultation Institute in line with best practice as we work towards a formal public consultation on future service models.

Meetings Held in Public

Meetings of the Board of Directors and the Council of Governors are all held in public and members of the public are very welcome to attend. The meetings are advertised through the Trust's website and in key areas within the organisation. Governors and directors are available at the end of every meeting to speak to anyone in attendance.

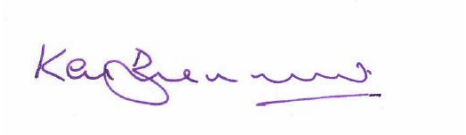
Significant Partnerships

The Trust has built on the work undertaken by the predecessor organisations in developing strong and effective partnerships not only within the health and social care economy in South Tyneside and Sunderland but also across NHS North East.

We have continued to work closely with local health economy partners as part of the Central Integrated Care Partnership as well as the wider North East and Cumbria Integrated Care System. More information on this work can be found on pages 23 to 25.

We continue to have a strong relationship with our main commissioners, NHS Sunderland Clinical Commissioning Group and NHS South Tyneside Clinical Commissioning Group and have continued to work with local universities, in particular Sunderland University as it has continued to expand its health-related courses, the Academic Health Science Network and Health Education England.

The Trust has also continued to work closely with Sunderland City Council and South Tyneside Council and is an active member of a number of city-wide groups.



KEN BREMNER
Chief Executive **Date: 23 June 2020**

REMUNERATION REPORT

Annual Statement on Remuneration

The Remuneration Committee is a standing Committee of the Board of Directors responsible for determining the remuneration and other terms and conditions of service for executive directors and other designated directors/very senior managers, taking into account national guidance, performance and benchmarking with peer organisations.

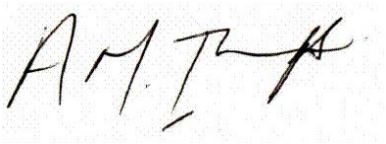
The remuneration report is divided into the following parts:

- Senior Managers' Remuneration Policy; and
- Annual Report on Remuneration

During 2019/20 the Remuneration Committee met and considered the following:

- the performance of the Chief Executive and executive directors and potential performance related bonuses linked to both achievement of personal objectives and personal contribution in relation to the transaction of merger;
- national guidance on Very Senior Managers' Pay;
- terms and conditions of the Chief Executive and Executive Directors;
- director succession planning; and
- pensions taxation.

The recommendations from the committee were subsequently approved by the remaining non-executive directors. The approved salary changes are shown in the table on page 74.



ALLISON THOMPSON
Vice Chair/Non-Executive Director
(Chair of Remuneration Committee)

Senior Managers' Remuneration Policy

The following table sets out the senior managers' remuneration policy of the Trust:

Component	Specific to	Strategic link	Maximum possible	Description
Salary	Directors/Very Senior Managers	To attract and retain suitably qualified individuals to lead and direct the Trust's activities.	Dependent on salary scale, mindful of the need to attract and retain suitable individuals, subject to periodic benchmarking.	Locally determined salary, benchmarked against peers.
Performance bonus	Directors/Very Senior Managers	To attract and retain suitably qualified individuals to lead and direct the Trust's activities.	5 % for Chief Executive and Executive Director of Finance. 2.5 % for remaining Directors/Very Senior Managers.	Potential to attract a performance bonus subject to the achievement of key outcomes and the approval of Remuneration Committee.
Lease car scheme	Directors/Very Senior Managers	To attract and retain suitably qualified individuals to lead and direct the Trust's activities.	Determined by role/ contract	Provision of lease car or cash equivalent, up to the maximum amount determined by role/contract.
Pension	All staff	To attract and retain suitably qualified individuals to lead and direct the Trust's activities.	In line with available pension scheme, ie NHS Pension Scheme and NEST.	Pension schemes with set contribution rates.

In determining the remuneration levels a range of benchmarking evidence is used including:

- NHS-wide governance ie Pay and Contractual Arrangements for NHS Chief Executives and Directors;
- local comparisons from other Trusts (where information is shared);
- posts advertised; and
- salary survey for NHS Chief Executives and Executive Directors.

The Trust's information is benchmarked against the salary for the relevant individuals and recommendations based thereon. To enable the Trust to recruit and retain staff of the highest calibre, salaries are normally linked to the upper quartile of the benchmarks.

There are 3 directors whose salary is above the £150,000 threshold used in the Civil Service. These reflect:

- a clinical PA and a national clinical excellence award; and
- salaries being competitive compared to peers in similar sized Trusts.

The Chief Executive and Executive Directors are on permanent contracts with notice periods that range from 3-6 months.

Each Executive Director and the Chief Executive have annual performance plans against which they are assessed on a mid-year and then end-of-year basis. Whilst their salary is not strictly performance related, the Remuneration Committee will discuss performance when considering any changes to remuneration levels.

The Chairman appraises the performance of the Chief Executive on at least an annual basis.

Senior managers' remuneration and pension benefits are detailed in the table on page 74. Accounting policies for pensions and other retirement benefits are set out in Note 1.8 to the accounts. No compensation for loss of office paid or receivable has been made under the terms of an approved Compensation Scheme. This is the only audited part of the remuneration report.

The key components of the remuneration package for senior managers include:

- salary and fees;
- all taxable benefits; and
- annual performance based bonuses where applicable.

Some terms are specific to individual senior managers, which are assessed on a case by case basis such as:

- lease cars; and
- on-call arrangements.

For the vast majority of staff, salaries are determined in line with the Agenda for Change scheme. Notice periods are standard within the Trust depending on the level of the role:

Agenda for Change Band	Notice Period
Bands 1 – 4	1 month
Bands 5 – 7	2 months
Bands 8+	3 months

Annual Report on Remuneration

The Trust's Remuneration Committee is chaired by the Vice Chair of the Trust and details of membership of the committee and attendance at the meetings are identified on page 57.

The Chief Executive is not part of the deliberation in relation to his performance or remuneration but joins the committee after this has taken place.

The Executive Director of Human Resources attends in an advisory capacity.

Recommendations of the committee are formally ratified by the remaining Non-Executive Directors and the Chairman of the Trust.

The committee agrees the remuneration, allowances and other terms and conditions of office of the Chief Executive, Executive Directors and other designated directors/senior managers, ensuring they are fairly rewarded for their individual and collective contribution to the organisation, having proper regard to the organisation's circumstances and performance and to the provisions of any national arrangements or guidance where appropriate.

The Council of Governors decides on the remuneration and terms and conditions of the office of the non-executive directors. The Council of Governors, in line with best practice and NHSI guidance, will market test the pay levels and other terms and conditions.

The Chairman agrees objectives with each non-executive director and a formal appraisal is undertaken annually.

The Lead Governor and Senior Independent Director have a role in the assessment and appraisal of the Chairman on an annual basis.

Salary and pension entitlements for the Board of Directors, as well as information relating to the awarding of performance payments for satisfactory achievement of objectives by the Chief Executive and Executive Directors can be found on page 74.

The performance targets and relevant weighting (where applicable) together with actual performance are identified in the table below and in the following pages. As performance is measured through an annual appraisal following the end of the financial year, the objectives and performance outlined in these tables relate to 2018/19 and reference the predecessor organisations.

Performance related elements of remuneration were awarded to the Chief Executive and Executive Director of Finance and were set at a maximum of 5% of salary. The performance targets reflect the strategic objectives of the organisation.

Chief Executive

Objectives	Weighting %	RAG
Deliver successful merger between South Tyneside NHS Foundation Trust (STFT) and City Hospitals Sunderland NHS Foundation Trust (CHSFT)	50	
Deliver agreed Financial Control Totals for 18/19 • STFT • CHSFT	 10 10	
Deliver at least a 'Good' Rating in CQC well led review (CHSFT only)	10	
Deliver at least a 'Good' Rating in NHSI Use of Resources Assessment (CHSFT only)	10	
Deliver the following performance metrics for both STFT and CHSFT • A&E • Cancer • RTT • Diagnostics	10	

The Committee agreed to award 4.88 % on the basis of objectives achieved above.

Executive Director of Finance

Objectives 2018/19	Weighting %	RAG
Support the delivery of the work required to deliver the merger of the two Trusts from 1 April 2019	40	
Manage 2018/19 Clinical Income contracts to minimise financial and other risks for the Trusts	2	
Prepare for the 2019/20 contracting round, maximising organisational engagement to minimise organisational risk	2	
Revisit the requirements of SLR and re-implement to enable utilisation for decision making purposes	2	
Deliver the financial Control Total for both Trusts	20	
Working with colleagues deliver a long term financial recovery plan (FRP) across South Tyneside and Sunderland Healthcare Group	20	
Support the developing ICS / and 'central' ICP	2	
Work with the PMO to ensure delivery of both Trust wide CIP requirements	4	
Oversee the delivery of the GDE programmes at both Trusts	2	
Align the Board Assurance Framework (BAF) across the two Trusts taking account of best practice	2	
Review the requirements of the National Procurement Strategy and deliver a Procurement Strategy for the Trusts.	2	
Alignment of the finance function across both Trusts to deliver efficiencies and consistency of processes	N/A	
Deliver mandatory departmental requirements	2	

The Committee agreed to award 4.90 % on the basis of objectives achieved above.

Performance related elements of remuneration were awarded to the Executive Medical Director, Executive Director of Nursing, Midwifery and AHPs, Executive Director of Human Resources and Organisational Development and the Executive Director of Planning and Business Development and were set at a maximum of 2.5% of salary. The performance targets reflect the strategic objectives of the organisation.

The performance targets and relevant weighting (where applicable) together with actual performance are identified in the tables below:

Executive Director of Nursing, Midwifery and AHPs

Objectives	Weighting %	RAG
Ensure CHSFT/STFT provides safe nurse staffing to deliver safe and effective person centred care	20	
Improve the Quality and Safety of Patient Care	20	
Prepare the organisations for CQC inspections post-merger	20	
Ensure robust Safeguarding Children and Adults systems and processes are in place	20	
Integrate Research and Innovation in CHSFT with Research and Development in STFT to create a joint strategy, combined department and greater inclusivity of NMAHPs	10	
Lead and manage self and own team in line with Vision, Values and Objectives	10	

The Committee agreed to award 2 % on the basis of objectives achieved above.

Executive Medical Director

Objective	Weighting %	RAG
Deliver the Path to Excellence phase 2 pre-consultation engagement by April 2019, pre-consultation business case by June 2019 aiming for consultation by summer/autumn 2019	20	
Control agency spend within agreed NHSI limits	10	
Provide STFT senior input into local and regional strategy, in particular: Local Health Economy, South Tyneside Alliance Leadership Team, Health Pathways, Smoking cessation and prevention agenda	10	
Deliver against agreed infection control and VTE targets	10	
Align clinical governance processes and reporting between STFT and CHSFT	10	
Ensure CQC must do's and should do's that he has direct responsibility for are delivered and signed off by Board by March 2019	10	
Deliver a single medical education structure across STFT and CHSFT	5	
Ensure medical revalidation (including appraisal) is complete and robust for all relevant medical staff at STFT	5	
Ensure direct reports are up to date with all mandatory training	5	
Provide support and leadership in gaining regulator approval for the merger of CHSFT and STFT	5	
Align clinical governance responsibilities between Director of Nursing and Medical in merged new Trust by end of March 2019	N/A	
Manage the temporary suspension of Consultant children's safeguarding assessments at STFT and support the Trust in managing the palliative care service provisions in the district as a result of the temporary and full closure of St Clare's	10	

The Committee agreed to award 1.94 % on the basis of objectives achieved above.

Executive Director of Human Resources and Organisational Development

Objectives	Weighting %	RAG
Deliver the workforce elements to ensure delivery of a merged trust by 31 March 2019	50	
Develop a Health & Wellbeing Strategy for the Trust to include review of the staff health and fitness centre, improving staff attendance.	2	
Improve the response rate and staff engagement score for the 2018 Staff Surveys	2	
Complete a full restructure of the HR and OD functions to ensure one seamless service in place prior to merger	2	
Further develop and raise the profile of Freedom to Speak Up (FTSU) across both Trusts	10	
Develop and implement the Workforce Strategy including: • Implementation of a Trust Behavioural Framework • Consultant Recruitment Training completed, new process implemented at STFT • OD Strategy and Plan in place	20	
Develop and implement e-systems to support the Trust's workforce Strategy	10	
Develop a framework to support our Reservists and encourage future Reservists	2	
Deliver mandatory corporate targets for the HR&OD directorate • Mandatory Training • Appraisal • CIP • Monthly Team Brief	2	

The Committee agreed to award 2.48 % on the basis of the objectives achieved above.

Executive Director of Planning and Business Development

Objectives	Weighing %	RAG
Help shape the ATBA so it delivers on LHE FRP	5	
One plan agreed covering Sunderland, South Tyneside, both in and out of hospital and prevention and set up of prevention work stream	5	
Complete successful merger of STFT and CHSFT by 1 April 2019	70	
Successful outcome of tenders	N/A	
Achievement against the STFT £9.5m CRP target	10	
Achievement against the CHSFT £13m CRP target		
Deliver 10% reduction in back office costs for own area	N/A	
Submission of Annual Plan on time, where possible aligned to LHE/ICP and commissioners and accepted by NHSI	10	

The Committee agreed to award 2.5 % on the basis of objectives achieved above.

In addition, the Chief Executive and the directors each received a one-off payment ranging between 2.5-5 % to reflect the significant achievement of a successful merger transaction.

Salary and Pension Entitlements of Senior Managers – 2019/20 (AUDITED)

	Salary (bands of £5000) £000	Expense payments (taxable)* (nearest £100) £000	Performance pay and bonuses (bands of £5000) £000	Long-term Performance pay and bonuses (bands of £5000) £000	All pension-related benefits** (bands of £2,500) £000	Total Remuneration (bands of £5,000) £000
MR K W BREMNER Chief Executive	260-265	13.2	25-30	0	0	295-300
DR S WAHID*** Executive Medical Director (see note below)	175-180	7.0	0-5	0	32.5-35	220-225
MRS J PATTISON Executive Director of Finance	160-165	7.0	15-20	0	0	185-190
MR P SUTTON Executive Director of Planning & Business Development	145-150	7.0	5-10	0	60-62.5	220-225
MRS K GRIFFIN Executive Director of Human Resources & Organisational Development	140-145	7.0	5-10	0	62.5-65	215-220
MRS M JOHNSON Executive Director of Nursing, Midwifery & Allied Health Professionals	130-135	7.0	5-10	0	0	140-145
MR J N ANDERSON Chairman	60-65	0	0	0	0	60-65
MRS A M THOMPSON Vice Chairman	20-25	0	0	0	0	20-25
MR N MUNDY Vice Chairman up to 30 September 2019	10-15	0	0	0	0	10-15
MR S HINDMARSH Non-Executive Director	15-20	0	0	0	0	15-20
MR P MCELDON Non-Executive Director	15-20	0	0	0	0	15-20
MR D BARNES Non-Executive Director/Senior Independent Director	15-20	0	0	0	0	15-20
MR A CLARKE Non-Executive Director	15-20	0	0	0	0	15-20
MRS E COLE Non-Executive Director	15-20	0	0	0	0	15-20
MR M LAKER Non Executive Medical Advisor (non-voting)	10-15	0	0	0	0	10-15

* All benefits in kind relate to either lease cars provided under the Trust's Lease Car Scheme or car allowances.

** Pension related benefits represent the annual increase in pension entitlement determined in accordance with the 'HMRC method', they do not represent payments made to senior managers in the year. The annual increase will vary from manager to manager depending upon the number of years accrued pension they have, any pensionable pay increases received in the year and the rate of inflation. Where there is a decrease in the benefits in the year this is recorded as "Nil" in the table above. In accordance with guidance received from NHS Pensions the inflation figures used over the two years were 2.4% (2019/20) and 3% (2018/19).

*** Remuneration details for Dr S Wahid, Medical Director includes payment for clinical work between £10k-£15k per annum.

Pension Entitlements of Senior Managers – 2019/20 (Audited)

	Real Increase in Pension at Pension Age (bands of £2500)	Real Increase in Pension Lump Sum at Pension Age (bands of £2500)	Total Accrued Pension at Pension Age at 31 March 2020 (bands of £5000)	Lump Sum at Pension Age related to accrued pension as at 31 March 2020 (bands of £5000)	Cash Equivalent Transfer Value at 1 April 2019 (Nearest £1000)	Real Increase in Cash Equivalent Transfer Value (Nearest £1000)	Cash Equivalent Transfer Value at 31 March 2020 (Nearest £1000)	Employer's contribution to stakeholder pension
	£000	£000	£000	£000	£000	£000	£000	£000
MR KW BREMNER Chief Executive	0	0	90-95	280-285	2,252	0	2,319	0
Dr S WAHID Executive Medical Director	2.5-5	0	45-50	100-105	757	30	825	0
MRS J PATTISON Executive Director of Finance	0	0	0	0	0	0	0	0
MR P SUTTON Executive Director of Planning & Business Development	2.5-5	2.5-5	45-50	100-105	643	44	723	0
MRS K GRIFFIN Executive Director of Human Resources & Organisational Development	2.5-5	2.5-5	50-55	115-120	913	64	1,020	0
MRS M JOHNSON Executive Director of Nursing, Midwifery & Allied Health Professionals	0	30-32.5	25-30	195-200	1,302	0	0	0

As non-executive members do not receive pensionable remuneration, there are no entries in respect of pensions for Non-Executive members.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised 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 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 - This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Pension figures as at March 2020 not applicable for J Pattison as left the scheme in 2018.

No CETV value available for M Johnson as she left the scheme in October 2019.

Fair Pay Multiple (Audited)

	2019/20
Band of highest paid director's total remuneration (£'000)	295-300
Median total remuneration (£)	30,114
Ratio	9.88

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in South Tyneside and Sunderland NHS Foundation Trust in the financial year 2019/20 was £295-300k. This was 9.88 times the median remuneration of the workforce, which was £30,114.

In 2019/20, no employees received remuneration in excess of the highest paid director. Remuneration ranged from £12k-£290k.

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.

Directors' and Governors' Expenses

	Headcount	Number receiving expenses	£
Executive and Non-Executive Directors	15	4	1,875
Governors	26	5	358

Expenses claimed include mileage, parking fees and course/conference fees where they have been booked and paid for personally by the director or governor.

KEN BREMNER
Chief Executive **Date: 23 June 2020**

STAFFING REPORT (AUDITED)

Workforce Numbers and Staffing Costs

The table below shows an analysis of staff costs at the end of March 2020. The workforce numbers identified within the staff groups are average staff numbers and these include those members of staff not directly employed by the organisation, such as junior doctors employed by the Lead Employer Trust and bank/agency staff.

GROUP						
	FULL TIME EQUIVALENT (FTE)			Cost (£000s)		
Staff Group	Fixed Term/Temp	Permanent	Total	Fixed Term/Temp	Permanent	Total
Medical and Dental[1]	237	604	841	26,197	78,187	**104,384**
Administration and Estates[3]	27	1,860	1,887	1,498	62,261	**63,759**
Healthcare Assistants and other support staff[2]	163	1,701	1,864	5,481	45,622	**51,103**
Nursing, Midwifery and health visiting staff	146	2,569	2,715	7,427	120,837	**128,264**
Scientific, therapeutic and technical staff[2]	11	1,016	1,027	1,201	48,634	**49,835**
Total	**584**	**7,750**	**8,334**	**41,804**	**355,540**	**397,344**
FOUNDATION TRUST						
	FTE			Cost (£000s)		
Staff Group	Fixed Term/Temp	Permanent	Total	Fixed Term/Temp	Permanent	Total
Medical and Dental[1]	237	604	841	26,197	78,187	**104,384**
Administration and Estates	27	1,702	1,729	1,049	57,016	**58,065**
Healthcare Assistants and other support staff[2]	163	1,339	1,502	5,481	36,401	**41,882**
Nursing, Midwifery and health visiting staff	146	2,568	2,714	7,427	120,797	**128,224**
Scientific, therapeutic and technical staff[2]	11	955	966	1,180	46,430	**47,610**
Total	**584**	**7,168**	**7,752**	**41,334**	**338,831**	**380,165**

1 Includes junior doctors employed by the Lead Employer Trust (LET).

2 Includes Estates and Facilities staff, support staff and scientific staff who are employed by CHoICE Facilities services.

3 Temporary staff FTE data is only recorded for medical and dental and nursing staff groups.

* Group includes City Hospitals Sunderland Commercial Enterprises Ltd (CHoICE Ltd), South Tyneside Integrated Care Ltd and South Tyneside and Sunderland NHS Foundation Trust.

Costs are broken down in to salaries and wages, social security costs and pension costs within note 5 of the accounts.

Workforce Analysis

Further analysis of the our workforce can be found in the tables overleaf. These tables use staff group categories as defined by the NHS Digital Occupational Code Manual and are an analysis of average staff numbers. The number of staff also differ from those in the previous section as the following tables show the number of staff who are employed directly by the organisation.

GROUP			
Staff Group	**Female**	**Male**	**Total**
Additional Professional Scientific and Technical	254.52	94.18	348.70
Additional Clinical Services	1,278.01	192.17	1,470.18
Administrative and Clerical	1,159.54	267.77	1,427.30
Allied Health Professionals	394.35	89.01	483.36
Estates and Ancillary	360.76	332.56	693.32
Healthcare Scientists	44.80	39.56	84.37
Medical and Dental	222.12	384.48	606.60
Nursing and Midwifery Registered	2,436.97	196.58	2,633.55
Students	3.75	0.00	3.75
Total (FTE)	**6,154.83**	**1,596.31**	**7,751.13**
FOUNDATION TRUST			
Staff Group	**Female**	**Male**	**Total**
Additional Professional Scientific and Technical	254.44	93.18	347.62
Additional Clinical Services	1,229.36	185.28	1,414.64
Administrative and Clerical	1,118.75	232.13	1,350.88
Allied Health Professionals	394.35	89.01	483.36
Estates and Ancillary	146.18	129.03	275.21
Healthcare Scientists	44.80	30.81	75.62
Medical and Dental	222.12	384.48	606.60
Nursing and Midwifery Registered	2,428.85	195.91	2,624.76
Students	3.75	0.00	3.75
Total (FTE)	**5,842.61**	**1,339.83**	**7,182.44**

GROUP			
Staff Group	**Female**	**Male**	**Total**
Director*	4	6	10
Senior Manager	206	77	283
Employees	7,090	1,601	8,692
Total (headcount)	**7,300**	**1,684**	**8,984**
FOUNDATION TRUST			
Staff Group	**Female**	**Male**	**Total**
Director*	4	6	10
Senior Manager	206	73	279
Employees	6,641	1,326	7,967
Total (headcount)	**6,851**	**1,405**	**8,256**

*Executive Team Directors (both Executive Directors and Directors – excluding Non-Executive Directors)

GROUP			
Staff Group	Permanent	Other	Total
Additional Professional Scientific and Technical	337.35	11.35	348.70
Additional Clinical Services	1,373.06	97.12	1,470.18
Administrative and Clerical	1,358.02	69.29	1,427.30
Allied Health Professionals	468.36	15.00	483.36
Estates and Ancillary	678.57	14.75	693.32
Healthcare Scientists	78.92	5.45	84.37
Medical and Dental	388.92	217.68	606.60
Nursing and Midwifery Registered	2,499.62	133.93	2,633.55
Students	0.67	3.08	3.75
Total (FTE)	**7,183.48**	**567.65**	**7,751.13**

FOUNDATION TRUST			
Staff Group	Permanent	Other	Total
Additional Professional Scientific and Technical	336.27	11.35	347.62
Additional Clinical Services	1,317.52	97.12	1,414.64
Administrative and Clerical	1,286.03	64.84	1,350.88
Allied Health Professionals	468.36	15.00	483.36
Estates and Ancillary	270.28	4.93	275.21
Healthcare Scientists	70.17	5.45	75.62
Medical and Dental	388.92	217.68	606.60
Nursing and Midwifery Registered	2,490.83	133.93	2,624.76
Students	0.67	3.08	3.75
Total (FTE)	**6,629.05**	**553.39**	**7,182.44**

Sickness Absence Data

The Trust routinely monitors sickness absence data at Executive Committee, Workforce Committee and the Board of Directors and it is also monitored at division/department level. Data relating to the Trust's sickness absence can be found on the NHS Digital website at https://digital.nhs.uk/data-and-information/publications/statistical/nhs-sickness-absence-rates

The Role of the Trust as a Local Employer

South Tyneside and Sunderland NHS Foundation Trust offers excellent employment opportunities to new and existing staff. We aim to be a model employer and are constantly working hard to further develop links with local strategic partners, educational and voluntary organisations across South Tyneside, Sunderland and surrounding areas. We also continue to explore ways to engage with communities and improve the working lives of our staff. We pride ourselves on offering good working conditions, job security, lifelong learning, fair pay, an excellent range of benefits, staff involvement and a balance between work and personal life.

Staff Policies and Actions Applied During the Year

Equality, Diversity and Inclusion

As an organisation, we aim to make Equality Diversity and Inclusion (EDI) the golden thread running through everything we do; whether that is providing services, employing staff or working with our partners. Everyday inclusion will remain a top priority. We are working with staff, service users, carers and partner organisations to realise a vision for personal, fair and diverse health and care services, where everyone is included and our Trust values are brought to life.

We have made significant progress towards making our services and employment and provider practices more inclusive over the last year. Some examples include:

- identified a Board Equality Champion – Lyn Cole, Non-Executive Director;
- recruited to the Equality, Diversity and Inclusion Lead post;
- increased LGBT visibility through internal and external awareness events;
- trained all staff on equalities issues through mandatory training;
- undertaken staff survey and staff engagement to inform our Inclusion Strategy;
- engaged with local community groups and launched a patient survey (both online and hard copies completed at ward level) through our interpreting and translation provider – Everyday Language Solutions;
- continue to work closely with regional partnership organisations including North East Ambulance NHSFT, Tyne and Wear Fire and Rescue Service, Northumbria Police, and various other public, private and community sector organisations; and
- developed the behavioural compact in response to the 2018 NHS Staff Survey.

Everyday Inclusion, Equality Strategy 2019-2022

Our EDI Strategy was developed as a co-production project by engaging and listening to the views of staff, patients and partners. All the comments were used to draft the strategy which demonstrates our commitment as an NHS organisation to EDI and these helped shape our equality objectives as a newly formed organisation.

Equality Objectives

The Trust's equality objectives are informed by the Trust's corporate annual objectives, staff survey findings, gaps emerging from the Workforce Race Equality Standards (WRES) and Workforce Disability Equality Standard (WDES), and other intelligence available. The Trust has developed its three year objectives in 2019/2020 which were approved alongside our Everyday Inclusion, Equality Strategy 2019-2022.

The four equality objectives are:

Equality Objective 1	To improve services for patients who have access and communication needs by ensuring processes are in place to provide information in a variety of formats that meet the needs of patients and/or carer, in particular those with a disability, impairment or sensory loss.
Equality Objective 2	To improve the development offer to staff in relation to equality diversity and inclusion.
Equality Objective 3	Ensure that the Trust Senior Management Team actively leads and promotes equality diversity and inclusion through role modelling of behaviours and empowering all staff to challenge bad behaviours at all levels.
Equality Objective 4	To improve staff engagement and satisfaction rates using the staff survey and other data sources available to us.

Sunderland Pride 2019

Representatives from the Trust attended Sunderland Pride in September 2019, taking part in the parade as well as hosting an information market stall to promote the Trust services, apprenticeship opportunities, and Foundation Trust Membership, whilst also seeking feedback from people about our services.

NHS Rainbow Badges

In September 2019, the Trust also launched the NHS Rainbow Badge initiative at the Annual Members Meeting. The Chief Executive, spoke passionately about our commitment to equality, diversity and inclusion and the need to continuously strive to make improvements to better support our staff and patients and develop the services we provide.

Around 2000 members of staff signed up to the pledge in the first 6 months.

The NHS Rainbow Badge can be worn by any member of staff seeking to make a difference for both patients and staff, by providing an environment that is inclusive and celebrating of diversity. The badge is not just worn by those who identify themselves as LGBT+, but can also be worn by allies and those who role model inclusive and supportive behaviours.

Inclusion Conference

In February 2020 the Trust held its first Inclusion Conference. This was our first opportunity to share our journey of inclusion as a newly merged Trust. The conference included passionate, emotional and personal accounts of the challenges our speakers have faced with regards to racism, bullying and harassment and hate crimes throughout their lives and careers but it also showcased the positive changes that have occurred in recent years in relation to inclusion within the NHS and wider community.

Over 100 people attended ranging from staff, patients, carers, governors, partners and community members and feedback and evaluation outcomes were extremely positive.

Staff Network

Following feedback from staff during the year the Trust has committed to developing staff networks and will launch three network groups and we look forward to providing more information in next year's annual report. The networks are:

- LGBT+ Allies staff network
- Black Asian Minority Ethnic (BAME) staff network
- Disability and Long Term Health Conditions staff network

Stepping Up Programme

In November 2019, the North East Leadership Academy (NELA) launched the regional Stepping Up programme.

Stepping Up is a positive action three month leadership development programme for BAME (black, Asian and minority ethnic) colleagues in bands 5 and 6 roles. We are extremely pleased to report that 11 of our staff members were successful in gaining a place on the Stepping Up Programme.

Armed Forces Friendly Employer

The Armed Forces Covenant represents the nation's commitment to supporting those who serve, or who have served, by treating them fairly to give them equal access to everything from healthcare, education and starting a new career to financial assistance and having a home.

Previously, South Tyneside and City Hospitals Sunderland NHS Foundation Trusts signed the covenant individually but when the organisations merged in April 2019, the new Trust took the opportunity to reaffirm its pledge to both the Armed Forces Covenant and Step into Health programme.

The Trust currently has eight employees who are reservists in the Army, as well as three Cadet Adult Volunteers and a number of veterans.

Executive Director of HR & OD, Kath Griffin with Lieutenant Colonel Steph Alexander, Commanding Officer Defence Medical Academy with Reservist Employees, Members of the Board of Directors, representatives from the MoD and others - Reaffirming the Trust's Armed Forces Covenant and Stepping into Health pledges

In conjunction with The Royal Foundation and Walking With The Wounded, the NHS designed the first access pathway from the military into the numerous career opportunities available. The NHS recognises the transferable skills and cultural values that Armed Forces personnel develop when serving and how they are compatible with those required within NHS roles.

The Trust was among the first to sign-up to the national Step Into Health initiative which is open to all service leavers and veterans and their spouse/partner. We held a number of events and in July 2019 we hosted the inaugural NHS Regional Insight event. The Chief Executive delivered the opening address; 42 service leavers attended what was widely reported as a very successful day. In March 2020, the Trust celebrated winning the first-ever Step into Health Awards for our work in recruiting members of the Armed Forces community to the NHS. The Trust won the 'Leading the Way as an Employer' award for embedding recruitment of veterans and their families into its recruitment processes and acting as an exemplar and sharing good practice with other employers.

Chief Executive, Ken Bremner and Brian Hughes-Mundy, Human Resources Manager receiving the 'Leading the way as an employer' Award from Andy Bacon, Assistant Head Armed Forces Central Team at NHS England and Danny Mortimer Chief Executive, NHS Employers

Having been accredited by the Veterans Covenant Hospital Alliance (VCHA) we have continued with our commitment to improve NHS care for veterans and members of the armed forces community. We were one of the first Trusts to receive accreditation and now there are over 40 Trusts nationwide striving to deliver the best care for veterans and their families. We encourage patients to let us know if they have ever served in the UK armed forces so that we can best support their care needs and we are committed to learning from our patients and their families to improve quality of care.

Leadership Training

The Trust continues to encourage employee involvement in military-led events and insight days. In June 2019 a number of teams from the Trust participated in Exercise Medical Challenge, which involved medical leadership tasks and practicing team work in a different environment.

Occupational Health

Like many teams, the two Occupational Health and Wellbeing teams from the predecessor Trusts have joined together with the merger and have continued to support staff in areas such as pre-employment checks and immunisations to advice on sickness absence and clinical ergonomics.

The team had a successful year supporting the seasonal flu campaign with a large number of staff taking up the offer of a flu vaccination.

The Wellbeing Team has continued to provide wellbeing services to staff. We have had another successful year with campaigns ranging from 'His Eyes Only' (men's health) and 'Here Comes the Girls' (women's health), 'Time to Talk' (mental health) and 'Don't fry apply' and 'Think Straight hydrate' (summer campaign). The Know Your Numbers campaign certainly had a positive impact on the health of a number of staff this year when high blood pressure was identified and treatment sorted quickly which prevented other issues occurring. Carers had they own campaign and the Care Co-ordinator continues to support staff with advice and support for all carer needs from child care to caring for parents or spouse.

The Staff Health and Fitness Centre at Sunderland Royal Hospital was fully refurbished at the beginning of the year which included a redesign of the gym to include new cardio and weight equipment and a separate free-weight section. A new studio timetable was launched with the introduction of early morning classes as well as lunchtime and evening classes which have a variety of cardio, stretch and strength workouts. The centre also hosted new musculoskeletal preventative workshops. These workshops, which are also held at South Tyneside District Hospital, are a 30 minute bite-size practical workshop to prevent aches and pains in the work place. The first session was entitled 'Are you sitting comfortably?' where the team explained how to set up an office chair correctly. Other topics have included how to set a ward mobile laptop up correctly, how to get a comfortable driving position, and how to fit the recommended 150 minutes exercise into a busy working week.

The Occupational Health Physiotherapy Service has expanded this year to see a 5 day service at both South Tyneside District Hospital and Sunderland Royal Hospital. Staff can access physiotherapy via self-referral and are offered a range tools to improve musculoskeletal issues from advice and self-help leaflets, telephone advice to face to face assessment treatment and rehabilitation. The team also hosted the 'Love Activity Hate Exercise' campaign for those who have long term health conditions and for those who do not enjoy going to the gym and or taking part in sporting activities by providing advice in relation to using activities such as gardening and housework to walking and playing active games with family members as part of their exercise regime.

Moving and handling has been reviewed this year and staff now have more bespoke training depending on their role. Staff can now train as object handlers, basic patient handlers and full patient handlers and the moving and handling team is providing more ward and department training where groups of staff can train together with the equipment they have in their working environment; this has received positive feedback.

Health and Safety

The Health and Safety Team is continuing to provide significant and focussed support to ensure compliance with the risk assessment agenda, providing advice, guidance and support at front line and managerial levels.

The team has focussed on an in-depth intervention over several months to ensure compliance with the Health and Safety (Sharp Instruments in Healthcare) Regulations 2013 across the Trust following a structured gap analysis for compliance, and we are currently developing a Trust-wide Health and Safety Self-Assessment Audit Tool looking at compliance and providing feedback and advice to managers of any areas which require improvement. This will form the basis of a topic specific confirmatory audit throughout the year.

In the former Trusts, there were two differing systems of the management of Health and Safety, Fire and Security and following the merger there has been significant and successful merging of the operational teams providing a comprehensive combined approach to these specialisms.

As part of the Health and Safety Executive Topic Inspection Programme, the HSE visited South Tyneside District Hospital and inspected our management of violence and aggression and the management of manual handling. The outcome of the inspection was excellent with no enforcement actions required and the key comment was that the HSE believed the right teams were in place to carry this work forward across the new organisation.

The number of RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013) incidents reported by classification can be found in the table below:

RIDDOR 2019/20			
Incidents	**Dangerous Occurrences**	**Occupational Disease**	**Total**
22	4	1	27

The total number of health and safety incidents reported in the Trust can be seen in the table below:

Health & Safety Incidents 2019/20			
No Harm	**Minor Harm**	**Moderate Harm**	**Total**
366 (46 %)	396 (52 %)	15 (3 %)	766

Analysis of the above incidents showed no significant on-going trends with the Health and Safety Team providing managers with advice, guidance and support for this and all other Health and Safety related issues.

Of the 167 workplace assessments that have been referred to the Health and Safety Team, Occupational Health Team, and Ergonomics Team, 75 assessments required specific support from the Health and Safety Team. Reports and associated action plans are produced and shared with the relevant teams and individuals so the required actions to improve the working environment and workplace can be put in place. The Health and Safety Team, working closely with the Ergonomics Team, has provided significant support to individuals and teams within the Trust through periods of workplace and organisational change.

To ensure the provision of an effective and robust management system for health and safety in the Trust, the Health and Safety Team considers the 'Health, Safety and Wellbeing Partnership Group: Workplace Health and Safety Standards', revised in July 2013, as a general template for assuring compliance within the Trust.

The Health and Safety Group meets on a bi-monthly basis and successfully provides a decision-making forum for all health and safety issues, providing assurance to Governance Committee and the Board.

Countering Fraud and Corruption

The Trust's Counter Fraud and Corruption Policy provides a framework to staff in relation to the detection and investigation of fraud, bribery and corruption. In the latter part of the year work commenced on a review of this policy which, at the time of writing, is being considered for comment by staff side colleagues. The policy provides advice and guidance whilst promoting a climate and environment of openness where staff feel able to raise concerns sensibly and responsibly. Information for staff from our Local Counter Fraud Specialists is regularly shared via the Trust's intranet and staff bulletin. In addition, the Trust's Standards for Business Conduct Policy aims to ensure that all staff employed by, and acting on behalf of, the organisation observe and comply with all applicable legislation and regulations and undertake ethical business practices, acting with high standards of business integrity at all times.

Staff Survey

Staff Engagement

The Trust's vision, 'To deliver nationally recognised, high quality, cost effective, sustainable healthcare for the people we serve, with staff who are proud to recommend our services', puts our staff at the heart of delivering compassionate, dignified and high quality care for our patients. The Trust is committed to involving staff in decision-making and keeping them informed of changes and developments across the organisation.

As a newly formed Trust, we have a new trade union recognition agreement with a wide range of organisations including the Royal College of Nursing, British Medical Association, Unison and Unite, with mechanisms for consultation and negotiation with trade union representatives through regular Joint Partnership Forum (JPF) meetings.

During the year the JPF has been involved in regular discussions surrounding a number of key human resource policies and workforce initiatives. Information relating to Trade Union Facility Time disclosure can be found on page 90.

The Trust induction programme is the first step in helping new staff to get to know more about the organisation and how we involve and engage them in decision-making. The Trust also uses a range of well-established forums for consulting with and engaging staff and their representatives, including:

- staff magazine;
- weekly communication bulletin circulated via email and published on the Trust's intranet page;
- regularly updated intranet and internet sites, providing information on a range of subjects including Trust policies, procedures and guidelines and giving staff the latest news on key Trust issues, local directorate/departmental news and the wider NHS news;
- formal monthly team briefing following Executive Committee meetings to cascade key strategic messages including regular updates on finance, performance and quality issues across the Trust, but more importantly to encourage feedback;
- the Chief Executive holding a number of regular forums with senior medical staff, senior managers, key nursing staff and allied health professional staff;
- the Chief Executive hosting a number of briefings open to any member of staff at a variety of venues throughout the organisation;
- clinicians contributing to policy and clinical practice guidelines by actively engaging in various national and local clinical networks across a range of specialities;
- focus groups to support the development of the Equality Strategy;
- focus groups following the results of the annual staff survey;
- focus groups on the development of value-based recruitment for consultants;
- quarterly briefing sessions led by the Executive Team informing and updating staff on key issues;
- work stream specific engagement sessions to involve and seek feedback from staff with regard to the Phase 2 Path to Excellence programme working ideas;
- patient safety walkabouts;
- Freedom to Speak Up walkabouts;
- regular visits by Board members to wards and departments;
- regular formal and informal meetings with Trade Union representatives;
- Employee Benefits Day; and
- Excellence reporting scheme

As a Foundation Trust, the Trust also benefits from having staff governors who make a valuable contribution to the governance and development of the organisation.

Engagement happens when our staff feel their work is meaningful and valued and when they are engaged in activities that support a common purpose, one which demonstrates care and quality for patients and colleagues alike.

We do this in a number of ways, including involving them in decision making, giving staff freedom to voice ideas and encouraging them to perform well through regular feedback

culminating in an annual appraisal, which supports their personal and professional development.

The predecessor Trusts held an annual Reward and Recognition event to celebrate the achievements of teams and individuals and the first ceremony for the new organisation is planned for November 2020. The Trust also co-sponsors the Health Awards organised by two local media organisations and an event was held in May 2019 where a number of Trust staff were successful in either being short-listed or eventual winners in a number of categories.

2019 NHS staff survey results

Each year, the NHS Staff Survey provides the Trust an opportunity to survey our staff in a consistent and systematic way, making it possible to build up a picture of their experience and to compare and monitor change over time. The results are shared with staff in a number of ways, including focus groups during which we share the results and invite staff to talk about their experiences and develop ideas for addressing any key issues that have been identified.

Feedback from our staff is a vital part of our staff engagement and crucial in helping to enhance their experience of working for the Trust, so that in turn they have the support and resources they need to deliver excellent patient care.

For the 2019 Staff Survey, the Trust took the opportunity to survey all staff and 3,824 members of staff responded – an overall response rate of 47%. The results are grouped to give scores against 11 indicators which are based on a score out of 10 for certain questions with the indicator score being the average of those. Scores for each indicator together with that of the survey benchmarking group are shown below:

	2019		2018		2017	
	Trust	Benchmarking Group	Trust*	Benchmarking Group	Trust*	Benchmarking Group
Equality, diversity and inclusion	9.3	9.2	9.2	9.1	9.2	9.1
Health and Wellbeing	5.9	6.0	5.9	5.9	6.0	6.0
Immediate managers	6.8	6.9	6.7	6.7	6.7	6.7
Morale	6.1	6.2	6.0	6.1	-	-
Quality of appraisals	5.3	5.5	5.0	5.4	5.0	5.3
Quality of care	7.6	7.5	7.6	7.4	7.6	7.5
Safe environment – bullying and harassment	8.3	8.2	8.1	8.0	8.3	8.0
Safe environment – violence	9.5	9.5	9.5	9.4	9.5	9.4
Safety culture	6.8	6.8	6.8	6.6	6.8	6.6
Staff engagement	6.9	7.1	6.9	7.0	6.8	7.0
Team working	6.5	6.7	-	-	-	-

* Average of combined scores for predecessor Trusts.

The overall engagement score was 6.9 (the average score achieved by a combined acute and community Trust was 7.1 and the best was 7.6).

In relation to the 11 ‘key themes’ the results indicate that the Trust was:

Above average	Key Theme
	Equality, diversity and inclusion
	Quality of care
	Safe environment – bullying and harassment

Average	Key Theme
	Safety culture
	Safe environment – violence

Below average	Key Theme
	Health and wellbeing
	Immediate managers
	Morale
	Quality of appraisals
	Staff engagement
	Team working

Future Priorities and Targets

It is clear that the Trust must focus on those areas where it sits at, or below, the national average for combined acute and community Trusts, to address the issues the staff survey has highlighted.

There is some work to do to ensure that staff always feel safe, protected and cared for in their workplace and this will be a significant focus for the Trust over the coming year.

The following objectives have been agreed and will form the basis of the Trust’s action plan for 2019/20:

- the importance of leadership – engagement, visibility, communication and support;
- increase job satisfaction – recognition, reward and feedback;
- improve the health and wellbeing of staff – reduce work related stress;
- reduce bullying and harassment in the workplace; and
- improve the quality of appraisals.

Action plans will be developed from each of the above objectives as well as any objectives identified by our operational divisions and North East and North Cumbria Integrated Care System (ICS) that will focus on delivering sustainable improvement in the experience of the Trust’s staff. The action plans will be regularly reviewed by the Workforce Committee which is chaired by a non-executive director.

Trade Union Facility Time Disclosures

Trade union facility time is the provision of paid and unpaid time off from an employee's normal job role to undertake trade union duties and activities as a trade union representative. There is a statutory entitlement to reasonable paid time off for undertaking union duties.

Number of employees who were relevant union officials during 2019/20	Full-time equivalent employee number
61	56.11
Percentage of time spent on trade union facility time by employees who were relevant union officials during 2019/20	**Number of employees**
0%	9
1 – 50%	48
51% - 99%	2
100%	2
Pay bill spent on paying employees who were relevant union officials for facility time during 2019/20	
Total cost of facility time	£137,150
Total pay bill	£380,165,000
Percentage of the total pay bill spent on facility time	0.036%
Hours spent (as a percentage of total paid facility hours) by employees who were relevant union officials during 2019/20 on paid trade union activities	
Time spent on trade union activities as a percentage of total paid facility time hours	100%

Expenditure on Consultancy

During 2019/20, the Trust incurred £428k in consultancy fees. The main items within this were as follows:

- Responsible clinician services and the administration of the mental health act
- property revaluation
- procurement strategy and initiatives

High Paid Off-payroll Engagements

The Trust has issued guidance to all staff to ensure that payments are not made gross to any individuals who should be classed as employees. This note provides details of the criteria used by HMRC to determine employment status. Any proposal to make gross payments to an individual, on the basis of self-employment, must be assessed against this checklist and then submitted to the Executive Director of Finance and Executive Director of Human Resources and Organisational Development for approval before reaching any agreement with an individual. As a result of this process there were no high off-payroll arrangements made directly by the Trust.

The Trust uses NHS Professionals to administer the recruitment, through agencies, of temporary medical staff and process a payroll on behalf of the Trust to make payments to them, making the necessary checks as required. National shortages in medical staff have resulted in difficulties recruiting in the year which has led to temporary staff being required for longer periods of time. No temporary medical staff were paid through a Personal Service Company for more than six months of the year.

HM Revenue and Customs (HMRC) has issued updated legislation with effect from 1st April 2017 on making off-payroll payments which is known as IR35 – Intermediaries Legislation. The legislation has been issued as HMRC believe that there is evidence of widespread non-compliance with the legislation and the Government believes public sector bodies have a duty to ensure people working for them are paying the correct tax.

As a result of this, the Trust has reviewed its processes and documented the changes it has made to ensure compliance. NHS Improvement has assessed the Trust's application for permission to engage workers through personal service companies from 1st April 2017 and has confirmed that they are content that as long as the Trust follows the processes in the application, compliance with HMRC's requirements will be maintained.

Exit Packages

There were 50 staff exit packages agreed in 2019/20 that were subject to external audit amounting to £403,000 as follows:

Exit package cost band	Number of compulsory redundancies	Number of other departures	Total number of exit packages by cost band
<£10,000	1	38	39
£10,000 - £25,000	1	2	3
£25,001 - £50,000	2	0	2
£50,001 - £100,000	1	0	1
£100,001 - £150,000	1	0	1
Total by type	6	40	46
Total resource cost	£263,000	£140,000	£403,000

Gender Pay Gap

April 2017 saw the introduction of the Government's Gender Pay Gap Information Regulations, setting out the requirement for public sector bodies in England with 250 or more employees to publish an annual gender pay gap analysis.

As part of the NHS, we use the national job evaluation framework for Agenda for Change to determine appropriate pay bandings for the vast majority of staff. This provides a clear and consistent process for paying employees equally for the same or equivalent work. Each grade has a set of pay points for annual progression. The longer the period of time someone has been employed in a particular grade, the higher their salary is likely to be, irrespective of their gender.

It should be noted that gender pay gap reporting is different to equal pay, which deals with the pay differences between men and women who carry out the same jobs, similar jobs or work of equal value.

The Trust's Gender Pay Gap Report can be found at www.gender-pay-gap.service.gov.uk or https://www.stsft.nhs.uk/about-us/corporate-information/gender-pay-gap-information.

Non-Compulsory Departure Payments

	2019/20	
	Number of Agreements	Total Value of Agreements
Voluntary redundancies including early retirement contractual costs	0	0
Contractual payments in lieu of notice	40	£140,000
Non-contractual payments requiring HMT approval	0	0
Total	**40**	**£140,000**

STATEMENT OF COMPLIANCE WITH THE NHS FOUNDATION TRUST CODE OF GOVERNANCE

The Board of Directors and the Council of Governors of the Trust are committed to the principles of good corporate governance as detailed in the NHS Foundation Trust Code of Governance. The Board of Directors ensures compliance with this Code through the arrangements in place for ensuring its governance structures, policies and processes are kept under review. These arrangements are set out in documents that include:

- the Constitution of the Trust;
- Standing Orders and Standing Financial Instructions;
- Schemes of Delegation and decisions reserved by the Board;
- Terms of Reference for the Board of Directors, the Council of Governors and their committees;
- annual declarations of interest;
- annual governance Statement; and
- annual report to the Board of Directors on compliance with the Code.

South Tyneside and Sunderland NHS Foundation Trust has applied the principles of the NHS Foundation Trust Code of Governance on a comply or explain basis. The NHS Foundation Trust Code of Governance, most recently revised in July 2014, is based on the principles of the UK Corporate Governance Code issued in 2012. The Board considers that it was fully compliant with the provisions of the Code in 2019/20.

In June 2017 NHS Improvement and the CQC published guidance for providers on an updated framework for leadership and governance developmental reviews. The guidance sets out how providers should carry out, every three to five years, developmental reviews of their leadership and governance using the framework as part of their own continuous improvement. The Trust has not undertaken a review in the last 12 months given the predecessor organisations were subject to rigorous scrutiny as part of the merger application process and a CQC comprehensive inspection was undertaken in January 2020. At the time of finalising this report, the CQC published the Trust's rating from this inspection which was confirmed as 'Good'.

REGULATORY RATING PERFORMANCE

The Trust is required to submit performance information to the Foundation Trust regulatory body, NHS Improvement (NHSI), on a monthly basis in line with their requirements. At the start of each financial year, the Trust is required to submit an annual plan identifying the expected performance against financial targets and a range of national targets set by the Department of Health and Social Care and other regulatory bodies.

The financial performance is assessed over a range of metrics including liquidity and in-year income and expenditure performance. The Use of Resources risk rating ranges from 1 to 4 with 1 being the best.

The Trust submits actual performance information compared to the plan and NHSI assesses this performance with formal feedback provided each quarter on the rating of the Trust. Performance for 2019/20 is detailed in the table below.

A&E and Cancer 62 day performance have continued to be been challenging this year and subject to close scrutiny within the Trust, with Commissioners and with NHSI. An A&E trajectory for Sunderland LAEDB was submitted during the year reflecting the system-wide actions required to improve performance against the 4 hour standard.

2019/20				
	Q1	**Q2**	**Q3**	**Q4**
Use of Resources	3	3	3	3

Notes:
'Use of Resources' - a score of 1 is the best, with 4 being the poorest.

NHS SINGLE OVERSIGHT FRAMEWORK

The NHS Oversight Framework (NOF) was updated in August 2019 and outlines the approach of NHS Improvement to regulate and support commissioners and NHS providers in a move to an integrated approach to regulation. It is designed to help NHS providers attain, and maintain, Care Quality Commission ratings of 'Good' or 'Outstanding', with providers segmented, based on the level of support each Provider requires across the five themes of: quality of care; finance and use of resources; operational performance; strategic change; and leadership and improvement capability. The Trust has remained in segment 2 for the full year. The definitions of the support required for each segment is:

- Segment 1 – Providers with maximum autonomy: no potential support needs identified. Lowest level of oversight; segmentation decisions taken quarterly in the absence of any significant deterioration in performance
- Segment 2 – Providers offered targeted support: there are concerns in relation to one or more of the themes. We've identified targeted support that the provider can access to address these concerns, but which they are not obliged to take up. For some providers in segment 2, more evidence may need to be gathered to identify appropriate support
- Segment 3 – 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

- Segment 4 – Providers in special measures: there is actual or suspected breach of licence with very serious and/or complex issues. The Provider Regulation Committee has agreed it meets the criteria to go into special measures

In addition to this, the financial performance of Trusts will be assessed using the use of resources score (scoring providers from 1 (best) to 4 (worst)) and metrics relating to: capital service capacity; liquidity; I&E margin; variance from financial plan; and agency spend. As at 31 March 2020, the Trust's use of resources rating is 3.

Area	Metric	2019/20 Q1 score	2019/20 Q2 score	2019/20 Q3 score	2019/20 Q4 score
Financial Sustainability	Capital service capacity	4	4	4	3
	Liquidity	2	3	4	4
Financial Efficiency	I&E margin	4	4	4	2
Financial Controls	Distance from financial plan	1	1	1	1
	Agency spend	1	1	2	2
Overall Scoring		**3**	**3**	**3**	**3**

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTING OFFICER OF SOUTH TYNESIDE AND SUNDERLAND NHS FOUNDATION TRUST

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

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

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

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

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

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

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

KEN BREMNER
Chief Executive **Date: 23 June 2020**

ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of South Tyneside and Sunderland 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 Tyneside and Sunderland 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

The Trust is committed to a risk management strategy which minimises risks to patients, staff, the public and other stakeholders through a common framework of internal control, based on an ongoing risk management process.

The strategy identifies the key principles, milestones and operational policies governing the management of all types of risk faced by the organisation. This strategy is subject to regular review.

The Audit Committee meets regularly and is well represented by non-executive directors and the Trust's External Auditors with the Executive Director of Finance and Head of Corporate Affairs and Legal also in attendance. The Committee ensures scrutiny, monitoring, discussion and input. The Finance and Performance Committee reports to the Board and includes reporting on internal cost improvement programmes. Finance reports are presented in a format consistent with those submitted to NHS Improvement. The Governance Committee leads the work of the Clinical Governance Steering Group and Corporate Governance Steering Group. The Board receives appropriate, timely information and reports from the Governance Committee via a monthly Quality Report enabling adequate and appropriate assessment of risk and management of performance.

As part of the ongoing process of review, the Trust's top risks (previously adopted by the Board) were scrutinised to ensure that they properly reflected the risks which were identified in the departmental Risk Registers. During the year, the Board formally signed off the Board Assurance Framework (BAF) including risk assessments against each area on the framework.

The Trust's risk management programme comprises:

- a single incident reporting process for all risks and hazards identified by systematic risk assessment, risk management review and adverse incidents reporting. The system has been upgraded and improved with training provided to managers who use the system;
- the system allows for real time assessment of all risks and mitigating actions;
- common grading framework and risk register/risk action planning process applied to all types of risk across the organisation;
- comprehensive programme of multi-level risk management training for all new and existing staff;
- ongoing monitoring and review of both internal and external risk management performance indicators at all levels across the organisation; and
- a communication strategy which ensures appropriate levels of communication and consultation with both internal and external stakeholders.

The risk and control framework

The Trust's Board Assurance Framework (BAF):

- identifies the principal objectives of the Trust and the principal risks to achieving them;
- sets out the controls to manage these risks;
- documents assurances about the effectiveness of the operation of the controls; and
- identifies to the Board where there are significant control weaknesses and/or lack of assurance.

These high level objectives and the principal risks to achieving them are underpinned by the detailed risks and associated actions set out in the Trust's risk register. Responsibility for the overall framework lies with the Board of Directors. The Board uses the framework to ensure that the necessary planning and risk management processes are in place to provide assurance that all key risks to compliance with licence requirements have been appropriately identified and addressed. The Trust includes risk ratings on the Board Assurance Framework and progress to monitor the actions to mitigate the individual risks is reviewed by the responsible committee during the year.

The use of a common grading structure for incidents and risks ensures that relative risks and priorities are assessed consistently across all directorates and departments. No risk is treated as acceptable unless the existing situation complies with relevant guidance and legislation (eg control of infection, health and safety, Standing Financial Instructions).

The establishment of a dedicated risk management team and programme of risk management training, including use of the intranet, ensures that the strategy is co-ordinated across the whole organisation and progress is reported effectively to the Board, Governance Committee and other relevant Board committees.

The Trust's assurance framework incorporates the need to achieve compliance with the Care Quality Commission's requirements. This is assessed in-year by the Clinical Governance Steering Group and the Corporate Governance Steering Group reviewing in detail compliance against the relevant standards.

The assurance framework is based on the Trust's strategic objectives and an analysis of the principal risks to the Trust achieving those objectives. The key controls, which have been put in place to manage the risks, have been documented and the sources of assurance for individual controls have been identified. The main sources of assurance are

those relating to internal management controls, the work of internal audit, clinical audit and external audit, and external assessments by outside bodies such as the Care Quality Commission, NHS Resolution and the Health and Safety Executive.

The involvement of external stakeholders in the Trust's risk management programme is a key element of the Trust's Risk Management Strategy. This involves timely communication and consultation with external stakeholders in respect of all relevant issues as they arise.

This process applies in particular to the involvement of external stakeholders in patient safety and the need to co-ordinate how risks are managed across all agencies, including the Medicines and Healthcare Products Regulatory Agency, Local Authority Adult and Children's Services, the Coroner, other emergency services, representative patient groups and local clinical commissioning groups.

Key risks facing the Trust during 2019/20 included:

- delivering the challenging cost improvement target on top of maintaining the achievements from prior years including the plans linked to the system-developed Financial Recovery Plan;
- managing the spend level for agency workers within the financial 'cap' set by NHS Improvement which despite best efforts was breached in the latter months of the year;
- managing the delivery of the financial control total;
- managing the delivery of the Provider Sustainability Fund (PSF) including the financial requirements in year;
- managing the cash requirements of the Trust;
- managing the consequences of the merger of the previous legacy Trusts into the new South Tyneside and Sunderland NHS Foundation Trust from 1 April 2019;
- maintaining the relevant performance standards including the 18-week target for at least 92 % of admitted patients in-year across all specialties and the maximum 4 hour wait for A&E waits and the 62 day cancer targets;
- managing infection rate targets including MRSA and the *c-difficile* targets;
- implementation of Meditech at South Tyneside;
- potential no deal EU Exit;
- managing the impact of the COVID pandemic in the latter few weeks of the financial year and
- maintaining the standards required by the Care Quality Commission to maintain compliance with licence requirements.

The Trust has considered the requirements of FT condition 4 relating to governance arrangements and in particular the principal risks of complying with the condition. These risks may include lack of clarity and effectiveness of governance structures; unclear reporting lines/accountabilities between the Board, its committees and the executive leadership team; delay and ineffective scrutiny and oversight by the Board as a result of inaccurate and delayed information for Board and committee decision-making; and insufficient capability at Board level to provide effective leadership and challenge.
The following paragraphs outline how these risks are mitigated in the organisation.

As part of the merger application process a rigorous due diligence process was undertaken, during which the Trust's proposed governance structures and leadership were scrutinised prior to implementation.

The Trust has a robust process in place to ensure all executive and non-executive directors are able to discharge their functions effectively with clear governance structures. In addition all committees have Terms of Reference which are reviewed regularly to ensure they remain effective.

The Board committees include the Audit Committee, Charitable Funds Committee, Competitive Tendering Committee, Executive Committee, Finance and Performance Committee, Governance Committee, IM&T Committee, Patient Carer Public Experience Committee (PCPEC), Policy Committee, Strategy Committee and Workforce Committee. Each has a distinct role around governance or performance management and provides opportunities for Board members at executive and non-executive level to review in detail the key risks for the organisation and actions being taken to mitigate these risks. The PCPEC includes governor representative membership to support better understanding of these risks from a patient perspective. Minutes from all committees are presented to the Board during the year. The Board receives monthly information relating to progress on performance, finance and quality metrics, and a quarterly workforce report, with actions to address any areas of concern.

A Quality Report provides a visual approach to the management of quality metrics. The report is a standing monthly report at the Executive Committee, Governance Committee and Board of Directors and also includes a patient story demonstrating Trust performance at individual patient level. The report also includes the work of the Mortality Review Panel who undertake a review of deaths to better analyse the quality of care prior to expected death and whether there are any improvements required in clinical or organisational care. The process is consistent across the Northern region and has been recognised as good practice. In addition, the Board receives a quarterly Learning from Deaths (Mortality) dashboard which is also published on the Trust website (an annual summary is also included within the Trust's Quality Accounts Report).

The Quality Report is the first formal item on the Board of Directors agenda recognising the importance placed on quality governance. The report focuses on clinical effectiveness, patient experience, patient safety, risk management and assurance, drawing upon the work of relevant committees and groups including the Governance Committee, the PCPEC, Clinical Governance Steering Group and the Mortality Review Panel, and includes feedback from independent external benchmarking, audit or other sources of information about the Trust's performance.

The Executive Committee, Finance and Performance Committee and the Board of Directors receive a monthly performance report detailing the performance against national, local and CQUIN indicators. The report identifies areas of concern and the lead Director highlights action undertaken to manage the area of concern.

The Trust has in place a system for performance and objective setting as well as personal development planning to ensure individuals are equipped to carry out their role within the organisation effectively. The executive management structure was reviewed in preparation for the merger to ensure the Board was confident that the senior leadership team had sufficient capability and capacity.

The Trust has focused on a number of short, medium and long term workforce measures to ensure that the workforce numbers and skills are at the right level required and has taken account of the requirements detailed within the NHS Improvement document 'Developing Workforce Safeguards'.

The Trust has:

- supported the University of Sunderland in its aim of developing healthcare related degrees, which has resulted in the opening of the Sunderland-based School of Nursing in 2016, and the commencement of students at its new Medical School in September 2019. The Trust has also worked closely with the University to develop allied healthcare profession programmes with occupational therapy and physiotherapy degree students also commencing in September 2019;
- visited the Philippines to continue the ongoing successful recruitment programme for skilled nurses;
- introduced new roles into the workforce to support patient needs, including physicians associates, assistant practitioners and advanced clinical practitioners;
- commenced apprenticeships in registered nursing for existing nursing support staff in January 2019;
- utilised apprenticeships, in order to train new staff in clinical support roles, and develop existing staff towards registered and associate professional roles.

Workforce development initiatives are discussed and agreed at the Trust's Workforce Committee, which includes non-executive director membership. New roles are formally evaluated to ensure they are beneficial to patient experience and safety.

The Trust has a system of 6 monthly workforce reviews with all of its nursing teams to ensure staffing establishments remain adequate for the levels of patient activity which are being delivered, and to provide assurance in relation to safe staffing to the Executive Director of Nursing, Midwifery and Allied Health Professionals, and the wider Board of Directors. The staffing reviews consider staffing numbers versus planned establishment, alongside other information such as patient acuity levels, patient experience feedback, bank usage, and reported incidents, to ensure staffing is at a safe level for the patient activity levels for the area. Where changes are required, funded staffing establishments are changed to reflect revised patient care needs.

The Trust uses e-rostering systems to ensure it deploys available staff effectively in each clinical area. The rostering systems plan shifts for all clinical staff to match patient needs, ensuring that staff working patterns are aligned with patient activity requirements. The use of NHS Professionals has strengthened the Trust's ability to fill rota gaps by service or area and target resource accordingly. The Trust has reviewed payment rates in-year to minimise nursing gaps.

The Trust has a group consisting of executive director membership which makes decisions as to which training should be mandated for all staff, and which should be compulsory for staff in certain roles. This is then measured through the electronic staff record (ESR) system, with quarterly reports to the Trust's Board on compliance.

Longer term, the Trust has been working with partners to consider changes to clinical service configurations to improve quality of care and patient outcomes whilst utilising the skills of staff to best support this. The programme, Path to Excellence, is led by the local clinical commissioning groups in South Tyneside and Sunderland, where service leaders, in consultation with staff and service users, have reviewed groups of clinical services across South Tyneside and Sunderland to identify better ways of working together to achieve improved patient outcomes.

The first phase of Path to Excellence concentrated on three services, stroke services, maternity and women's health, and emergency and urgent paediatric services. This identified ways of configuring services across South Tyneside and Sunderland and has now been implemented in 2019/20, following a delay caused by a formal judicial review process. The subsequent outcome of the process ruled in the clinical commissioning groups' favour.

A second phase of Path to Excellence is now underway covering acute medicine and emergency care, acute surgery, theatres and critical care, elective (planned) care and specialist services plus clinical support services. Options for service models in these areas are being explored and consultation will take place in 2021 at the earliest, subject to demonstrating capital availability. Quality Impact Assessments have, and will continue to be, undertaken throughout the service review process.

The annual planning process involves all corporate functions including Human Resources, Finance, Nursing and Medical Director. The workforce figures are aligned between financial and ESR information and reflect current and projected workforce numbers across the Trust, linked to current and projected service changes. The plan for 2019/20 was signed off by the Trust's Board.

The role of Freedom to Speak up Guardian was undertaken by the Executive Director of Human Resources and Organisational Development for part of the financial year, and then the Head of Corporate Affairs and Legal from September, with a quarterly update on activities being provided to the Board of Directors.

The Corporate Governance Statement is presented to the Board of Directors for formal sign-off each year and is published on the Trust's website. The Board considers the proposed submission and associated evidence ahead of approval and subsequent publication.

The Foundation Trust is fully compliant with the registration requirements of the Care Quality Commission.

The Foundation Trust has published an up to date register of interests for decision making staff within the past twelve months, as required by the *Managing Conflicts of Interest in the NHS* guidance.

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

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

The Foundation 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 Adaption Reporting requirements are complied with.

A valuation exercise was carried out in March 2020 with a valuation date of 31 March 2020. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuer has declared a 'material valuation uncertainty' in the valuation report. This is on the basis of uncertainties in markets caused by COVID-19. 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. Whilst the Trust acknowledges there is significant risk in the property market for certain sectors, it is considered unlikely the value of NHS property will be materially affected by the impact of COVID-19.

In the latter weeks of the financial year, the Trust established a formal 'Silver' and 'Bronze' command and control structure, with the Silver command chaired by the Executive Director of Planning and Development and including key directors and other senior managers as part of the Emergency Planning Framework for the Trust. This structure was specifically established to oversee the management of the COVID-19 pandemic impacts for the Trust and also to feed into the regional and national planning requirements. Amendments to the SFIs were approved by the Audit Committee to ensure robust financial governance remained in place to support the exceptional nature of the pandemic.

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

The Trust's strategic planning and performance management arrangements ensure that all directorates are fully engaged in the continuous review of business objectives and performance.

The Trust uses an Objectives, Goals, Strategies and Measures (OGSM) framework as its strategic planning tool to provide a cascade process for the Trust's priorities and ensure optimal alignment of Trust resources to deliver its priorities.

Key elements of the Trust's arrangements for ensuring value for money in the delivery of its services are:

- an annual OGSM planning process, which sets out priorities for the coming business year and reflects the requirements of and feedback from, our major commissioners and stakeholders;
- performance management through regular reporting against the key deliverables set out in the corporate, directorate and departmental OGSMs and against national and local targets; and
- the achievement of efficiency savings through the Trust's cost improvement programmes with regular review by the Trust's Finance and Performance Committee.

Given the continuing financial pressures on the public sector, this year continued to be a difficult one for all public sector organisations with the focus on delivering the financial control total, reducing costs, coping with peaks in demand, improving the quality of patient care and managing the challenges associated with the COVID-19 pandemic. In addition the Trust focused on managing the specific issues associated with the merger and worked through the implementation of the post transaction implementation plan (PTIP). Therefore this year the OGSM was not revisited in detail.

The focus on cost reduction has been led by the Finance and Performance Committee which ensures detailed scrutiny of cost improvement programmes as well as gaining an in-depth knowledge of the underlying financial position of the Trust. The continuation and development of the Programme Management Group to support the Finance and Performance Committee in its review of detailed programmes and individual projects has been welcomed by the committee.

The Executive Committee, the Board of Directors and Council of Governors are actively involved in the business planning and performance management processes established by the Trust and in maintaining strong links with stakeholders.

During 2019/20 the Trust has:

- embedded the work of the Programme Management Office (PMO);
- updated the Trust standing financial instructions to ensure the control framework continued to be robust and fit for purpose for the newly merged Trust;
- delivered a surplus position for the Trust and a financial position better than the planned 'control total'; and
- contributed to the development of a region-wide Sustainability and Transformation Plan.

Additional assurance in respect of the Trust's arrangements for ensuring economy, efficiency and effectiveness in the use of resources is provided to the Board of Directors through the conduct of regular reviews undertaken by Internal Audit and by External Audit work undertaken in accordance with the Audit Code.

As part of reviewing the financial sustainability of the organisation, the Trust has worked more closely with partners within the local health economy (Sunderland and South Tyneside) but also across the wider ICS area, to assess joint opportunities to reduce cost but maintain quality of services that we provide. To facilitate these discussions the Trust agreed 'block' contracts with its major commissioners to minimise financial risk across the system. Provider sustainability funding and additional resources from the financial recovery fund were received in 2019/20 linked to the achievement of the financial control total.

For the early part of the 2020/21 financial year, the financial regime has changed as a consequence of the COVID-19 pandemic. Until at least the 31 July guaranteed block funding will be provided to the Trust based upon 2019/20 income and spend levels. The Trust will have certainty of a breakeven position. The Finance and Performance Committee, Executive Committee and the Board of Directors monitor the national financial changes to mitigate financial risk for the Trust.

Information Governance

The risk to data security is being managed and controlled through the monthly Information Governance Group, with quarterly updates to Corporate Governance Steering Group. During the year the Trust received 'Cyber Essentials Plus' recognition by NHS Digital. The Data Security and Protection Toolkit assessment was conducted as required, however due to the impact of COVID-19 planning, the national submission was delayed from 31 March 2020 to into the 2020/21 financial year. During the year there was one reportable information governance breach which was reported to the Information Commissioner. The incident was reviewed and closed by the Information Commissioner's Office with no further action.

Annual Quality Report

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year. NHS Improvement (in exercise of the powers conferred on Monitor) has issued guidance to NHS Foundation Trust Boards on the form and content of annual Quality Reports which incorporate the above legal requirements in the NHS Foundation Trust Annual Reporting Manual. Due to the COVID-19 pandemic there is no requirement to include a Quality Report within this Annual Report although there remains a requirement to publish a separate report. While primary legislation continues to require providers of NHS services to prepare a quality account for each financial year, the amended regulations mean there is no fixed deadline by which providers must publish their 2019/20 quality account. NHS England and NHS Improvement recommends for NHS providers that a revised deadline of 15 December 2020 would be appropriate, in light of pressures caused by COVID-19; the Trust however is aiming to produce its separate Quality Report by the summer of 2020. In addition, NHS providers are no longer expected to obtain assurance from their external auditor on their quality account/quality report for 2019/20

Over the past year, the Clinical Governance Steering Group has reviewed progress against a range of quality issues on a regular basis. This group, the data previously reported and external reports (eg national clinical audits, peer reviews etc) have shaped our clinical quality improvement plans. The group has also reviewed trends and themes in relation to incidents, complaints and litigation and used the data to inform quality improvement of services.

The Clinical Governance Steering Group, as our key group for the monitoring of clinical quality, provides reports to the Governance Committee which in turn is a committee of the Board. The Governance Committee receives these reports which provide assurance or highlight any risks to quality. The Corporate Governance Steering Group in parallel to the Clinical Governance Steering Group reports to the Governance Committee on any non-clinical risks or quality issues eg in facilities. In turn, risks to quality identified through these mechanisms, are escalated through to the Board.

Quality Report metrics are also regularly reported throughout the year to the Board of Directors and Executive Committee. These indicators are all reported (along with a number of other metrics) as part of the Trust's Quality Report.

Most of the data used for these metrics is extracted directly from the Trust medical information system (Meditech). Where applicable, the system has been designed to conform to national data standards so that when the data is extracted it is already in a format consistent with national requirements and coding standards. The data is coded according to the NHS Data Model and Dictionary, which means that any performance indicators based upon this data can be easily prescribed and that the Trust is able to provide data that is both consistent nationally, and fit for purpose. During the year, the patient information systems used within the Trust's South Tyneside sites were upgraded to Meditech which allowed consistency across all of the Trust sites for the majority of applications.

Internally, standard operating procedures are used consistently by staff involved in the production of the Trust's performance against national, local and internal indicators. This ensures that the process meets the required quality standards and that everyone uses a consistent method to produce an output. Wherever possible, our processes are fully or at least partially automated to make certain that the relevant criteria are used without fail. This also minimises the inherent risk of human error.

Data quality and completeness checks are built into processes to flag any erroneous data items or any other causes for concern, usually as part of the automated process. In addition, further quality assurance checks are performed on the final process outputs to confirm that the performance or activity levels are comparable with previous activity or expected positions. Where applicable, our performance against key indicators is also evaluated against available benchmarking data or peer group information to help understand at the earliest opportunity whether or not the Trust is likely to be an outlier, which in itself may prompt further investigation.

A rolling programme of data quality audits is in place in relation to referral to treatment time indicators to ensure reporting is in line with national guidance and data quality issues are highlighted and acted upon. This is in addition to an annual training programme on waiting list and pathway management with key staff groups and regular data quality reports which are already in place.

The Trust has also actively participated fully in the *Getting it Right First Time* (GIRFT) programme which is designed to improve the quality of care within the NHS by reducing unwarranted variations. Four GIRFT visits were undertaken during the year in the specialties of anaesthetics, renal medicine, endocrinology and elderly care.

For most of the data, specific criteria and standards have to be used to calculate performance which is based on national data definitions where appropriate. To further ensure accuracy the report has been reviewed by two separate internal departments, Clinical Governance and Performance Management, both of which are satisfied with the accuracy of the information reported.

In summary, a substantial proportion of the data that would ordinarily be reported in the Quality Report has been previously reported to Board of Directors, Governance Committee, Clinical Governance Steering Group and Executive Committee throughout 2019/20.

Review of effectiveness

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

The Board and its committees have a key role in maintaining and reviewing the effectiveness of the system of internal control.

The Executive Committee and Board of Directors have received regular reports on the development of the Trust's risk management framework, in particular through the work of the Governance Committee. The Governance Committee receives reports from the Clinical Governance Steering Group and Corporate Governance Steering Group and coordinates the implementation of action plans through the Trust's risk register mechanism.

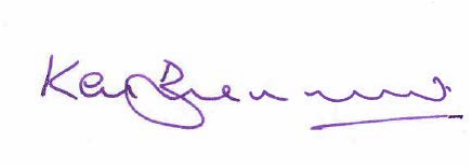
The Governance Committee has received regular reports on sources of external assurance including evidence from the CQC, national reviews and other independent evidence.

The Finance and Performance Committee has played an important scrutiny role and helped to ensure that efficiency plans are maximised by robust challenge and escalation of key issues to the Board.

The outcome of internal audit reviews has been considered throughout the year through regular reports to the Audit Committee. The Board of Directors receives and considers the minutes of the Audit Committee where necessary. The Head of Internal Audit provides a separate update to me as Accounting Officer of the work undertaken during the year and despite the challenges in delivering the full audit programme due to the COVID-19 pandemic planning, the work undertaken was sufficiently comprehensive to provide a 'good' rating within the Head of Internal Audit opinion.

Conclusion

My review confirms that no significant internal control issues have been identified.



KEN BREMNER
Chief Executive **Date: 23 June 2020**

COUNCIL OF GOVERNORS

The Council of Governors is responsible for the following statutory duties:

- to hold the non-executive directors individually and collectively to account for the performance of the Board of Directors;
- to represent the interests of the members of the Trust as a whole and the interests of the wider public;
- to appoint, agree the remuneration and, if appropriate, remove, the Chair and other non-executive directors
- to approve the appointment of the Chief Executive
- to appoint and if appropriate, remove the Trust Auditors;
- to receive the Trust's annual accounts; and
- to contribute to the development of strategic and operational plans and review of quality priorities

These items are discussed at public meetings and are supported by a Governor Development Programme as well as specific governor groups reporting back to the full Council.

The Council of Governors and Board of Directors communicate principally through the Chairman of the Trust, with support from the Trust Secretary. The Chief Executive is invited to every meeting of the Council of Governors with both executive and non-executive directors invited to attend as appropriate to the matters under discussion. Executive directors and other senior managers participate in the induction and on-going training programmes for governors. The Board of Directors present the Annual Accounts, Annual Report and Auditor's Report to the Council of Governors and members at the Annual Members' Meeting usually held in September each year.

Composition of the Council of Governors

Prior to merger, the two Councils of Governors from the predecessor Trusts approved the composition for the Council of Governors of South Tyneside and Sunderland NHS Foundation Trust as follows:

Constituency	Number of governors - 26
Public – South Tyneside	6
Public – Sunderland	6
Public – Durham	1
Public – Gateshead	1
Public – Rest of North East and Cumbria	1
Staff – Clinical Acute	2
Staff – Clinical Community	1
Staff – Non-Clinical	2
Staff – Medical and Dental	1
Plus – stakeholder representatives from South Tyneside Council, Sunderland City Council, University of Sunderland Medical School, Newcastle University Medical School and a nominated governor representing the Clinical Commissioning Groups	

Governor Elections

On formation of the Trust, on 1 April 2019 a notice of election was duly posted with elections taking place in June 2019 to elect governors to the public and staff constituencies.

Constituency		Number of Members	Number of Seats	Number of Contestants	Election Turnout
Public	Durham	1697	1	1	Uncontested
	Gateshead	335	1	2	10.1%
	South Tyneside	5304	6	11	13.9%
	Sunderland	6515	6	25	11.1%
	Rest of North East & Cumbria	281	1	2	6.4%
Staff	Clinical Acute (excluding Medical & Dental and Clinical Community)	4508	2	6	12.8%
	Clinical Community – (excluding Medical & Dental and Clinical Acute)	1024	1	1	n/a
	Medical & Dental	692	1	1	n/a
	Non-Clinical	1986	2	6	14.9%

Governors hold a term of office for up to two or three years in line with the constitution, at which point they are eligible for re-election if they so wish. A full copy of the constitution is available on request from the Trust Secretary or is available on the Trust's website.

Council of Governors	
Constituency	**Governor**
Public South Tyneside Constituency	Alan Cormack Terry Haram Bashir Malik Allyson Stewart Nigel Thomas Karen White
Public Sunderland Constituency	Ross Blenkinsop Anita Hagon Kathleen Marley Pauline Palmer Narendra Ray Angela Thompson
Public Durham Constituency	Tony Foster
Public Gateshead Constituency	Sara Cochrane
Public Rest of North East and Cumbria Constituency	Louise Thompson
Staff Clinical Acute Constituency	Simon Ayre Lindsey Downey
Staff Clinical Community Constituency	Mark Tull
Staff Non-Clinical Constituency	Bev Frankland Jennie Musgrave
Staff Medical and Dental Constituency	Shahid Junejo
South Tyneside Council – appointed	Councillor Joyce Welsh
Sunderland City Council – appointed	Councillor Geoff Walker
Sunderland Medical School	Professor Scott Wilkes
Newcastle Medical School	Dr Kenny McKeegan
Clinical Commissioning Groups	Pat Harle

Governor Involvement

Governors must exercise leadership, enterprise, integrity and balanced judgement in the discharge of their role and functions within the Trust. The Council of Governors has developed a good working relationship with the Chairman, Trust Secretary and the Board of Directors, through the forums of governors' meetings, working groups, sub-groups and other opportunities for Trust involvement, Governors are provided with information and resources to enable them to engage in a challenging and constructive dialogue with the Board on the business and planning of the Trust.

Key areas where the Council of Governors have been involved during 2019/20 include:

- a detailed induction following election;
- involvement in the appointment of the substantive Board of Directors;
- development of a new Membership Communications and Engagement Strategy;
- involvement in the Trust's comprehensive PLACE inspections;
- engagement in the development of the Trust's Quality Report;
- engagement in the development of the Trust's Annual Plan;
- representation on the Trust's Charitable Funds Committee;
- contributing to the Trust's approach to Clinical and Corporate Governance;
- representation on the Trust's Patient, Carer and Public Experience Committee;
- representation on the Trust's End of Life Group;
- representation on the Trust's Equality, Diversity and Inclusion Group;
- engagement in Staff governor drop in sessions across all sites;
- involvement in the Trust's comprehensive CQC inspection;
- undertaken safeguarding and infection control training; and
- involvement in regional partnership events.

Governors also participate in patient safety visits with executive directors and non-executive directors which provide an excellent opportunity to meet patients, staff and volunteers. It also provides a vehicle for understanding how clinical and non-clinical services function and whether they are responding to the needs of the local population.

A governor development programme has also been developed which helps our governors to support the development and delivery of our organisational strategies going forward. These sessions help governors understand the key challenges facing the Trust and wider health sector, now and in future years, as well as providing the opportunity to learn of the actions being taken by the Board to address these challenges and explore opportunities for ensuring a sustainable future. Specific Council of Governor development sessions during 2019/20 were held to discuss EU Exit, sepsis and equality, diversity and inclusion.

Lead Governor

After a nomination and selection process, Mr Alan Cormack, public governor for South Tyneside was selected as Lead Governor at the meeting on 18 July 2019 for a period of one year.

Meetings of the Council of Governors

		Number of Meetings held	Actual attendance
John Anderson	Chairman	5	5
Andrea Hetherington	Trust Secretary	5	5
Governor	**Constituency**		
Alan Cormack	Public – South Tyneside	5	5
Terry Haram	Public – South Tyneside	5	4
Bashir Malik	Public – South Tyneside	5	2
Allyson Stewart	Public – South Tyneside	5	5
Nigel Thomas	Public – South Tyneside	5	4
Karen White	Public – South Tyneside	5	3
Ross Blenkinsop	Public – Sunderland	5	3
Anita Hagon	Public – Sunderland	5	5
Kathleen Marley	Public – Sunderland	5	5
Pauline Palmer	Public – Sunderland	5	5
Narendra Ray	Public – Sunderland	5	3
Angela Thompson	Public – Sunderland	5	4
Sara Cochrane	Public – Gateshead	5	4
Tony Foster	Public – Durham	5	5
Louise Thompson	Public – Rest of North East and Cumbria	5	1
Simon Ayre	Staff – Clinical Acute	5	4
Lindsey Downey	Staff – Clinical Acute	5	3
Mark Tull	Staff – Clinical Community	5	3
Bev Frankland	Staff – Non-clinical	5	3
Jennie Musgrave	Staff – Non-clinical	5	5
Shahid Junejo	Staff – Medical and Dental	5	3
Pat Harle	Appointed – Representing the CCGs	5	2
Dr Kenny McKeegan	Appointed – Newcastle University Medical School	5	0
Cllr Dr Geoff Walker	Appointed – Sunderland Council	5	1
Cllr Joyce Welsh	Appointed – South Tyneside Council	5	2
Prof Scott Wilkes	Appointed – University of Sunderland Medical School	5	3
The following directors have attended Council of Governor meetings			
Ken Bremner	Chief Executive		
Kath Griffin	Executive Director of Human Resources and Organisational Development		
Melanie Johnson	Executive Director of Nursing, Midwifery and AHPs		
Julia Pattison	Executive Director of Finance		
Peter Sutton	Executive Director of Planning and Business Development		
Dr Shaz Wahid	Medical Director		
David Barnes	Non-Executive Director		
Alan Clarke	Non-Executive Director		
Lyn Cole	Non-Executive Director		
Stewart Hindmarsh	Non-Executive Director		
Mike Laker	Non-Executive Director		
Paul McEldon	Non-Executive Director		
Neil Mundy[1]	Non-Executive Director/Vice Chairman		
Allison Thompson[2]	Non-Executive Director/Vice Chair		

[1] To September 2019
[2] Vice Chair from November 2019

The Council of Governors delegates some of its powers to committees or groups of governors and these matters are set out within the Trust's Constitution. These include the Communications and Engagement Group and the Nominations, Appointments and Remuneration Committee.

Communications and Engagement Group

This group was established to act on behalf of the Council of Governors in developing and overseeing delivery of the Trust's Membership Communications and Engagement Strategy. The group developed the strategy and will start to take forward the agreed actions during 2020/21. Attendance at the meetings is detailed below.

Governor	Constituency	Number of Meetings	Actual Attendance
Simon Ayre	Staff - Clinical Acute	2	1
Tony Foster	Public - Durham	2	2
Bev Frankland	Staff – Non clinical	2	2
Anita Hagon	Public - Sunderland	2	2
Bashir Malik	Public - South Tyneside	2	1
Angela Thompson	Public - Sunderland	2	2

A further meeting was scheduled in March however was cancelled as a result of restrictions on non-essential travel during the COVID-19 pandemic.

Nomination, Appointments and Remuneration Committee

The Governors' Nomination, Appointments and Remuneration Committee is a formal Committee of the Council of Governors established in accordance with the Trust's Constitution and the NHS Foundation Trust Code of Governance, for the purpose of carrying out the duties of governors with respect to the appointment, re-appointment removal, remuneration and other terms of service of the Chairman and non-executive directors and approval of the appointment of the Chief Executive.

Membership consists of governors selected from the full Council and is chaired by the Chairman of the Trust (when dealing with matters relating to Non-Executive Directors) and the Senior Independent Director (when dealing with matters relating to the Chairman). The Chief Executive and Trust Secretary also attend meetings of the Committee in an advisory capacity. Recommendations of the Committee are submitted to the full Council of Governors for ratification. Attendance at meetings of the committee is detailed below.

Governor	Constituency	Number of Meetings	Actual Attendance
Simon Ayre	Staff - Clinical Acute	2*	1
Ross Blenkinsop	Public - Sunderland	2*	2
Alan Cormack (Lead Governor)	Public - South Tyneside	2*	2
Pat Harle	Appointed - CCGs	2*	1
Nigel Thomas	Public - South Tyneside	2*	2
Angela Thompson	Public - Sunderland	2*	2

**One meeting held virtually*

Register of Interests

A Register of Interests for the Council of Governors is maintained by the Trust Secretary. The register is available for inspection by members of the public via application to the Trust Secretary or by visiting the Trust's website.

MEMBERSHIP

Each NHS Foundation Trust has its own governance structure. The governance structure starts with the Trust's Membership who elect the Council of Governors who in turn hold the non-executive directors to account for their leadership and management of the Trust.

Public Members

The Public Constituency consists of people over the age of 16, living within the boundaries of the North East and Cumbria.

Staff Members

Staff members are recruited automatically on joining the Trust on a substantive contract, after 12 months employment on a temporary contract and staff although not directly employed by the Trust, but who exercise functions for the Trust.

Membership

The Trust's membership numbers at the end of March 2020 are shown in the table below:

Public Constituency	2019/20
At year start (01 04 19)	14,049
New members	173
Members leaving	222
At year end (31 03 20)	14,000
Staff constituency	
At year start (01 04 19)	8,338
New members	103
Members leaving	238
At year end (31 03 20)	8,203

The Trust's membership has decreased slightly during 2019/20, largely as a result of data cleansing actions undertaken by the Trust's membership database provider, particularly following the governor elections.

Analysis of public membership

Public constituency	Number of members
Age (years)	
0-16	0
17-21	34
22+	11,990
Ethnicity	
White	10,494
Mixed	56
Asian or Asian British	440
Black or Black British	134
Other	96
Socio-economic groupings*	
AB	2,715
C1	3,726
C2	3,259
DE	4,290
Gender analysis	
Male	4,682
Female	8,316

The analysis section of this report excludes:
- 1976 public members with no dates of birth, 2780 members with no stated ethnicity and 1002 members with no gender

* Socio-economic data has been completed using profiling techniques (eg postcode) or other recognised methods

Definitions:
AB - Higher managerial, administrative, professional intermediate managerial, administrative, professional
C1 - Supervisory, clerical, junior managerial
C2 - Skilled manual workers
DE - Semi-skilled and unskilled manual workers, casual labourers, pensioners, unemployed

Annual Members' Meeting

This meeting is held annually in the autumn. All Members are invited to attend to hear about the Trust's performance during the year and receive the Annual Report and Accounts. In September 2019 the meeting was held to present the Annual Report and Accounts of the legacy Trusts.

Membership Engagement Strategy

The Trust aims to build a representative membership base to support public accountability and local engagement. It is recognised that a well-informed, motivated and engaged membership help organisations to be more responsive with an improved understanding of the needs of its patients and local communities. Therefore it is vital to create a membership that matches the demographic mix of our catchment area and to create a vibrant membership programme to support successful long term engagement with members.

As a newly formed organisation, the Council of Governors has developed a strategy for achieving a representative membership, initially focusing on those methods which have proved successful in the past, although we are always keen to explore new ways in which we could increase our membership base.

The strategy aims to:

- maintain and build membership numbers to represent the population the Trust serves;
- effectively engage and communicate with members; and
- raise awareness of the role of a member and Governors

Members of the Council of Governors assist in membership recruitment by raising awareness of the role of the governor and membership in their local communities. The benefits of membership are also advertised in public areas of the Trust as well as on the Trust's website.

Members also have the opportunity to attend the public Council of Governors and Board of Director meetings to receive information about service developments and Trust performance.

Contacting the Trust and becoming a Member

Existing members and anyone interested in becoming a member of the Foundation Trust can contact the Trust by emailing stsft.membershipoffice@nhs.net , visiting the website at www.stsft.nhs.uk to complete the online application form or by writing to:

Trust Secretary
South Tyneside and Sunderland NHS Foundation Trust
Trust Headquarters
Sunderland Royal Hospital
Kayll Road
Sunderland
SR4 7TP

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF GOVERNORS OF SOUTH TYNESIDE AND SUNDERLAND NHS FOUNDATION TRUST

Opinion

We have audited the financial statements of South Tyneside and Sunderland NHS Foundation Trust for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows, and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and HM Treasury's Financial Reporting Manual (FReM) to the extent that they are meaningful and appropriate to NHS foundation trusts.

In our opinion, the financial statements:

- give a true and fair view of the state of South Tyneside and Sunderland NHS Foundation Trust and the Group's affairs as at 31 March 2020 and of its income and expenditure and cash flows for the year then ended; and
- have been prepared in accordance with the Department of Health and Social Care's Group Accounting Manual 2019/20 and the directions under paragraphs 24 and 25 of Schedule 7 of the National Health Service Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Foundation Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Accountable Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Accountable Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	• Risk of fraud in revenue and expenditure recognition • Valuation of land and buildings • Going Concern
Materiality	• Overall materiality of £6.1m which represents 1% of Group Operating Expenditure.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of fraud in revenue and expenditure recognition **Group operating revenue: £598.6m** **Group operating expenditure: £605.9m** *Refer to the Audit Committee Report (pages 57 and 58); Accounting policies (1.7 and 1.9); and Notes 2 to 4 of the Consolidated Financial Statements* The Foundation Trust was set a breakeven control total for the year by NHS Improvement. The pressure of meeting this financial target, as well as the significant financial pressures that are prevalent in clinical commissioning groups ('CCGs') as the Foundation Trust's main commissioners of services, lead to a risk of inappropriate revenue and expenditure recognition. We evaluated the income and expenditure streams of the Foundation Trust and identified that those areas where management are more likely to be able to override existing controls is where the risk of inappropriate revenue and expenditure recognition lies, specifically: • contract variation income with commissioners, where management are required to use their	We obtained the NHS Agreement of Balances mismatch report for debtors and creditors from the National Audit Office ('NAO') to identify any receivables recognised by the Trust at the year-end that were not agreed by the counterparty. We identified no material mismatches between the Trust and other bodies. We reconciled income recognised from CCGs to contracts and agreed year-end contract accruals to supporting evidence. We tested a sample of accruals included in the Statement of Financial Position and challenged the assumptions used, with reference to external evidence wherever possible. We obtained a breakdown of amounts capitalised during the year and agreed a sample of additions back to supporting information to verify they were capital in nature. We selected a sample of invoices received, and payments made, in the month of April 2020 and checked back to supporting documentation to confirm that the expenditure was recognised in the correct period.	There were no findings arising from our work to report to the Audit Committee.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
judgement around the amount recognised; • manually input year-end income accruals; • manually input year-end expenditure accruals; and • omission of expenditure from the accounts.		
Valuation of land and buildings **Land: £4.9m** **Buildings excluding dwellings: £188.3m** *Refer to the Audit Committee Report (pages 57 and 58); Accounting policy (1.10); and Note 9 of the Consolidated Financial Statements* The value of land and buildings represents the most significant asset balance in the Trust's financial statements, and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Statement of Financial Position. **Update – Covid-19 related constraints on property valuation** The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might	We obtained a copy of the Trust's external valuers report and agreed the financial statements to the valuations provided. We have considered the work performed by the Trust's external valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. Our EY Property valuation expertsconfirmed the assumptions used in the valuation were acceptable. This included consideration of the Trust's assumption on the condition of the current buildings. We sample tested key asset information used by the external valuer as part of their valuation process, such as floor plans, and agreed these back to appropriate supporting documentation. We tested the valuation accounting entries to ensure that they were accurately disclosed in the financial statements.	We highlighted to the Audit Committee some of the key assumptions applied in valuing the Trust's land and buildings. This included the circumstances around the exclusion of VAT from the valuation of the Sunderland sites and Haven Court. We also confirmed to the Audit Committee that, in our view, the financial statements adequately disclose the material uncertainty impacting the valuation of land and buildings at 31 March 2020. Further information regarding this matter can be viewed in note 9.6 of the Trust's financial statements.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Trust's external valuer.	Additional procedures in response to the impact of Covid-19 We considered the Trust's asset base by type of asset and valuation methodolgy, as assets that are valued at fair value are more likely to be impacted by Covid-19. We ensured that appropriate disclosure had been made in the Trust's accounts concerning the valuation material uncertainity.	
Going Concern *Refer to the Audit Committee Report (pages 57 and 58); and Accounting policy (1.4)* The Foundation Trust Audit Reporting Manual states: 'there is no presumption of going concern status for NHS foundation trusts. Directors must decide each year whether or not it is appropriate for the NHS foundation trust to prepare its accounts on the going concern basis, taking into account best estimates of future activity and cash flows.'The going concern assessment is required to cover a period of 12 months from the date of the auditor report. The Trust has carefully considered the guidance issued by NHSE/I in preparing the going concern disclosures within the annual report and financial statements, and has worked closely with us to agree the nature and extent of the disclosures.	We obtained a detailed cash flow forecast from management covering the period April 2020 to June 2021, which demonstrated the Trust had a positive cash balance for the whole of the period. The Trust's cash flow forecast modelled cash flow downside scenarios for the period and also excluded the impact of cost saving plans that have been devised for 2020/21. We consider whether the downside scenarios were appropriate as a response to the COVID 19 risk. We discussed the cash flow forecast with management to understand how the forecast had been developed. We ensured that the cash flow forecast was consistent with board minutes and the Trust's financial plan. We tested the key inputs and assumptions included in the cash forecast back to appropriate supporting documentation and also	The main financial and operational consequence of Covid-19 on the Trust is the impact on patient demand and funding arrangements. The certainty of what the Trust's funding arrangements look like going forward is reduced. The Trust has therefore considered a range of potential outcomes that may impact on cash flows and future financial plans and have used this to inform their going concern assessment. Both the reduced certainty in relation to funding arrangements and the outcome of the cash flow forecast prepared by the Trust have been disclosed in note 1.4 of the financial statements.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	considered the latest guidance issued by NHS Improvement in relation to the current contractual arrangements in place within the NHS. We reviewed the 2020/21 cash flow forecast and agreed the actual cash receipts and payments included in the forecast for April 2020 and May 2020 back to bank statements.	

An overview of the scope of our audit

Tailoring the scope
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Foundation Trust. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Foundation Trust and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Materiality
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £6.1 million, which is 1% of Group operating expenditure. We believe that operating expenditure provides us with an appropriate basis for materiality as it is the key driver of the Group's financial position.

During the course of our audit, we reassessed initial materiality and recalculated it based on the draft accounts submitted for audit.

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £3 million. We have set performance materiality at this percentage based on the level of error detected by the auditors at the predecessor Trusts in the prior year.

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.27 million, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 117, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

We read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Code of Audit Practice issued by the NAO

In our opinion:

- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the parts of the Remuneration and Staff report identified as subject to audit has been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2019/20.

Matters on which we report by exception

The Code of Audit Practice requires us to report to you if:

- we issue a report in the public interest under schedule 10(3) of the National Health Service Act 2006;
- we refer the matter to the regulator under schedule 10(6) of the National Health Service Act 2006 because we have reason to believe that the Trust, or a director or officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency;
- we are not satisfied that the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources as required by schedule 10(1)(d) of the National Health Service Act 2006;
- we have been unable to satisfy ourselves that the Annual Governance Statement, and other information published with the financial statements meets the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual 2019/20 and is not misleading or inconsistent with other information forthcoming from the audit; or
- we have been unable to satisfy ourselves that proper practices have been observed in the compilation of the financial statements.

We have nothing to report in respect of these matters.

The NHS Foundation Trust Annual Reporting Manual 2019/20 requires us to report to you if in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the NHS Foundation Trust acquired in the course of performing our audit; or
- otherwise misleading.

We have nothing to report in respect of these matters.

Responsibilities of the Accounting Officer

As explained more fully in the Statement of the Chief Executive's responsibilities as Accountable Officer of South Tyneside and Sunderland NHS Foundation Trust set out on page 96 and 97, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Auditor's responsibilities with respect to value for money arrangements

We are required to consider whether the Foundation Trust has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is based on the overall criterion that 'in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people'.

Proper arrangements are defined by statutory guidance issued by the National Audit Office and comprise the arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we draw on the requirements of the guidance issued by NHS Improvement to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your Annual Governance Statement.

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice which defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects".

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risk there is no requirement to carry out further work. Our risk assessment considers both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether the Foundation 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. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Foundation Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Foundation Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under schedule 10(1)(d) of the National Health Service Act 2006 to be satisfied that the Foundation Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Under the Code of Audit Practice, we are required to report to you if the Trust has not made proper arrangement for securing economy, efficiency and effectiveness in the use of resources. We are not required to consider, nor have we considered, whether all aspects of the Foundation Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the financial statements of South Tyneside and Sunderland NHS Foundation Trust in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Code of Audit Practice issued by the National Audit Office on behalf of the Comptroller and Auditor General (C&AG).

Use of our report

This report is made solely to the Council of Governors of South Tyneside and Sunderland NHS Foundation Trust in accordance with paragraph 24(5) of Schedule 7 of the National Health Service Act 2006 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, for our audit work, for this report, or for the opinions we have formed.

Stephen Clark
for and on behalf of Ernst & Young LLP
Birmingham
25 June 2020

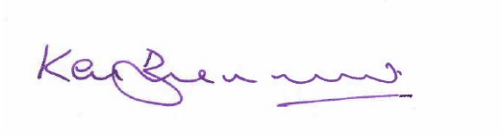
The maintenance and integrity of the South Tyneside and Sunderland NHS Foundation Trust web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FOREWORD TO THE FINANCIAL STATEMENTS

SOUTH TYNESIDE AND SUNDERLAND NHS FOUNDATION TRUST

These financial statements for the year ended 31 March 2020 have been prepared by the South Tyneside and Sunderland NHS Foundation Trust under Schedule 7 of the National Health Service Act 2006, paragraphs 24 and 25 and in accordance with directions given by Monitor, the sector regulator for health services in England.



Ken Bremner
Chief Executive
23 June 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Note	Group 2019/20 £000	Trust 2019/20 £000
Operating income	3.1	598,559	598,524
Operating expenses	4	(605,938)	(609,810)
Operating deficit		**(7,379)**	**(11,286)**
Finance costs			
Finance income	6	320	1,267
Finance costs	7.1	(2,216)	(2,390)
PDC dividends payable		(4,301)	(4,301)
Net finance costs		**(6,197)**	**(5,424)**
Losses on disposals of assets	9.5	(11)	(11)
Corporation Tax expense		(380)	0
DEFICIT FOR THE YEAR BEFORE ABSORPTION		**(13,967)**	**(16,721)**
Gains from transfers by absorption - transferred to STSFT	SOCTE	160,990	157,255
Gains from transfers by absorption - transferred to charitable funds	SOCTE	6,045	0
SURPLUS FOR THE YEAR		**153,068**	**140,534**
Other comprehensive income:			
Will not be reclassified to income and expenditure:			
Impairments		(12,687)	(12,685)
Revaluations	9.1	18,783	18,642
Losses on revaluation of investments	9.1	(261)	0
Other recognised gains and losses		(195)	0
Initial recognition of Local Government Pension Scheme liability		(847)	0
Other reserve movements		213	(71)
Remeasurements of net defined benefit scheme liability		148	0
Other comprehensive income		**5,154**	**5,886**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**158,222**	**146,420**

The notes on pages 131 to 147 form part of these financial statements.

On 1 April 2019 South Tyneside and Sunderland NHS Foundation Trust was formed through a merger between City Hospitals Sunderland NHS Foundation Trust and South Tyneside Foundation Trust. At this date all functions transferred to South Tyneside and Sunderland NHS Foundation Trust. The merger was a statutory merger under section 56 of the National Health Service Act 2006 and has been accounted for as a Transfer by Absorption in line with accounting policy 1.13.

South Tyneside and Sunderland NHS Foundation Trust operates as a Group, within the Group there are three active Limited Companies and two NHS Charities.

The Trust's reported surplus after impairments was £153,068,000. After adjusting for exceptional items including the transfer by absorption, impairments, provider sustainability funding, financial recovery funding, the consolidation of charitable funds and non-cash pension valuation movements the underlying financial position is a surplus of £2,349,000.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Note	Group 2019/20 £000	Trust 2019/20 £000	Group 1 April 2019 post absorption transfer £000	Trust 1 April 2019 post absorption transfer £000
NON-CURRENT ASSETS					
Intangible assets	8	10,078	10,076	7,868	7,859
Property, plant and equipment	9	220,271	219,245	228,952	228,021
Investment in subsidiary	10		11,893		11,893
Long term debt with subsidiary	10	0	11,153	0	15,037
Loan to subsidiary	10	0	1,008	0	1,329
Investment in charitable funds	11	3,262	0	3,523	0
Trade and other receivables	13.1/13.2	598	997	1,477	1,474
Total non-current assets		**234,209**	**254,372**	**241,820**	**265,613**
CURRENT ASSETS					
Inventories	12	9,484	7,077	8,323	6,196
Trade and other receivables	13	42,852	41,596	44,011	44,114
Loan to subsidiary	10	0	211	0	100
Current debt with subsidiary	10	0	3,884	0	4,029
Non current assets held for sale		0	0	350	280
Cash and cash equivalents	20	33,396	27,604	30,355	24,822
Total current assets		**85,732**	**80,372**	**83,039**	**79,541**
CURRENT LIABILITIES					
Finance lease	16	(119)	(880)	(95)	(835)
Trade and other payables	14.1	(67,185)	(67,312)	(63,597)	(62,435)
Borrowings	16	(29,196)	(29,196)	(8,439)	(8,439)
Provisions for liabilities and charges	17	(435)	(436)	(353)	(353)
Other liabilities	15	(3,940)	(7,112)	(3,268)	(6,440)
Total current liabilities		**(100,875)**	**(104,936)**	**(75,752)**	**(78,502)**
NON-CURRENT LIABILITIES					
Finance lease	16	(910)	(5,801)	(1,029)	(6,681)
Borrowings	16	(51,480)	(51,480)	(80,160)	(80,160)
Provisions for liabilities and charges	17	(752)	(751)	(883)	(883)
LGPS Liability	19	(847)	0	0	0
Other liabilities	15	0	(18,501)	0	(21,673)
Total non-current liabilities		**(53,989)**	**(76,533)**	**(82,072)**	**(109,397)**
TOTAL ASSETS EMPLOYED		**165,077**	**153,275**	**167,035**	**157,255**
TAXPAYERS' EQUITY					
Public dividend capital	SOCTE	150,419	150,419	143,564	143,564
Revaluation reserve	SOCTE/7.2	63,166	61,092	57,512	55,451
Other reserves	SOCTE	148	0	0	0
Income and expenditure reserve	SOCTE	(54,321)	(58,236)	(40,086)	(41,760)
Charitable fund reserve	SOCTE	5,665	0	6,045	0
TOTAL TAXPAYERS' EQUITY		**165,077**	**153,275**	**167,035**	**157,255**

The financial statements on pages 127 to 182 were approved and authorised for issue by the Board of Directors on 23 June 2020 and signed on their behalf by:

Ken Bremner
Chief Executive
Date: 23 June 2020

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

		Group					
	Note	Total £000	Public dividend capital £000	Revaluation reserve £000	Other Reserves £000	Charitable Fund Reserve £000	Income and expenditure reserve £000
Opening transfers by absorption on 1 April 2019	SOCI	**167,035**	0	0	0	6,045	160,990
Transfers by absorption: transfer between reserves - Trusts		**0**	143,564	57,512	0	0	(201,076)
Transfers by absorption: transfer between reserves - Charitable Funds		**0**	0	0	0	0	0
Taxpayers' equity at 1 April 2019		**167,035**	**143,564**	**57,512**	**0**	**6,045**	**(40,086)**
Surplus for the year - excluding transfer by absorption	SOCI	**(13,967)**	0	0	0	20	(13,987)
Initial recognition of Local Government Pension Scheme liability		**(847)**					(847)
Adjustment to brought forward balance		**(194)**		(194)	0	0	0
Impairments	7.2	**(12,687)**	0	(12,687)	0	0	0
Revaluations gains and losses - property, plant and equipment	9.1	**18,783**	0	18,783	0	0	0
Revaluations gains and losses - Investments	9.1	**(261)**	0	0	0	0	(261)
Transfer to retained earnings on disposal of assets		**0**	0	(248)	0	0	248
Public dividend capital received		**6,855**	6,855	0	0	0	0
Remeasurement of defined benefit pension liability	19	**148**	0	0	148	0	0
Other reserve movements		**212**	0	0	0	0	212
Other reserve movements - charitable fund consolidation adjustment		**0**	0	0	0	(400)	400
Taxpayers' equity at 31 March 2020	SOFP	**165,077**	**150,419**	**63,166**	**148**	**5,665**	**(54,321)**

		Trust			
	Note	Total £000	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000
Opening transfers by absorption on 1 April 2019	SOCI	**157,255**	0	0	157,255
Transfers by absorption: transfer between reserves - Trusts		**0**	143,564	55,451	(199,015)
Taxpayers' equity at 1 April 2019		**157,255**	**143,564**	**55,451**	**(41,760)**
Surplus for the year - excluding transfer by absorption	SOCI	**(16,721)**	0	0	(16,721)
Impairments	7.2	**(12,685)**	0	(12,685)	0
Revaluations gains and losses - property, plant and equipment	9.1	**18,642**	0	18,642	0
Transfer to retained earnings on disposal of assets		**0**	0	(249)	249
Public dividend capital received		**6,855**	6,855	0	0
Other reserve movements		**(71)**	0	(67)	(4)
Taxpayers' equity at 31 March 2020	SOFP	**153,275**	**150,419**	**61,092**	**(58,236)**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Note	Group 2019/20 £000	Trust 2019/20 £000
Cash flows from operating activities			
Operating deficit	SOCI	(7,379)	(11,286)
Operating deficit		**(7,379)**	**(11,286)**
Non-cash income and expense:			
Depreciation and amortisation	4.1	12,876	12,779
Impairments	4.1	16,927	16,973
Non-cash donations credited to income	3.1	0	(738)
LGPS pension movement		68	0
Decrease in trade and other receivables	13.1	1,215	3,585
Decrease in other assets		0	(1,219)
Increase in inventories	12.1	(1,161)	(881)
Increase in trade and other payables	14.1	5,411	7,124
Increase/(decrease) in other liabilities		672	(2,500)
Decrease in provisions	17	(52)	(52)
Corporation tax paid		(841)	0
Movements in Charitable funds working capital		(307)	0
Other movements in operating cash flows		559	0
Net cash flows used in operations		**27,988**	**23,785**
Cash flows used in investing activities			
Interest received	6	222	1,267
Purchase of intangible assets	8.1	(3,473)	(3,473)
Purchase of property, plant and equipment	9.1	(15,502)	(14,976)
Sales of property, plant and equipment		375	368
Movement in Charitable funds investing activities	6	98	0
Receipt of cash donations to purchase capital assets		0	739
Net cash flows in investing activities		**(18,280)**	**(16,075)**
Cash flows from financing activities			
Public dividend capital received	SOCTE	6,855	6,855
Repayment of loans from Department of Health and Social Care	16	(7,886)	(7,886)
Other capital receipts		0	4,240
Capital element of finance lease repayments		(95)	(835)
Interest paid	7.1	(2,166)	(2,166)
Other interest		(14)	(192)
Interest element of finance lease repayments		(70)	(37)
PDC dividend paid	SOCI	(3,290)	(3,290)
Other cash flows		0	(1,617)
Net cash from financing activities		**(6,666)**	**(4,928)**
Increase in cash and cash equivalents		**3,042**	**2,782**
Cash and cash equivalents at 1 April		**0**	**0**
Transfer by absorption	SOFP	30,354	24,822
Cash and cash equivalents at 31 March		**33,396**	**27,604**

NOTES TO THE ACCOUNTS

1. Basis of Preparation

NHS Improvement, in exercising the statutory functions conferred on Monitor, has directed that the financial statements of the Foundation Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2018/19 issued by the Department of Health and Social Care (DHSC). The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Foundation Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Estimation Techniques

These are methods adopted by the Group to arrive at monetary amounts, corresponding to the measurement basis selected for assets, liabilities, gains, losses and charges to the Reserves. Where the basis of measurement for the amount to be recognised under accounting policies is uncertain, an estimation technique is applied.

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

1.2 Accounting Convention

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

1.3 Critical judgements in applying accounting policies

The following are critical judgements, apart from those involving estimations (see 1.26.2) that management has made in the process of applying the Trusts accounting policies and that have most significant effect on the amounts recognised in the financial statements:

- The day to day operations of the Group are funded from agreed fixed term contracts with Clinical Commissioning Groups (CCGs). These payments provide a reliable stream of funding minimising the Foundation Trust's exposure to liquidity and financing problems. The Group's budgets and expenditure plans are based on the agreed level of commissioned service and indicate that it has sufficient resource to meet ongoing commitments.

- A Modern Equivalent Asset model is used as the basis for the valuation of the Trust's property assets. This revaluation is carried out by a professional valuer in accordance with RICS guidance.

- The Trust has made critical judgements, based on accounting standards, in the classification of leases and arrangements containing a lease. The Trust assessed each contract potentially incorporating a lease in accordance with IAS 17 - Leases and applied the appropriate accounting treatment.

1.4 Going Concern

As an NHS Foundation Trust, the directors are required to make an assessment as at the balance sheet date as to whether the Trust remains a going concern.

In carrying out its assessment, the directors have taken into account the statement published by NHS England and NHS Improvement on 27th May 2020 (https://improvement.nhs.uk/documents/6615/Statement_to_support_forecasting.pdf). This states that "the financial statements of all NHS providers and CCGs will be prepared on a going concern basis unless there are exceptional circumstances where the entity is being or is likely to be wound up without the provision of its services transferring to another entity in the public sector." It also states that "Providers can therefore continue to expect NHS funding to flow at similar levels to that previously provided where services are reasonably still expected to be commissioned."

The directors have considered whether there are any local or national policy decisions that are likely to affect the continued funding and provision of services by the Trust. The Trust is a member of the North East and North Cumbria Integrated Care System (NENC ICS) which is comprised of all the statutory healthcare organisations and clinical commissioning groups in the North East and North Cumbria Region and provides health and social care services to over 3.2 million people.

The actions taken by the NHS to respond to the COVID-19 pandemic included the suspension in March of operational planning for 2020/21. Contract negotiations and financial plans for the 2020/21 financial year were not concluded and an interim financial framework, with simplified contracting and funding arrangements, was introduced for the period April 2020 - July 2020. The financial framework that will apply beyond July 2020 is not yet clear. The directors have considered a range of scenarios, including a downside scenario, to understand the impact of different funding arrangements and funding levels may have. These scenarios have considered cash flows for a period of 12 months from the date of approval of the annual accounts i.e. until June 2021. In each of these scenarios the Trust is in a positive cash position at the end of the review period.

The directors have also considered the financial governance framework that operates within the Trust and its flexibility and preparedness to respond to financial challenge.

Taking into account these planning scenarios and the robust financial framework and governance structures in place within the Trust, the directors have a reasonable expectation that the NHS Foundation Trust will have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

1.5 Continuing and discontinued operations, merger and acquisitions

An operation is classified as discontinued when either:

(a) it is classified as held for sale; or
(b) the activities have ceased without transferring to another entity; or
(c) the activities have been transferred to an entity outside the boundary of Whole of Government Accounts, such as the private or voluntary sectors.

Operations not satisfying all these conditions are classified as continuing.

Activities transferred to or from other bodies within the boundary of Whole of Government Accounts are "machinery of government changes" and are treated as continuing operations and accounted for as a transfer by absorption.

Activities acquired from outside the Whole of Government Accounts boundary are accounted for in accordance with IFRS 3.

1.6 Consolidation

NHS Charitable Fund

South Tyneside and Sunderland NHS Foundation Trust is the corporate trustee to The City Hospitals Sunderland NHS Foundation Trust Charitable Fund and The South Tyneside Trust General Charitable Fund. The Foundation Trust has assessed its relationship to the charitable funds and determined them to be subsidiaries because the Foundation Trust is exposed to, or has rights to, variable returns and other benefits for itself, patients and staff from its involvement with the charitable funds and has the ability to affect those returns and other benefits through its power over the funds.

The City Hospitals Sunderland NHS Foundation Trust Charitable Fund is registered with the Charity Commission (registered number 1052366). As at the 1 April 2019, the value of the funds was £4,682k. As at 31 March 2020 the value of the funds is estimated as £4,337k. This represents an estimated net decrease in value of £345k.

City Hospitals Sunderland NHS Foundation Trust Charitable Funds principal office is based at Trust Head Quarters, Kayll Road, Sunderland, SR4 7TP.

The South Tyneside Trust General Charitable Fund is registered with the Charity Commission (registered number 1059500). As at the 1 April 2019, the value of the funds was £1,363k. As at 31 March 2020 the value of the funds is estimated as £1,328k representing a net decrease in value of £35k.

South Tyneside Trust General Charitable Fund's principal office is based at South Tyneside NHS Foundation Trust, South Tyneside District Hospital, Harton Wing, Harton Lane, South Shields, NE34 0PL.

Other Subsidiaries

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

The amounts consolidated are drawn from the published financial statements of the subsidiaries for the year. Where subsidiaries' accounting policies are not aligned with those of the Foundation Trust (including where they report under UK GAAP) then amounts are adjusted during consolidation where the differences are material. Inter-entity balances, transactions and gains/losses are eliminated in full on consolidation.

The Foundation Trust is the sole shareholder of City Hospitals Independent Commercial Enterprises Limited (CHoICE). In addition the Foundation Trust is also the sole shareholder of STFT Holdings Limited, which is in turn the sole shareholder of three limited companies, South Tyneside Integrated Care Limited, Gateshead Integrated Care Limited and Sunderland Integrated Care Limited.

The financial statements of CHoICE, STFT Holdings Limited and South Tyneside Integrated Care Limited, have been consolidated into these group financial statements. The remaining subsidiaries Gateshead Integrated Care Limited and Sunderland Integrated Care Limited are dormant and have taken advantage of the exemption to file individual financial statements under Section 394A of the Companies Act.

All the Foundation Trust's subsidiaries are registered in the United Kingdom and their reporting period runs from 1 April to 31 March; in line with the Foundation Trust's reporting period.

It should be noted that the 'Group' figures in the financial statements include South Tyneside and Sunderland NHS Foundation Trust, CHoICE, STFT Holdings Limited, South Tyneside Integrated Care Limited, the City Hospitals NHS Foundation Trust Charitable Fund and the South Tyneside Trust General Charitable Fund. The 'Foundation Trust' figures in the financial

statements include only the figures for South Tyneside and Sunderland NHS Foundation Trust.

1.7 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). As directed by the GAM, the transition to IFRS 15 in 2018/19 was completed in accordance with paragraph C3 (b) of the Standard: applying the Standard retrospectively but recognising the cumulative effects at the date of initial application (1 April 2018).

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

The Foundation Trust accounts for income due on partly completed spells of patient care. Income is accrued based on length of stay using an average bed day rate for the appropriate specialty. Differences between these accruals and the actual income due when the spell is completed are accounted for in the year of completion.

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

The Foundation Trust records and accounts for Clinical Work in Progress. Clinical Work in Progress represents partially completed spells of patient treatment that remain un-invoiced at the end of the financial year. The value of Clinical Work in Progress for 2019/20 amounted to £3,146k.

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

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 sum due under the sale contract.

1.8 Expenditure on Employee Benefits

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

Pension Costs

NHS Pension Scheme
Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Accounting valuation
A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2020, is based on valuation data as at 31 March 2019, updated to 31 March 2020 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation
The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

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

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

National Employment Savings Trust (NEST)
The Pensions Act 2008 (the Act) introduced a new requirement for employers to automatically enrol any eligible job holders working for them into a workplace pension scheme that meets certain requirements and provide a minimum employer contribution.

Where an employee is eligible to join the NHS Pension Scheme then they will be automatically enrolled into this scheme, even if they have previously opted out. However,

where an employee is not eligible to join the NHS Pension Scheme (e.g. flexible retiree employees and employees in the subsidiary companies then an alternative scheme must be made available by the Trust.

The Group has chosen NEST as an alternative scheme for the Foundation Trust and as the main scheme for CHoICE and South Tyneside Integrated Care Limited (as new CHoICE and South Tyneside Integrated Care Limited employees are not eligible to join the NHS Pension Scheme). NEST is a defined contribution pension scheme that was created as part of the Government's workplace pensions reforms under the Pensions Act 2008.

Employers' pension cost contributions for both schemes are charged to operating expenses as and when they become due.

Local Government Pension Scheme (LGPS)
South Tyneside Integrated Care Limited is a member of the South of Tyne and Wear Pension Fund, a Local Government Pension Scheme operated by South Tyneside Council. The fund is a defined benefit pension scheme.

The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The net interest cost during the year arising from the unwinding of the discount on the net scheme liabilities is recognised within finance costs. Remeasurements of the defined benefit plan are recognised in the income and expenditure reserve and reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

1.9 Expenditure on 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.

1.10 Property, Plant and Equipment

Expenditure on property, plant and equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential be provided to, the Trust;
- it is expected to be used for more than one financial year; and
- the cost of the item can be measured reliably.

In order for expenditure on property, plant and equipment to be capitalised it must also:

- individually have a cost of at least £5,000; or
- form a group of assets which individually have a cost of more than £250, collectively have a cost of at least £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial setting-up cost of a new building or refurbishment of a ward or unit, irrespective of their individual or collective cost.

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

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

events, or changes in circumstances, indicate the carrying value may not be recoverable. The costs arising from financing the construction of the property, plant and equipment asset are not capitalised but are charged to the Statement of Comprehensive Income in the year to which they relate.

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

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

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

(a) Property assets

Land and buildings used for the Trust's services or for administrative purposes are stated in the statement of financial position at their revalued 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 Statement of Financial Position date.

Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use;
- For non-operational properties including surplus land, the valuations are carried out at open market value;
- Specialised buildings – depreciated replacement cost.

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

The Foundation Trust complies with the above by valuing its land and buildings property using a Modern Equivalent Asset Valuation (MEAV) on an alternative site basis. The valuation is undertaken by professionally qualified valuers in accordance with Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual.

All land and buildings are restated to current value using professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. Valuations are carried out every 5 years with an interim review every 3 years. These valuations may be carried out annually where economic conditions cause fluctuations in building cost indices.

The valuation exercise was carried out in March 2020 with a valuation date of 31 March 2020. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 [replace 2020 with 2017 if applicable] ('Red Book'), the valuer has declared a 'material valuation uncertainty' in the valuation report. This is on the basis of uncertainties in markets caused by COVID-19. The 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.
It is the Trust's view that although a material uncertainty has been declared the majority of the Trust's property assets are valued on a direct replacement cost basis using a modern

equivalent asset approach. Taking this into account the impact of material risk associated with COVID-19 on the property valuation is considered low. The impact upon the land valuation is also considered low given the likely short term impact of COVID-19 in relation to land values.

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 revalued and depreciation commences when they are brought into use.

(b) Non-property assets

The Foundation Trust elects to adopt a depreciated historical cost basis as a proxy for fair value for assets that have short useful lives or low values (or both). For depreciated historical cost to be considered as a proxy for fair value, the useful life must be a realistic reflection of the life of the asset and the depreciation method used must provide a realistic reflection of the consumption of that asset class.

Equipment surplus to requirements is valued at net recoverable amount.

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

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

Property, plant and equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification. Assets in the course of construction are not depreciated until the asset is brought into use.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as assessed by the NHS Foundation Trust's professional valuers. Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life. Estimated PPE lives are:

Asset Type	**Minimum life**	**Maximum life**
Land	n/a	n/a
Buildings excluding dwellings	5	90
Dwellings	7	70
Plant and machinery	5	15
Transport equipment	7	7
Furniture and fittings	5	8
Information technology	7	10

Lives are initially set when equipment is first brought into use and are then re-assessed on a yearly basis.

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

Revaluation losses that do not arise from a loss of economic benefit are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

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

Impairments
In accordance with the DH GAM, impairments that arise from a clear consumption 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 clear consumption 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 income to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

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

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

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

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

Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'Held for Sale' and would instead be treated as a surplus asset in accordance with IFRS 13.

1.11 Donated Assets

Donated property, plant and equipment assets are capitalised at their fair value on receipt. The donation is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the donation are to be consumed in a manner specified by the donor, in which case, the donation 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 assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

1.12 Intangible Assets

Recognition

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

Intangible assets are capitalised when they are capable of being used in a Trust's activities for more than one year; they can be valued; and they have a cost of at least £5,000.

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets. Expenditure on research is not capitalised. Expenditure on development is capitalised only where all of the following can be demonstrated:

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

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.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred and amortised over the shorter of the terms of the licences and their useful economic lives.

Measurement

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

Subsequently intangible assets are carried at depreciated historical cost as, due to the short useful life of the asset, this is not considered to be materially different from fair value.

Amortisation

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

1.13 Transfer by Absorption

Assets and liabilities received through transfers by absorption are recognised at the date of transfer. The assets and liabilities are not adjusted to fair value prior to recognition. The corresponding net credit or debit reflecting the gain or loss is recognised within income or expenditure as appropriate but outside of operating activities.

The pre-transfer income, expenses, assets and liabilities of the Trust are not adjusted to include any pre-transfer activity of the function.

For property, plant and equipment assets and intangible assets the costs and accumulated depreciation (or amortisation) amounts from the transferring entity's financial statements are preserved when the assets are recognised in the Foundation Trust's financial statements.

Where any assets received had an attributable revaluation reserve balance in the transferring entity's financial statements, this is preserved in the Foundation Trust's financial statements by transferring the relevant amount from the income and expenditure reserve to the revaluation reserve.

1.14 Revenue, Government and Other Grants

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

Grant income relating to assets is recognised within income when the Trust becomes entitled to it, unless the grantor imposes a condition that the future economic benefits embodied in the grant are to be consumed as specified by the grantor and if it is not, the grant must be returned to the grantor.

Where such a condition exists, the grant is recognised as deferred income within liabilities and carried forward to future financial years to the extent that the condition has not yet been met. There are currently no unfulfilled conditions or other contingencies associated with any grants the Trust is in receipt of.

1.15 Inventories

Inventories are valued at the lower of cost and net realisable value. Pharmacy Stocks are valued at weighted average cost; all other stocks are valued on a ‘First In, First Out’ basis.

1.16 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.

These balances exclude monies held in the NHS Foundation Trust's bank account belonging to patients (see note 1.27 Third Party Assets).

1.17 Financial Instruments and Financial Liabilities

Recognition

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

This includes the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust’s normal purchase, sale or usage requirements

and are recognised when, and to the extent which, performance occurs, i.e., when receipt or delivery of the goods or services is made.

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

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described in note 1.16.

Financial assets are classified as subsequently measured at amortised cost

Financial liabilities classified as subsequently measured at amortised cost

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

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

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

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

The Trust, in accordance with IFRS 9, adopts the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses as at an amount equal to lifetime expected losses. For other financial assets, the loss allowance is initially measured at an amount equal to 12-month expected credit losses (stage 1) and subsequently at an amount equal to lifetime expected credit losses if the credit risk assessed for the financial asset significantly increases (stage 2).

Expected credit losses are the probability weighted losses expected from credit loss events occurring within a defined period. The defined period is the previous year end as at the 31 March 2019, in this instance the invoices raised in 2017/18. For each transaction it is assessed how much of the invoices was paid within 12 months and categorised in the following way:

- 100%
- Between 75% and 100%
- Between 50% and 75%
- Between 25% and 50%
- Between 0% and 25%
- Zero percent

A weighted average of these is then applied to all relevant outstanding invoices as at the end of 31 March 2020.

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

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

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

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

1.18 Leases

Finance leases
Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Foundation Trust, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease.

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

The annual rental is split between the repayment of the liability and a finance cost by apportioning each rental payment between a finance charge and a reduction of the lease obligation using the sum of digits method. The annual finance cost is charged to Finance Costs in the Statement of Comprehensive Income. The lease liability is de-recognised when the liability is discharged, cancelled or expires.

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

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

The Trust as lessor

Operating leases
Rental income from operating leases is recognised on a straight line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are charged to income and expenditure as incurred.

1.19 Provisions

The Foundation Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount, for which it is probable that there will be a future outflow of cash or other resources, and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rate which varies from 0.51% to 1.99% in nominal terms, inflation is then applied. The only exception to this is early retirement provisions and injury benefit provisions which

both use the HM Treasury's pension discount rate of minus 0.50% (2018/19 - 0.29%) in real terms.

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the Foundation Trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. NHS Resolution is financially responsible for all clinical negligence cases and the liability for all potential and outstanding claims is provided in their Accounts. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Foundation Trust is disclosed at Note xx but is not recognised in the Foundation Trust's accounts.

Non-clinical risk pooling

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

Redundancy
The Foundation Trust makes provision for any redundancy costs in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

1.20 Contingencies
Contingent liabilities are not recognised, but are disclosed in Note 24, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

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

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Group's control) are not recognised as assets, but are disclosed in Note 24 where an inflow of economic benefits is probable.

1.21 Value Added Tax (VAT)
Most of the activities of the Foundation Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of property, plant and equipment assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

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

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

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

1.23 Corporation Tax

City Hospitals Independent Commercial Enterprises (CHoICE) Limited, STFT Holdings Limited and South Tyneside Integrated Care Limited are wholly owned subsidiaries of South Tyneside and Sunderland NHS Foundation Trust and are subject to corporation tax on profits. Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the individual profit and loss accounts of the two organisations except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities, for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted on the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

The main rate of UK Corporation Tax in 2019/20 was 19% (2018/19 - 19%).

1.24 Foreign Exchange

The functional and presentational currencies of the Group are sterling

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

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

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

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

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

1.25 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 Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

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

1.26 Standards issued but not yet adopted

IFRS 16 Leases

HM Treasury, in conjunction with the Financial Reporting Advisory Board (FRAB),
decided in light of current pressures that IFRS 16 will be deferred in the public sector for a further year, to 2021/22.

IFRS 16 Leases will replace IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease and other interpretations and is applicable in the public sector for periods beginning 1 April 2021. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for all leases. The standard also requires the premeasurement of lease liabilities after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

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

On transition to IFRS 16 on 1 April 2021, it is expected the trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted at the trust's incremental borrowing rate.

The related right of use asset will be measured equal to liability adjusted for any prepaid or accrued lease payments. For existing peppercorn leases not classified as finance leases, a right of use asset will be measured at current value in existing use or fair value. The difference between the asset value and the calculated lease liability will be recognised in the income and expenditure reserve on transition. No adjustments will be made on 1 April 2021 for existing finance leases.

This approach assumes HM Treasury guidance will remain as it was should the Trust have implemented this policy on 1 April 2020.

For leases commencing in 2022/23, the trust will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

1.27 Accounting Standards adopted early

There are no accounting standards that have been adopted early.

1.28 Third Party Assets

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

1.29 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 is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors who make strategic decisions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Segmental analysis

IFRS 8 requires disclosures of the results of significant operating segments. The standard provides for the information on income, expenses, surplus/deficit, assets and liabilities to be disclosed on the same basis as that used for internal reporting to the Chief Operating Decision Maker (CODM). The CODM is the Board of Directors.

The Trusts clinical services consist of two divisions which have similar economic characteristics, products, services and processes. They operate under the same regulatory framework and within the core business of healthcare within the same economic environment i.e. the UK economy. Clinical services is reported to the Board as one segment and the divisions are considered to meet the aggregation tests under the standard. The Trust has therefore concluded that a single segment of Healthcare should be reported in the financial statements.

The net surplus and total assets and liabilities for the single segment of Healthcare are therefore as disclosed in the Statement of Comprehensive Income for the Trust.

	Group	Trust
	2019/20 Healthcare	2019/20 Healthcare
	£000	£000
Income		
Income from activities	529,448	525,949
Other Operating Income	69,111	72,575
Total Income	**598,559**	**598,524**
Deficit by segment		
Operating Deficit	**(7,379)**	**(11,286)**
Surplus per Statement of Comprehensive Income	**153,068**	**140,534**
Segment net assets	**165,077**	**153,275**

Group Position - Excluding Charities	Group
	2019/20
	£000
Surplus for the Year	153,068
Gain on transfer by absorption (merger)	(167,036)
Donated Assets	(359)
PSF - allocation from 18/19 received in 19/20	(439)
Loss on revaluation of investments	(260)
AME impairments and reversal of impairments	16,927
Consolidation of Charitable Funds deficit	380
LGPS pension valuation	69
Underlying Surplus as reported to Board of Directors	**2,350**

The Trust's revenues derive mainly from healthcare services provided to patients under contracts with commissioners within England. The main commissioners of services from the Trust, accounting for approximately 80% of revenues are; Sunderland Clinical Commissioning Group (45%), South Tyneside Clinical Commissioning Group (27%), NHS England North East Specialised Commissioning Hub (9%) and Durham Dales, Easington and Sedgefield CCG (8%) .

South Tyneside and Sunderland NHS Foundation Trust is the sole shareholder of CHoICE Limited and STFT Holdings Limited which is in turn the sole shareholder of three limited companies, South Tyneside Integrated Care Limited, Gateshead Integrated Care Limited and Sunderland Integrated Care Limited. The financial statements of these companies are consolidated in to the Group financial statements. CHoICE Limited made a surplus of £3,159,000, STFT Holdings Limited made a surplus in the year of £56,000. South Tyneside Integrated Care Limited made a loss of £871,000 which is mainly due to the pension deficit of £925,000. Sunderland Integrated Care Limited and Gateshead Integrated Care Limited were dormant throughout the financial year resulting in a net surplus of £2,344,000 within the subsidiary organisations. All intercompany transactions have been netted out in the consolidated Group position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Income

3.1 Operating income

	Group 2019/20 £000	Trust 2019/20 £000
Income from activities		
Acute income		
Elective inpatient income	81,854	81,854
Non elective income	152,702	152,702
First outpatient income	23,514	23,514
Follow up outpatient income	41,197	41,197
Accident and emergency income	33,128	33,128
High cost drug income from commissioners	40,541	40,541
Other NHS clinical income **	72,451	72,451
Community income		
Income from CCGs and NHS England	60,898	60,898
Income from other sources - including local authorities	9,212	6,039
Other Trust income		
Private patient income	375	375
Additional pension contribution central funding	13,576	13,250
Total income from activities	**529,448**	**525,949**
Other operating income from contracts with customers:		
Research and development	2,290	2,290
Education and training	17,020	17,020
Provider sustainability fund / Financial recovery fund / Marginal rate emergency tariff funding (PSF/FRF/MRET)	29,005	29,005
Rental revenue from operating leases	649	4,198
Non-patient care services to other bodies	136	136
Other ***	18,251	18,160
	67,351	**70,809**
Other non-contract operating income		
Cash donations for the purchase of capital assets received from NHS Charities	0	738
Cash donations for the purchase of capital assets received from other bodies	732	0
Charitable and other contributions to expenditure	1,028	1,028
	1,760	**1,766**
Total other operating income:	**69,111**	**72,575**
TOTAL OPERATING INCOME	**598,559**	**598,524**

Income from Other Sources within the Group includes £3,172,768 in relation to income received from South Tyneside Council for the service provision with Haven Court.

All income from activities relates to contract income - as per accounting policy 1.7

3.2 Operating income by source

	Group 2019/20 £000	Trust 2019/20 £000
NHS:		
Commissioner requested services		
- CCGs and NHS England	495,073	495,073
Non-commissioner requested services		
- CCGs and NHS England	18,324	17,998
- Local authorities	11,097	7924
- NHS Trusts and Foundation Trusts	3,384	3384
	527,878	**524,379**
Non NHS:		
- NHS injury cost recovery scheme	684	684
- Private patients	437	437
- Overseas patients	97	97
- Other	352	352
Total income from activities	**529,448**	**525,949**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Income (continued)

3.3 Operating income (continued)

** Analysis of income from activities: other NHS clinical income and other non-protected Income	Group 2019/20 £000	Trust 2019/20 £000
Maternity Pathways	8,116	8,116
Renal Dialysis	6,717	6,717
Therapies	5,719	5,719
Unbundled Radiology	5,474	5,474
Neonatal Care	4,900	4,900
CQUIN	4,541	4,541
Risk Share Funding	3,468	3,468
Direct Access Imaging	2,898	2,898
Block Impact	2,863	2,863
Additional Capacity Funding	2,700	2,700
Vascular Contract Variation	2,481	2,481
Audiology	2,166	2,166
Excluded Devices	2,117	2,117
Referral to Treatment Funding (RTT)	1,345	1,345
Any Qualified Provider (AQP)	1,308	1,308
Critical Care	1,051	1,051
Winter Funding	1,011	1,011
CCG Contribution to in year over performance	1,000	1,000
Family Planning (Direct Access)	841	841
Vascular Non Recurrent Support	700	700
NHS Injury Recovery Scheme	685	685
COVID-19 Funding	613	613
Non Recurrent Investment	735	735
Discrete Aids and Appliances	616	616
Stroke Rehab Team	520	520
Prescription Income	121	121
Endoscopy funding	617	617
Rapid diagnostic service funding	406	406
Local Authority contract uplift	380	380
Cancer MDT Block	372	372
Other Income	5,970	5,970
Total other clinical income (NHS and non-protected)	**72,451**	**72,451**

The NHS Injury scheme income is subject to a provision for doubtful debts to reflect expected rates of collection. The Compensation Recovery Unit advise that there is a 21.79% probability of not receiving the income (2018/19 21.89%). Following a review of local information the Trust has included a provision of 21.79% (2018/19 21.89%) in the financial statements for the year ended 31 March 2020.

***** Analysis of Other Operating Income: Other**

	Group 2019/20 £000	Trust 2019/20 £000
Car parking	2,787	2,787
Catering	1,071	1,071
Property rentals	169	169
Global Digital Exemplar	2,688	2,688
Support for IT Infrastructure	1,300	1,300
Pathology Lab & IT SLA	1,180	1,180
Medical Physics SLA	826	826
Haematology Consultants SLA	518	518
NHS Property Services (savings realised in 2019/20 from handback schemes)	500	500
Clinical Excellence Awards	450	450
Northern Cancer Alliance	296	296
Local Maternity System Transformation Funding	254	254
Meditech Implementation Charges	203	203
Gastroenterology Medical Staffing	194	194
Mortuary	187	187
Trauma Network	180	180
Other Income	5,448	5,734
Total other income	**18,251**	**18,537**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Income (continued)

3.4 Overseas Visitors

	Group 2019/20 £000	Trust 2019/20 £000
Income recognised in the year	97	97
Cash payments received in the year	47	47
Amounts added to provision for impairment of receivables	4	4
Amounts written off in the year	(26)	(26)
Total from overseas visitors	**122**	**122**

3.5 Income from activities arising from Commissioner Requested Services (CRS) and all other services

	Group 2019/20 £000	Trust 2019/20 £000
Income arising from Commissioner-Requested Services	495,073	495,073
Income arising from non-Commissioner-Requested Services	34,144	30,971
Total income from activities	**529,217**	**526,044**

Under the terms of its provider licence the Trust must provide specific healthcare services which are requested by Commissioners.

3.6 Operating lease income

	Group 2019/20 £000	Trust 2019/20 £000
Rents recognised as income in the year	649	4,198
Total lease income	**649**	**4,198**
Future minimum lease payments due		
- not later than one year	577	4,126
- later than one year and not later than five years	2,301	16,496
- later than five years	8,724	20,690
Total future minimum lease payments due	**11,602**	**41,312**

The main sources of rental income from operating leases relates to property leased to Cumbria, Northumberland and Tyne and Wear NHS Foundation Trust for the provision of Mental Health Services.

A lease exists between the Trust and one of its subsidiaries, South Tyneside Integrated Care Limited for Haven Court. The duration of this lease is 25 years. This lease agreement is excluded on consolidation. Our subsidiary South Tyneside Integrated Care Limited has a lease agreement with South Tyneside Council for elements of Haven Court. This contract is included on consolidation.

A lease exists between the Trust and one of its subsidiaries, CHoICE Limited relating to the lease of buildings on the Sunderland sites. The duration of this lease is 10 years. This lease agreement is excluded on consolidation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Operating expenses

	Group	Trust
	2019/20	2019/20
	£000	£000
4.1 Operating expenses by Type		
Purchase of healthcare from NHS and DHSC bodies	4,613	4,575
Purchase of healthcare from non-NHS and non-DHSC bodies	8,777	8,361
Executive directors costs	1,352	1,352
Staff Costs	391,773	374,594
Non-executive directors	241	216
Supplies and services – clinical (excluding drugs costs)	49,234	51,960
Supplies and services - general	3,734	2,392
Drugs costs (drugs inventory consumed and purchase of non-inventory drugs)	49,780	51,318
Inventories written down	62	62
Consultancy	428	344
Establishment	4,482	4,057
Premises - business rates collected by local authorities	3,376	1,035
Premises - other	19,956	40,679
Transport (including patient travel)	1,999	1,704
Depreciation	11,583	11,491
Amortisation	1,293	1,288
Net impairments	16,927	16,973
Movement in credit loss allowance: contract receivables/assets	861	861
Change in provisions discount rate	43	43
Audit services - statutory audit	76	50
Internal audit	400	375
Clinical negligence - amounts payable to NHS Resolution (premium)	16,373	16,373
Legal fees	393	448
Insurance	641	362
Research and development - staff costs	1,889	1,889
Research and development - non-staff	109	109
Education and training - staff costs	2,007	2,007
Education and training - non-staff	1,037	979
Operating lease expenditure (net)	10,181	11,656
Redundancy costs - staff costs	242	242
Other NHS charitable fund resources expended	543	0
Other	1,533	2,015
Total	**605,938**	**609,810**

Employer's pension contributions are included within employee expenses. Employee expenses for Executive Directors includes £103,199 in respect of employer pension contributions.

Further details on the impairments of property, plant and equipment are shown in notes 7.2 and 9.2

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Operating expenses (continued)

4.2 Arrangements containing an operating lease

	Group 2019/20 £000	Trust 2019/20 £000
Minimum lease payments	10,181	12,318
Less sublease payments received	0	(662)
Total	**10,181**	**11,656**

4.3 Timing of minimum operating lease future payments

	Group 2019/20 £000	Trust 2019/20 £000
Future minimum lease payments - buildings		
- not later than one year;	3,995	7,167
- later than one year and not later than five years;	2,659	15,345
- later than five years	12,076	17,915
Total	**18,730**	**40,427**
Future minimum lease payments - other		
- not later than one year;	2,781	898
- later than one year and not later than five years;	3,699	732
- later than five years	127	8
Total	**6,607**	**1,638**
Future minimum lease payments - total		
- not later than one year;	6,776	8,065
- later than one year and not later than five years;	6,358	16,077
- later than five years	12,203	17,923
Total	**25,337**	**42,065**

4.4 Auditor's remuneration

The audit fee for the statutory audit for the Trust and its subsidiary companies was £75,840 excluding VAT.

On 17 June 2020, the Foundation Trust approved the principal terms of engagement with its auditor's, Ernst & Young LLP, covering the period of Ernst & Young LLP engagement as auditors. The terms include a limitation on their liability to pay damages for losses arising as a direct result of breach of contract or negligence, of £2m (2018/19 £2m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Employee expenses and numbers

5.1 Employee expenses

	Group		
	Total for Year Ended 31 March 2020 £000	**Permanently employed £000**	**Other £000**
Salaries and wages	**311,382**	283,540	27,842
Social security costs	**27,402**	26,100	1,302
Apprenticeship Levy	**1,360**	1,360	0
Pension costs - Employer contribution to NHS Pension scheme	**45,301**	43,769	1,532
Pension costs - Employer contribution to other pension schemes	**529**	529	0
Termination benefits	**242**	242	0
Agency/contract staff	**11,128**	0	11,128
Total	**397,344**	**355,540**	**41,804**

	Trust		
	Total for Year Ended 31 March 2020 £000	**Permanently employed £000**	**Other £000**
Salaries and wages	**297,190**	269,348	27,842
Social security costs	**26,329**	25,027	1,302
Apprenticeship Levy	**1,300**	1,300	0
Pension costs - Employer contribution to NHS Pension scheme	**44,247**	42,715	1,532
Pension costs - Employer contribution to other pension schemes	**199**	199	0
Termination benefits	**242**	242	0
Agency/contract staff	**10,658**	0	10,658
Total	**380,165**	**338,831**	**41,334**

The total employer pension contribution payable in the year from 1 April 2019 to 31 March 2020 was £45,719,101. This differs from the figure above as the figure above includes adjustments such as pension costs for staff recharged by other bodies, and for annual leave accruals.

	Group Year Ended 31 March 2020	**Trust Year Ended 31 March 2020**
Staff costs included with operating expenses (note 4.1)		
Employee Expenses - Executive directors	1,352	1,352
Employee Expenses - Staff	391,773	374,594
Research and development	1,889	1,889
Education and training	2,007	2,007
Redundancy costs	242	242
Staff costs included within operating expenses	**397,263**	**380,084**
Staff costs capitalised as part of property, plant and equipment	81	81
Total staff costs (as per note 5.1)	**397,344**	**380,165**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Employee expenses and numbers (continued)

5.2 Retirements due to ill-health

During 2019/20 there were 5 early retirements from the Foundation Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £294,180. Their cost will be borne by the NHS Business Services Authority - Pensions Division.

5.3 Other departures

Exit package cost and band

	Number of compulsory redundancies No	Cost of compulsory redundancies £000	Number of other departures agreed No	Cost of other departures agreed £000	Total number of exit packages by cost band No	Total cost of exit packages by cost band £000
<£10,000	1	10	38	120	39	130
£10,000 - £25,000	1	13	2	20	3	33
£25,001 - £50,000	2	62	0	0	2	62
£50,001 - £100,000	1	63	0	0	1	63
£100,001 - £150,000	1	115	0	0	1	115
Total number of exit packages by type - No	**6**		**40**		**46**	
Total resource cost - £		**263**		**140**		**403**

All exit packages relate to the Trust. There were no exit packages within the wider Group.
All of the 40 Other departures related to payment in lieu of notice.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 Finance income

	Group 2019/20 £000	Trust 2019/20 £000
Interest on bank accounts	222	222
Loan Interest from subsidiaries	0	1,045
NHS Charity fund investment income	98	0
Total	**320**	**1,267**

7 Finance costs

7.1 Finance costs - financial liabilities

	Group 2019/20 £000	Trust 2019/20 £000
Department of Health and Social Care - Capital loans	1,792	1,792
Department of Health and Social Care - Revenue Support loans	337	337
Finance Leases	70	244
Interest Other	14	14
Unwinding of discount on provisions	3	3
Total	**2,216**	**2,390**

As at the 31 March 2020 the Group had eight capital loans £57,127,000 and one revenue loan £1,332,000 outstanding, these are drawn down to cover the cost of capital projects and a Trust restructure relating to the former South Tyneside NHS Foundation Trust.

The Department of Health and Social Care announced in April 2020 that it would be converting all existing NHS Interim Support borrowing into Public Dividend Capital as at the 1st April 2020. The Group currently has 12 individual Revenue Deficit Support loans totalling £22,129,000.

7.2 Impairment of assets (property, plant and equipment)

	Group 2019/20 £000	Trust 2019/20 £000
Impairment due to changes in market price	16,927	16,973
Impairment due to change in market value taken from revaluation reserve	12,687	12,685
Total	**29,614**	**29,658**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Intangible assets

8.1 Intangible assets 2019/20 - Group

	Total	Software licences (purchased)
	£000	£000
Gross cost at 1 April 2019	**0**	**0**
Transfers by absorption	**17,852**	17,852
Additions - purchased	**3,427**	3,427
Additions - Donated	**46**	46
Reclassifications	**30**	30
Gross cost at 31 March 2020	**21,355**	**21,355**
Accumulated amortisation at 1 April 2019	**0**	0
Transfers by absorption	**9,984**	9,984
Provided during the year	**1,293**	1,293
Accumulated amortisation at 31 March 2020	**11,277**	**11,277**
Net book value		
Net book value - purchased at 31 March 2020	**10,078**	**10,078**

8.2 Intangible assets 2019/20 - Trust

	Total	Software licences (purchased)
	£000	£000
Gross cost at 1 April 2019	**0**	0
Transfers by absorption	**17,828**	17,828
Additions - purchased	**3,427**	3,427
Additions - Donated	**46**	46
	32	32
Gross cost at 31 March 2020	**21,333**	**21,333**
Accumulated amortisation at 1 April 2019	**0**	0
Transfers by absorption	**9,969**	9,969
Provided during the year	**1,288**	1,288
Accumulated amortisation at 31 March 2020	**11,257**	**11,257**
Net book value		
Net book value - purchased at 31 March 2020	**10,076**	**10,076**

8.3 Intangible asset disposals

There were no intangible assets disposed of in 2019/20

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Property, plant and equipment

9.1 Property, plant and equipment 2019/20 - Group

	Total	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and machinery	Transport equipment	Information technology	Furniture and fittings
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2019	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Transfer by absorption	**291,218**	4,799	194,431	2,477	5,684	49,452	652	30,640	3,083
Additions - purchased	**13,111**	0	0	0	4,878	2,577	0	5,549	107
Additions - donated	**692**	0	0	0	63	552	0	40	37
Impairments	**(32,991)**	(327)	(31,354)	(1,310)	0	0	0	0	0
Revaluations	**15,874**	472	15,158	132	112	0	0	0	0
Reclassifications	**(30)**	(1)	10,143	7	(10,728)	56	1	495	(3)
Disposals	**(651)**	0	0	0	0	(638)	0	(13)	0
Cost or valuation at 31 March 2020	**287,223**	**4,943**	**188,378**	**1,306**	**9**	**51,999**	**653**	**36,711**	**3,224**
Accumulated depreciation at 1 April 2019	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Transfer by absorption	**62,266**	0	32	0	0	36,062	557	23,050	2,565
Provided during the year	**11,583**	0	6,174	80	0	3,040	18	2,153	118
Impairments	**0**	0	0	0	0	0	0	0	0
Reversal of impairments	**(3,377)**	0	(3,377)	0	0	0	0	0	0
Revaluations	**(2,909)**	0	(2,829)	(80)	0	0	0	0	0
Disposals	**(611)**	0	0	0	0	(598)	0	(13)	0
Accumulated depreciation at 31 March 2020	**66,952**	**0**	**0**	**0**	**0**	**38,504**	**575**	**25,190**	**2,683**
Net book value									
Net book value - owned at 31 March 2020	**215,686**	4,768	186,857	1,306	9	10,740	78	11,471	457
Net book value - finance lease at 31 March 2020	**1,029**	0	0	0	0	1,029	0	0	0
Net book value - donated at 31 March 2020	**3,556**	175	1,521	0	0	1,726	0	50	84
Net book value total at 31 March 2020	**220,271**	**4,943**	**188,378**	**1,306**	**9**	**13,495**	**78**	**11,521**	**541**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Property, plant and equipment (continued)

9.2 Property, plant and equipment 2019/20 - Trust

	Total	Land	Buildings excluding dwellings	Dwellings	Trust Assets under construction	Plant and machinery	Transport equipment	Information technology	Furniture and fittings
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2019	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Transfer by absorption	**280,658**	4,564	194,464	1,927	5,687	40,101	652	30,599	2,664
Additions - purchased	**13,111**	0	0	0	4,878	2,577	0	5,549	107
Additions - donated	**693**	0	0	0	63	552	0	41	37
Impairments	**(32,992)**	(327)	(31,434)	(1,231)	0	0	0	0	0
Revaluations	**15,822**	470	15,202	61	(3)	(12)	(3)	107	0
Reclassifications	**(32)**	0	10,145	0	(10,617)	52	0	388	0
Disposals	**(651)**	0	0	0	0	(638)	0	(13)	0
Cost or valuation at 31 March 2020	**276,609**	**4,707**	**188,377**	**757**	**8**	**42,632**	**649**	**36,671**	**2,808**
Accumulated depreciation at 1 April 2019	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Transfer by absorption	**52,637**	0	32	0	0	26,606	557	23,031	2,411
Provided during the year	**11,491**	0	6,174	65	0	3,033	18	2,145	56
Impairments	**(28)**		(28)						
Reversal of impairments	**(3,306)**	0	(3,266)	(40)	0	0	0	0	0
Revaluations	**(2,820)**	0	(2,912)	(25)	0	118	(4)	0	3
Disposals	**(610)**	0	0	0	0	(597)	0	(13)	0
Accumulated depreciation at 31 March 2020	**57,364**	**0**	**0**	**0**	**0**	**29,160**	**571**	**25,163**	**2,470**
Net book value									
Net book value - owned at 31 March 2020	**211,112**	4,532	186,856	757	8	7,169	78	11,458	254
Net book value - finance lease at 31 March 2020	**4,576**	0	0	0	0	4,576	0	0	0
Net book value - donated at 31 March 2020	**3,557**	175	1,521	0	0	1,727	0	50	84
Net book value total at 31 March 2020	**219,245**	**4,707**	**188,377**	**757**	**8**	**13,472**	**78**	**11,508**	**338**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Property, plant and equipment (continued)

9.3 Assets held at open market value:

There were no assets held for sale as at 31 March 2020.

9.4 Economic life of property, plant and equipment	Minimum life	Maximum life
Land	n/a	n/a
Buildings excluding dwellings	5	90
Dwellings	7	70
Plant and Machinery	5	15
Transport Equipment	7	7
Information Technology	5	8
Furniture and Fittings	7	10

9.5 Property, plant and equipment disposals

Plant and Equipment with a Gross Book value of £638k was disposed of in 2019/20; a loss of £41,137 was recognised in the financial year relating to its disposal. The Trust disposed of some equipment with nil book value through auction realising £30,595 as a gain on disposal.

There were no disposals of land or buildings assets used in the provision of Commissioner Requested Services during the year.

9.6 Property revaluation

The revaluation of the Group's property was undertaken prior to Covid-19, as a result of this it does not include any impact the pandemic may have had on property prices. The valuers have noted the following whilst providing their final report:

Our valuation is reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty - and a higher degree of caution - should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that property values are kept under frequent review.

Whist the Trust acknowledges there is significant risk in the property market for certain sectors, it is considered unlikely the value of NHS property will be materially effected by the impact of COVID-19 due to the following reasons:

- Due to the specialised nature of the assets used by the Trust a depreciated replacement cost (DRC) method was used for 97.21% or £188,161,261 of the assets revalued. The DRC valuation method uses the cost of replacing the asset and its useful economic life to provide a valuation. As at 31 March 2020, management were unaware of any changes in market conditions that meant the cost of replacing the asset had materially changed;

- The valuation also takes into account economic obsolescence, which for NHS assets is measured by future service potential. This has not been effected by COVID 19 as there has been no reduction in the demand, occupancy or use of the operational property portfolio; and

- all property inspections were completed in advance of the COVID 19 national lock down.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Investment in Subsidiary Undertakings - Foundation Trust

	Year ended 31 Mar 2020 £000	1 April 2019 £000
Investment in subsidiary undertakings	11,893	11,893
Long term debt in subsidiaries < 1 year	11,153	15,037
Loans to subsidiary undertakings < 1 year	1,008	1,329
	24,054	**28,259**
Long term debt in subsidiaries > 1 year	3,884	4,029
Loans to subsidiary undertakings > 1 year	211	100
	28,149	**32,388**

The shares in the subsidiary companies all comprise a 100% holding in share capital. The number of shares held is shown below. All shares are ordinary shares with a value of £1 per share.

City Hospitals Independent Commercial Enterprises Limited	11,893,000
STFT Holdings Limited	100
South Tyneside Integrated Care Limited	100
Sunderland Integrated Care Limited	100
Gateshead Integrated Care Limited	100

11 Other investments

The investment portfolio of the City Hospitals Sunderland NHS Foundation Trust Charitable Fund is managed by Rathbone Investment Management Ltd and the investment portfolio of South Tyneside Trust General Charitable Funds is managed by CCLA.

Cash funds are held outside the portfolio by the Fund to deal with short term cash flow issues that may arise.

	Year ended 31 Mar 2020 £000
Transfers by absorption	3,523
Acquisitions at cost	(625)
Disposals at carrying value	630
Net loss on revaluation	(266)
Market value at 31 March	**3,262**

11.1 Investments held:

	Year ended 31 Mar 2020 £000
Investments listed on a recognised Stock Exchange:	
In the UK	2,181
Outside the UK	833
Unlisted securities:	
In the UK	248
Outside the UK	0
Market value at 31 March	**3,262**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Inventories

		Group	Trust	Group	Trust
				Transfer by absorption	Transfer by absorption
		2019/20	2019/20	1 April 2019	1 April 2019
12.1	**Inventories**	£000	£000	£000	£000
	Drugs	4,537	3,637	3,694	2,987
	Consumables	4,876	3,440	4,026	2,680
	Other	71	0	603	529
		9,484	**7,077**	**8,323**	**6,196**

12.2 Inventories recognised in expenses

	Group 2019/20 £000	Trust 2019/20 £000
Inventories recognised in expenses	(61,330)	(58,415)
Write-down of inventories recognised as an expense	(62)	(62)
Total Inventories recognised in expenses	**(61,392)**	**(58,477)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Trade and other receivables

13.1 Trade and other receivables

	Group	Trust	Group	Trust
	31 Mar 2020 £000	31 Mar 2020 £000	Transfer by absorption 1 April 2019 £000	Transfer by absorption 1 April 2019 £000
Current				
Contract receivables	34,490	34,078	38,911	37,976
Allowance for impaired receivables	(2,190)	(2,190)	(1,113)	(1,113)
Prepayments	3,907	3,558	3,641	3,352
VAT receivable	5,205	3,839	1,253	2,696
Other receivables	1,419	2,311	1,210	1,203
NHS Charitable funds receivable	21	0	109	0
Total current trade and other receivables	**42,852**	**41,596**	**44,011**	**44,114**
Non-current				
Contract receivables	759	758	1,884	1,881
Provision for impaired receivables	(161)	(161)	(407)	(407)
Loans with subsidiaries	0	400	0	0
Total non-current trade and other receivables	**598**	**997**	**1,477**	**1,474**
Of which receivable from NHS and DHSC group bodies:				
Current	24,819	24,806	31,348	31,348
Non-current	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Trade and other receivables (continued)

13.2 Allowances for credit losses

	Group 2019/20 £000	Trust 2019/20 £000
Allowances as at 1 April 2019	0	0
Transfer by absorption	1,520	1,520
New allowances arising	935	935
Reversal of allowances	(74)	(74)
Utilisation of allowances	(30)	(30)
Allowances as at 31 March 2020	**2,351**	**2,351**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Trade and Other Payables

14.1 Trade and Other Payables

	Group	Trust	Group Transfer by absorption 1 April 2019	Trust Transfer by absorption 1 April 2019
	31 Mar 2020 £000	31 Mar 2020 £000	£000	£000
Current				
Trade payables	28,213	31,073	28,955	32,957
Capital Payables (including capital accruals)	2,687	3,214	4,386	4,386
Accruals	23,988	21,030	17,803	13,519
Receipts in advance and payments on account	105	105	59	59
Social Security costs	4,005	3,857	3,933	3,790
Other taxes payable	3,182	3,171	3,108	3,244
PDC dividend payable	214	214	0	0
Other payables	4,791	4,648	5,353	4,480
Total current trade and other payables	**67,185**	**67,312**	**63,597**	**62,435**
Of which payables from NHS and DHSC group bodies:				
Current	9,919	9,805	11,232	11,232
Non-current	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Trade and Other Payables (continued)

14.2 Early retirements detail included in NHS payables on previous page

	31 March 2020 £000	31 March 2020 Number
- to buy out the liability for early retirements over 5 years	**92**	
- number of cases involved		**50**

15 Other liabilities

	Group 31 March 2020 £000	Trust 31 March 2020 £000	Group Transfer by absorption 1 April 2019 £000	Trust Transfer by absorption 1 April 2019 £000
Current				
Other deferred income	3,940	7,112	3,268	6,440
Non Current				
Net defined benefit pension scheme	847	0	0	0
Other deferred income	0	18,501	0	21,673
Total other liabilities	**4,787**	**25,613**	**3,268**	**28,113**

16 Borrowings

16.1 Long term loans

	Group 31 March 2020 £000	Trust 31 March 2020 £000	Group Transfer by absorption 1 April 2019 £000	Trust Transfer by absorption 1 April 2019 £000
Current				
Department of Health and Social Care Loans - Capital	5,647	5,647	5,676	5,676
Department of Health and Social Care Loans - Revenue Support	23,549	23,549	2,763	2,763
Obligations from finance leases	119	880	95	835
Total current borrowings	**29,315**	**30,076**	**8,534**	**9,274**
Non-current				
Department of Health and Social Care Loans - Capital	51,480	51,480	56,699	56,699
Department of Health and Social Care Loans - Revenue Support	0	0	23,461	23,461
Obligations from finance leases	910	5,801	1,029	6,681
Total non-current borrowings	**52,390**	**57,281**	**81,189**	**86,841**

As at the 31 March 2020 the Group had eight capital loans £57,127,000 and one revenue loan £1,332,000 outstanding, these are drawn down to cover the cost of capital projects and a Trust restructure relating to the former South Tyneside NHS Foundation Trust.

The Department of Health and Social Care announced in April 2020 that it would be converting all existing NHS Interim Support borrowing into Public Dividend Capital as at the 1st April 2020. The Group currently has 12 individual Revenue Deficit Support loans totalling £22,129,000.

Due to the loans being converted to PDC from 1 April 2020 these loans have all been classified as current borrowings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 Borrowings (continued)

16.2 Finance Lease Obligations

	Group 31 March 2020 £000	Trust 31 March 2020 £000	Group Transfer by absorption 1 April 2019 £000	Trust Transfer by absorption 1 April 2019 £000
Gross Lease Liabilities	**1,161**	**7,448**	**1,287**	**8,492**
Of which liabilities are due:-				
- Not later than one year	151	1,072	126	1,046
- Later than one year and not later than five years	606	4,282	606	4,282
- Later than five years	404	2,094	555	3,164
Finance charges allocated to future periods	(132)	(767)	(163)	(976)
Present value of lease payable	**1,029**	**6,681**	**1,124**	**7,516**
Net Lease Liabilities				
- Not later than one year	119	880	95	835
- Later than one year and not later than five years	519	3,782	503	3,677
- Later than five years	391	2,019	526	3,004
	1,029	**6,681**	**1,124**	**7,516**

The obligation under finance leases in the Group arises from a MRI scanner capital scheme; within the Trust this also includes a lease cover the provision of equipment from CHoICE Limited.

the Trust and its subsidiary undertaking, CHoICE Ltd, for the supply of operational healthcare facilities. This liability and the associated property have both been recognised in the Statement of Financial Position of the Trust following a detailed consideration of the lease terms and the risks and rewards of the arrangement. The remaining balance of £1,029k relates to a lease held by the Trust in respect of an MRI scanner.

16.3 Reconciliation of liabilities arising from financing activities

	Loans from DHSC £000	Finance Leases £000	Total £000
Carrying value at 1 April 2019	**0**	**0**	**0**
Cash movements:			
Financing cash flows - payments and receipt of principal	(7,886)	(95)	(7,981)
Financing cash flows - payments of interest	(2,166)	(70)	(2,236)
Non-cash movements:			
Transfer by absorption	88,599	1,124	89,723
Interest arising in the year	2,129	70	2,199
Carrying value at 31 March 2020	**80,676**	**1,029**	**81,705**

All loan values relate to the Foundation Trust.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Provisions for liabilities and charges

	Current 31 March 2020 £000	Non-Current 31 March 2020 £000	Total 31 March 2020 £000
Pensions - early departure costs	201	180	**381**
Pensions - injury benefits	71	571	**642**
Other legal claims	162	0	**162**
Restructuring	1	1	**2**
Total	**435**	**752**	**1,187**

Provision for liabilities and charges	**Total** £000	**Pensions - other staff** £000	**Injury Benefits** £000	**Other legal claims** £000	**Re-structuring** £000
At 1 April 2019	**0**	0	0	0	0
Transfer by absorption	**1,236**	359	680	195	2
Change in the discount rate	**43**	12	31	0	0
Arising during the year	**174**	102	0	72	0
Utilised during the year	**(268)**	(93)	(71)	(104)	0
Reversed unused	**(1)**	0	0	(1)	0
Unwinding of discount	**3**	1	2	0	0
At 31 March 2020	**1,187**	**381**	**642**	**162**	**2**
Expected timing of cash flows:					
- not later than one year;	**435**	202	71	162	0
- later than one year and not later than five years;	**369**	125	244	0	0
- later than five years.	**383**	55	327	0	1
Total	**1,187**	**382**	**642**	**162**	**1**

All provisions for liabilities and charges relate to the Foundation Trust.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Provisions for liabilities and charges (continued)

Provisions relating to pensions are based on estimates of costs received from NHS Pensions. The timing of cash flows is unlikely to vary significantly as long as the pensions concerned continue to be drawn. The current discount rate is -0.50% (2018/19 - 0.29%). The impact of the change is shown in the provisions for liabilities and charges note on the previous page.

The other provision relates to estimated costs for injury benefits amounting to £187,537. The amounts due have been discounted to their present value using the pensions discount rate which is currently -0.50.% (2018/19 - 0.29%).

The provision for legal claims is based on information provided by NHS Resolution. The value reflects the estimated claim cost for both employers and public liability claims totalling £162,953 as at 31 March 2020.

17.1 Clinical negligence liabilities

	£000
At the 31 March 2020, £159,133,245 was included in provisions in respect of clinical negligence liabilities of South Tyneside and Sunderland NHS Foundation Trust	**159,133**

18 Contingent liabilities

	Group 31 March 2020 £000	**Trust 31 March 2020 £000**	Group absorption 1 April 2019 £000	Trust absorption 1 April 2019 £000
Value of contingent liabilities - Other	(81)	(81)	(95)	(95)
Net value of contingent liabilities	**(81)**	**(81)**	**(95)**	**(95)**

The Trust cannot accurately determine the eventual liability arising from risk pooling for non-clinical claims, and therefore has included a contingent liability of £81,290. All claims are expected to be settled within 12 months.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 PENSIONS NOTE FOR SOUTH TYNESIDE INTEGRATED CARE LIMITED

South Tyneside Integrated Care Limited one of the Group subsidiaries participates in the Tyne and Wear Local Government Pension Scheme (LGPS) as a result of a number of staff transferring from the Local Authority under TUPE terms and conditions when the facilities opened in August 2016. This is a funded defined benefit scheme with benefits earned up to 31st March 2014 being linked to final salary. Benefits after 31st march 2014 are based on a career average revalued earnings scheme.

The funded nature of the LGPS requires the Group and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Any gains and losses are recognised in full immediately through other comprehensive income and expenditure.

The latest actual valuation of the Group's liabilities was undertaken by Aon Hewitt Limited and took place as at 31 March 2019. Liabilities have been estimated by the independent qualified actuary on an actuarial basis.

Details of the benefits earned over the period covered by this note are set out in 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014'. The funded nature of the LGPS requires the employer and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities and investment assets.

The LGPS liability was not recognised in the Group's accounts having previously been considered as not material. This is the first year the scheme has been accounted for within the Group. Opening balances are therefore reported as £0, the Current Service cost in 2019/20 was £116,000 with prior years now being recognised and totalling £847,000.

19.1 Expenses recognised in the Statement of Comprehensive Income and Expenditure

	2019/20 £000
Current Service cost	(116)
Interest on net defined benefit liability	(22)
Total expenses recognised	**(138)**

19.2 Movements in present value of defined benefit obligation

	2019/20 £000
Present Value of Defined Benefit Obligation as at 1 April 2019	**(3,599)**
Current service costs	(116)
Interest on defined benefit obligation	(89)
Contribution by participants	(19)
Benefits paid	667
Past service costs	87
Present Value of Defined Benefit Obligation as at 31 March 2020	**(3,069)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 PENSIONS NOTE FOR SOUTH TYNESIDE INTEGRATED CARE LIMITED (CONTINUED)

19.3 Movements in fair value of plan assets

	2019/20 £000
Present Value of Plan assets at 1st April 2019	**2,672**
Interest income	67
Losses on assets	(519)
Contributions by employer	70
Contribution by participants	19
Net benefits paid out	(87)
Present Value of Plan assets at 31 March 2020	**2,222**
Deficit at 31 March 2020	**(847)**

19.4 The fair value of the plan assets

	2019/20 £000
Equities	1,218
Property	200
Government Bonds	91
Corporate Bonds	340
Cash	51
Other	322
Total fair value of plan assets	**2,222**

19.5 Principal actuarial assumptions

Discount rate	2.3%
CPI inflation	1.8%
Pension increases	1.8%
Pension accounts revaluation rate	1.8%
Salary increases	3.3%

The assumptions are based on the recent actual mortality experience of members within the fund allow for expected future improvements in longevity at the accounting date

	Male	Female
Future lifetime from age 65 (pensioner currently aged 65)	21.8	25.0
Future lifetime from age 65 (active currently aged 45)	23.5	26.8

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Cash and cash equivalents

	Group 31 March 2020 £000	Trust 31 March 2020 £000
At 1 April	**0**	**0**
Transfer by absorption	27,546	24,822
Transfer by absorption - charitable funds	2,808	0
Net change in year	3,042	2,782
At 31 March	**33,396**	**27,604**
Broken down into:		
Cash at commercial banks and in hand	6,486	693
Cash with Government Banking Services	26,910	26,911
Cash and cash equivalents as in Statement of Financial Position	**33,396**	**27,604**
Cash and cash equivalents as in statement of cash flows	**33,396**	**27,604**

21 Capital commitments

Commitments under capital expenditure contracts at the Statement of Financial Position date were £2,655,000

	Group 31 Mar 2020 £000	Trust 31 Mar 2020 £000
PPE commitments:		
Medical Equipment	1,516	1,516
Non Medical Equipment	154	154
LED lighting Improvements	665	665
Building Works	320	320
Total capital commitments	**2,655**	**2,655**

All commitments relate to the Foundation Trust. There are no capital commitments in the other entities within the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Related party transactions

South Tyneside and Sunderland NHS Foundation Trust is a public benefit corporation authorised by the Independent Regulator for Foundation Trusts ('Monitor') under section 35 of the National Health Service Act 2006.

The Department of Health and Social Care is the parent and ultimate controlling party of the Trust and its subsidiaries.

The Foundation Trust has a system in place which allows for the identification of all new Related Party Transactions. On an annual basis all staff on a grade band 8a or above are asked to disclose if they have any related party interests, this information is collected onto a central database for review and disclosure if required.

As NHS Foundation Trusts and NHS Trusts have common control through the Secretary of State, there is an assumption that Government departments and agencies of Government departments are related parties

The main related party transactions for the Group are detailed overleaf

The Trust has also received revenue and capital payments from its Charitable Funds the Trustee of which is South Tyneside and Sunderland NHS Foundation Trust. The South Tyneside and the Sunderland NHS charities both receive donations from organisations and members of the public, these donations are often used to support the purchase of goods and service that improve and enhance patient care including the purchase of medical equipment; such purchases are made by the Trust which is then reimbursed by the Charity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Related party transactions (continued)

22.1 Related party transactions and balances Group 2019/20

Related party	Income 2019/20 £000	Expenditure 2019/20 £000	Receivable 31 March 2020 £000	Payable 31 March 2020 £000
NHS South Tyneside CCG	134,314	0	933	649
NHS Sunderland CCG	229,744	0	3,780	1,363
NHS Newcastle Gateshead CCG	10,577	0	57	0
NHS Durham Dales, Easington and Sedgefield CCG	41,458	0	875	0
NHS Hartlepool and Stockton-On-Tees CCG	4,001	0	342	0
NHS North Durham CCG	20,858	0	532	10
NHS North Tyneside CCG	754	0	467	0
NHS Northumberland CCG	1,032	0	59	0
Department of Health and Social Care	154	0	0	0
NHS England	90,911	295	12,448	319
Health Education England	15,834	1	109	0
NHS Resolution (formerly NHS Litigation Authority)	0	16,683	0	48
NHS Improvement (TDA legal entity)	0	0	71	0
Care Quality Commission	0	406	0	0
NHS Business Services Authority	2	0	0	0
NHS Property Services Limited	0	6,135	48	4,566
Other NHS and Department of Health	**2,200**	**49**	**549**	**13**
Total Commissioners and Department of Health	**551,839**	**23,569**	**20,270**	**6,968**
Gateshead Health NHS Foundation Trust	4,730	10,775	2,029	1,789
Cumbria, Northumberland Tyne and Wear NHS Foundation	1,262	556	848	435
Northumbria Healthcare NHS Foundation Trust	733	1,174	112	1,152
The Newcastle upon Tyne Hospitals NHS Foundation Trust	1,768	1,346	454	853
County Durham and Darlington NHS Foundation Trust	728	301	722	312
North Tees and Hartlepool NHS Foundation Trust	217	240	220	59
North East Ambulance Service	107	4	30	4
Other NHS Providers	115	292	184	172
Total NHS Providers	**9,660**	**14,688**	**4,599**	**4,776**
South Tyneside Council	7,468	38	184	12
Gateshead Council	1,181	1	5	0
Newcastle City Council	139	0	30	1
Sunderland City Council	3,051	192	498	362
Other Local Government	48	0	185	5
Total Local Government	**11,887**	**231**	**902**	**380**
NHS Pension Scheme	0	45,293	0	4,407
HMRC	0	29,154	5,205	7,186
NHS Blood and Transplant	14	2,238	0	213
NHS Professionals	0	0	5	1,653
Other WGA	20	23	21	2
Total Other Whole of Government Bodies	**34**	**76,708**	**5,231**	**13,461**
Totals	**573,420**	**115,196**	**31,002**	**25,585**

The following, who are not employees of South Tyneside and Sunderland NHS Foundation Trust, are appointed to the Council of Governors to represent their organisations:

Pat Harle	Sunderland CCG - representing South Tyneside and Sunderland CCGs
Dr Kenny McKeegan	Education - Newcastle University Medical School
Cllr Dr Geoff Walker	LA - Sunderland Council
Cllr Joyce Welsh	LA - South Tyneside Council
Prof Scott Wilkes	Education - University of Sunderland Medical School

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Related party transactions (continued)

22.2 Related party transactions: subsidiaries

South Tyneside and Sunderland NHS Foundation Trust operates within a Group structure and has three active subsidiary companies.

All of the Trust's subsidiaries are registered in the United Kingdom and their reporting period runs from 1 April to 31 March; in line with the Trust's reporting period.

City Hospitals Independent Commerical Enterprises Limited

City Hospitals Independent Commercial Enterprises Limited (CHoICE Limited) operates in the same way as a 'High Street Pharmacy', providing Outpatient Dispensing services at both Sunderland Royal Hospital and Sunderland Eye Infirmary. CHoICE invoices the Foundation Trust for the value of the drugs that it has dispensed, charging a fee for dispensing based on a fixed percentage of overheads which is contractually agreed in advance with the Foundation Trust.

During 2017/18 the former City Hospitals Sunderland NHS Foundation Trust contracted out the management of its whole estate, including Hard and Soft Facilities Management Services, to CHoICE Limited. Under formal contractual, legally binding, arrangements CHoICE Limited then provides to the Trust a fully operational healthcare facility. These arrangements allow for VAT to be recovered on goods and services where previously the Foundation Trust was unable to make a recovery. This tax efficiency allows for funds to be reinvested in healthcare services with the ultimate aim of improving the patient experience.

On 10 May 2018, Durham Treatment Centre building work was completed and handed over to the Trust. As with all other Hard and Soft Facilities Management, CHoICE Limited provide to the Trust a fully operational Healthcare facility in respect of this facility. This is reflected in a separate contractual, legally binding arrangement.

On 1 October 2019, South Tyneside Supplies Department transferred to CHoICE Limited to provide a comprehensive procurement service across all South Tyneside sites. This transacted has been reflected in a separate contractual , legally binding arrangement .

The Financial statements of CHoICE Limited have been consolidated into the group financial statements.

STFT Holdings Limited, South Tyneside Integrated Care Limited and dormant companies

South Tyneside and Sunderland NHS Foundation Trust is the sole shareholder of STFT Holdings Limited which is in turn the sole shareholder of three limited companies, South Tyneside Integrated Care Limited, Gateshead Integrated Care Limited and Sunderland Integrated Care Limited.

The remaining subsidiaries Gateshead Integrated Care Limited and Sunderland Integrated Care Limited are dormant and have taken advantage of the exemption to file individual financial statements under Section 394A of the Companies Act.

The financial statements of two of these subsidiaries, STFT Holdings Limited and South Tyneside Integrated Care Limited, have been consolidated into these group financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Related party transactions (continued)

Summary of Transactions

The significant transactions that are included within the Foundation Trust accounts are as follows;

	2019/20	
	Income	**Expenditure**
	£000	**£000**
Invoices from CHoICE Limited relating to the cost of drugs dispensed	0	6,482
Dispensing Fee	0	1,323
Fully operational healthcare facility unitary charge	0	64,214
Service Level Agreement	5,767	0
South Tyneside Integrated Care Limited	377	0
STFT Holdings Ltd	0	383

The following balances are also included in the Foundation Trust accounts;

	Receivables	**Payables**
	£000	**£000**
CHoICE Limited	30,915	40,993
STFT Holdings Limited	1,043	0
South Tyneside Integrated Care Limited	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Related party transactions (continued)

22.3 Related party transactions: charitable funds

Statement of Comprehensive Income

	City Hospitals Sunderland NHS FT Charitable Fund 2019/20 £000	South Tyneside Trust General Charitable Fund 2019/20 £000	Intra-group eliminations 2019/20 £000
Charitable donations	1,089	79	(338)
Charitable activities	(1,164)	(117)	738
External audit fees	(4)	(2)	0
Net operating expenditure	**(79)**	**(40)**	**400**
Net loss on investments	(266)	5	0
Net movement in funds	**(345)**	**(35)**	**400**

Statement of Financial Position

	City Hospitals Sunderland NHS FT Charitable Fund 2019/20 £000	South Tyneside Trust General Charitable Fund 2019/20 £000	Intra-group eliminations 2019/20 £000
Investments	2,104	1,158	0
Trade and other receivables	9	12	0
Cash and cash equivalents	2,703	324	0
Trade and other payables	(479)	(166)	(761)
Total net assets	**4,337**	**1,328**	**(761)**
Represented by:			
Endowment funds	159	1	0
Restricted income funds	160	68	0
Unrestricted income funds	4,018	1,259	0
Revaluation reserve	0	0	0
Total reserves	**4,337**	**1,328**	**0**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 Financial instruments

IFRS 7, Financial Instruments: Disclosures, requires disclosure of the role that financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities.

Credit risk

Because of the continuing service provider relationship that the NHS Foundation Trust has with local commissioning bodies and the way those bodies are financed, the NHS Foundation Trust is not exposed to the degree of financial risk faced by other business entities.

No collateral is held as security and there are no other credit enhancements.

The carrying value of financial instruments held by the Foundation Trust is equal to their fair value and as such this represents the maximum exposure to risk as at the operating date.

The NHS Foundation Trust has the freedom to borrow funds and can invest surplus funds in accordance with NHS Improvement's guidance on Managing Operating Cash. This includes strict criteria on permitted institutions, including credit ratings from recognised agencies. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to manage the risks facing the NHS Foundation Trust in undertaking its activities.

Financial assets held by the NHS Foundation Trust are made up of cash and other cash equivalents and trade receivables. As the majority of these trade receivables are due from related parties (mainly commissioning bodies) the NHS Foundation Trust expects that all non-impaired financial instruments are fully recoverable.

Following the Merger of South Tyneside NHS Foundation Trust and Sunderland NHS Foundation Trust on the 1st April 2020, a full review of the outstanding trade receivables was undertaken to ensure a consistent approach was adopted in assessing the credit risk across within the new organisation. This approach continues to recognise the increased credit loss risk of Non NHS debt whilst acknowledging NHS department continuing to propose a significantly lower level of risk.

For all financial assets measured at amortised cost the NHS Foundation Trust recognises a loss allowance representing expected credit losses on the financial instruments.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 Financial instruments (continued)

When estimating lifetime expected credit losses in relation to ICR receivables, the DHSC GAM instructs NHS providers to include an amount within the credit loss allowances and contract receivables to reflect income that is not expected to be recoverable. Each year, the Compensation Recovery Unit (CDU) advises a percentage probability of not receiving the income. The updated figure for 2019/20 is 21.79%. This figure is used to calculated the expected credit losses of the accrued ICR revenue.

HM Treasury has ruled that central government bodies may not recognise stage 1 or stage 2 impairments against other government departments, their executive agencies, the Bank of England, Exchequer Funds and Exchequer Funds' assets where repayment is ensured by primary legislation. The Group therefore does not recognise credit loss allowances for stage 1 or stage 2 impairments against these bodies. Additionally, the Department of Health and Social Care provides a guarantee of last resort against the debts of its arms length bodies and NHS bodies (excluding NHS charities) and therefore Group does not recognise loss allowance for stage 1 or stage 2 impairments against these bodies.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in the statement of comprehensive income as an impairment loss or gain.

Liquidity risk

The NHS Foundation Trust's net operating costs are incurred under legally binding contracts with local commissioning bodies, which are financed from resources voted annually by Parliament.

South Tyneside and Sunderland NHS Foundation Trust is planning to deliver a balanced financial position for 2020/21 and is not currently forecasting to require any interim cash support. Due to the Covid-19 pandemic as at April 2020, the Trust has received confirmation that it will receive a financial top up to cover all costs incurred during the period of April 2020 through to July 2020. Further national guidance from the DHSC is awaited as to funding and contracting arrangements beyond this period.

Market risk

The Trust has minimal exposure to market risk. The Trust's financial liabilities carry nil or fixed rates of interest. Cash balances are held in interest bearing accounts for which the interest rate is linked to bank base rates and changes are notified to the Trust in advance. The Trust is not, therefore, exposed to significant interest-rate risk.

23.1 Carrying values of financial assets

	Group 31 March 2020 Held at amortised cost £000	Trust 31 March 2020 Held at amortised cost £000	Group Transfer by absorption 1 April 2019 Held at amortised cost £000	Trust Transfer by absorption 1 April 2019 Held at amortised cost £000
Trade and other receivables excluding non financial assets	32,999	32,986	43,990	43,884
Cash and cash equivalents	30,253	27,604	27,546	24,822
Consolidated NHS Charitable fund financial assets	6,426	0	5,000	0
Carrying values of financial assets as at 31 March	**69,678**	**60,590**	**76,536**	**68,706**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 Financial instruments (continued)

23.2 Carrying values of financial liabilities

	Group	Trust	Group	Trust
	31 March 2020 Held at amortised cost £000	31 March 2020 Held at amortised cost £000	Transfer by absorption 1 April 2019 Held at amortised cost £000	Transfer by absorption 1 April 2019 Held at amortised cost £000
Carrying values of financial liabilities as at 31 March				
Loans from the Department of Health and Social Care	80,676	80,676	88,599	88,599
Obligations under finance leases	1,029	6,681	1,124	7,516
Trade and other payables excluding non financial liabilities	54,282	54,686	58,153	57,165
Provisions under contract	1,024	1,024	375	375
Total at 31 March 2020	**137,011**	**143,067**	**148,251**	**153,655**

23.3 Maturity of financial liabilities

	Group	Trust	Group	Trust
	31 March 2020 £000	31 March 2020 £000	Transfer by absorption 1 April 2019 £000	Transfer by absorption 1 April 2019 £000
In one year or less	83,871	85,036	66,782	66,535
In more than one year but not more than two years	5,470	8,733	6,745	7,506
In more than two years but not more than five years	16,319	17,963	36,256	38,669
In more than five years	31,351	31,335	38,468	40,945
Total	**137,011**	**143,067**	**148,251**	**153,655**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 Losses and special payments

There were 162 cases of losses and special payments totalling £424,560. These amounts are reported on an accruals basis.

	31 Mar 2020 Number	31 Mar 2020 £000
Losses		
Bad debts and claims abandoned	96	31
Stores losses and damage to property	19	64
	115	**95**
Special Payments		
Compensation under legal obligation	17	82
Ex gratia payments	24	5
Special severance payments	6	242
	47	**329**
Total	**162**	**424**

There were no clinical negligence cases where the net payment exceeded £100,000.
There were no fraud cases where the net payment exceeded £100,000.
There were no personal injury cases where the net payment exceeded £100,000.
There were no compensation under legal obligation cases where the net payment exceeded
There were no fruitless payment cases where the net payment exceeded £100,000.

All losses and special payments were in relation to the Foundation Trust.

25 Third party assets

The Trust held £0 cash at bank and in hand at 31 March 2020 which relates to monies held by the NHS Foundation Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the financial statements.

26 Climate Change Levy (CCL) scheme

The CCL scheme is a mandatory cap and trade scheme for non-transport CO_2 emissions. Where NHS Foundation Trusts are registered with the CCL scheme they are required to surrender to the government an allowance for every tonne of CO_2 emitted during the financial year. Therefore, registered NHS Foundation Trusts should recognise a liability (and related expense) in respect of this obligation as CO_2 emissions are made.

The carrying amount of the liability at 31 March 2020 reflects the CO_2 emissions that have been made during that financial year.

The liability is measured at the amount expected to be incurred in settling the obligation. This is the cost of the number of allowances/tonnes required to settle the obligation, being £18.30 (2018/19 £18.30) per allowance/tonne. The Trust has included an accrual in the financial statements at 31 March 2020 of £123,058 in relation to this obligation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 Events after the reporting date

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. Given this relates to liabilities that existed at 31 March 2020, DHSC has updated its Group Accounting Manual to advise this is considered an adjusting event after the reporting period for providers. Outstanding interim loans totalling £22,129k as at 31 March 2020 in these financial statements have been classified as current as they will be repayable within 12 months.

The South Tyneside NHS charitable funds and City Hospitals Sunderland NHS Charitable funds merged on the 1 April 2020. The merged charity will be known as South Tyneside and Sunderland NHS Trust Charitable Funds.