NHS
The Dudley Group
NHS Foundation Trust

The Dudley Group NHS Foundation Trust

Annual Report & Accounts

2019/20

The Dudley Group NHS Foundation Trust

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

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Performance Report

About the Dudley Group

We are the main provider of hospital and adult community services to the population of Dudley, parts of the Sandwell borough and smaller but growing communities in South Staffordshire and Wyre Forest. Achieving Foundation Trust status in 2008, we provide a wide range of medical, surgical and rehabilitation services to a population of over 450,000 people from three main sites - Russells Hall Hospital and Guest Outpatient Centre in Dudley, and Corbett Outpatient Centre in Stourbridge – and in people's homes from our community sites.

We also provide a range of specialist services, some of which are accessed by patients from across the UK. These include vascular surgery, endoscopic procedures, stem cell transplants and specialist genitourinary reconstruction. This year we also gained national accreditation as a specialist endometriosis centre.

Our staff are our greatest asset, and with a workforce of around 5,138 whole-time equivalent staff, we provide a range of secondary and tertiary services:

- Adult community services including community nursing, end of life care, podiatry, therapies and outpatient services from a range of community venues across the borough.

- Russells Hall Hospital in Dudley, which has more than 650 beds, including intensive care beds and neonatal cots, provides secondary and tertiary services such as maternity, critical care and outpatients, and an Emergency Department (ED) with Emergency Treatment Centre.

- The Guest Outpatient Centre in Dudley and Corbett Outpatient Centre in Stourbridge provide a range of outpatient, therapy and day case services.

We are also proud to be the vascular services hub for the Black Country and have an active research and development team.

Our vision is to be a healthcare provider that is 'trusted to provide safe, caring and effective services because people matter – care better every day'.

Russells Hall Hospital

Guest Outpatient Centre

Corbett Outpatient Centre

Welcome from our chair and chief executive

Welcome to our annual report and accounts for 2019/2020. What a difference a year makes.

Dame Yve Buckland, chair

We are writing this report at a time when the country is in the midst of a national emergency, with people asked not to leave their homes unless in extremis, and the NHS has had to revolutionise the way it is working to deal with the global coronavirus outbreak or COVID-19.

We are all so very proud of our staff and volunteers who throughout the last two months have heroically risen to the challenges they have faced, in particular our critical care and anaesthetics teams have had to very quickly put in place our surge capacity plans to ensure we were ready for the sudden increase in very poorly COVID-19 patients. The regional teams have supported trusts and we saw the opening of the NHS Nightingale in Birmingham at the beginning of April; this is one of 17 such centres opened up across the country to support the NHS response to COVID-19. We are proud that our staff members came forward and volunteered to be part of the Nightingale response. The Trust was one of the first in the region to start testing NHS staff for the virus which greatly improved our response to sickness absence and support for our patients.

Diane Wake, chief executive

One thing that has been overwhelming throughout this outbreak has been the tremendous support from our local communities, individuals and businesses. We have been inundated with offers of help; donations of money, toiletries, everyday items and food have meant we have been able to support our staff who may be struggling or simply have little time to shop. The sheer volume of fundraisers out there supporting our Dudley Group Charity is immense; we have a group of volunteers who started a 'Dudley – for the love of scrubs' team and have provided hundreds of laundry bags and scrubs to us. We really must say a great big THANK YOU to everyone.

So before COVID-19, in last year's report we were talking to you about our ongoing Care Quality Commission (CQC) inspections and regulatory enforcement notice that

we were continuing to respond to. We had hoped by now that we would have received our re-inspection to reconsider the enforcement notice (more information on this is on page 102 of the Annual Governance Statement) which is still in place for our Emergency Department and review the work undertaken in our Radiology Department, however global events superseded that visit. We feel the improvements the teams have made in both departments and in particular the maintenance of the indicators for quality in ED will give our inspectors a different perspective and picture of our care. We did receive some positive news when the section 31 notice for clinical review was lifted in August 2019.

We are really pleased that our improvement has meant we have consistently achieved and exceeded the national standard for sepsis screening, and 95 per cent of patients arriving by ambulance are assessed within 15 minutes of arrival. Our sepsis mortality is below the national average and below what was expected for the Trust. The Getting it Right First Time national team have asked for our sepsis recording and monitoring processes as a case study, however this is not published yet. We were particularly thrilled when our sepsis data and the way it is used in ED won an award in March 2020, in the Leading Healthcare 2020 Awards for Best Use of Data, which is testament to the hard work and dedication of the team to providing excellent patient care.

However we do recognise and understand our challenges and this has been evident through the struggle to achieve the four hour access standard throughout the year. This standard means patients should be seen, treated, admitted or discharged within four hours of arrival at our ED. We have had some long waits for patients including some patients waiting over 12 hours for a bed. This is why our work with local authority partners and our own internal improvement work is so vital to ensuring we get patients who are medically fit for discharge out of the Trust as soon as possible. Delays in our patient journeys are often caused by the fact we simply do not have enough acute care beds to accommodate admissions and a high number of medically fit patients. This combination leads to ED not being able to admit patients into the hospital fast enough to keep pace with the patients arriving through our doors.

Working together as a whole system on cancer performance meant an adverse impact on our performance for both 62 day waits and 2 week waits, in the latter part of the year. However the Trust was proud to support other local trusts with their waiting lists to ensure patients in other areas didn’t experience very long waits.

We have continued to forge excellent relationships with our local system partners in working to reduce delayed transfers of care from the Trust, in particular with Dudley Council. This is increasingly important to ensure that our Emergency Department can function well with the increasing demand on its services. We have to ensure patients leave hospital as quickly as possible when they are medically fit to go home. Work has continued throughout the year on the full business case for the redesign of

our Emergency Department and we have gathered both staff and patient feedback throughout to understand how we can make best use of our limited footprint. That work will recommence once we are back to business as usual. You can read more about performance on page 26.

The Trust has continued to be an active partner in the Black Country Sustainability and Transformation Partnership (STP), working together to resolve challenges across our patch and there is more information on the Healthier Futures Partnership on page 33.

Work has continued at a local place based level to develop the Dudley Integrated Health and Care Provider (Dudley ICP) which was formally established on 1st April 2020. We are working closely with Dudley ICP, GPs, Dudley and Walsall Mental Health Trust and Black Country Partnership Foundation Trust on the development of integrated care services. However, this work was paused in March 2020 to allow us to focus on our response to COVID-19.

The care model has been developed by the Dudley Partnership Board with engagement and support from all partners in the Dudley system. It is designed to meet three needs: improving population access to primary and community services; providing improved continuity of care for the rising number of people with multiple long-term conditions; and delivering better coordination of care for those with multiple complex needs. The full business case for the Dudley ICP will need to be considered by our board in due course.

In May 2019 Dame Yve Buckland joined the Trust as interim chair and during her first few months we did some joint staff drop-in sessions which were well received by staff, and really insightful for us both, as the senior leadership of the Trust. There have been several other changes to the composition of our Board of Directors during the year. In August 2019 Liam Nevin joined as Trust secretary. Liam is a qualified solicitor with more than 30 years' experience in public services and provides excellent governance and board management advice.

Following her appointment in January 2019 as interim chief nurse, we were pleased to announce that following interviews in November Mary Sexton was appointed to the substantive chief nurse position. Mary is making significant improvements in patient care, improving quality and encouraging professionals to think differently about their role.

Natalie Younes left the Trust in November 2019 after directing the strategic vision and transformation of the Trust. In January 2020 James Fleet joined the Trust as interim director of strategy and transformation. Andrew McMenemy, director of workforce and organisational development, moved on following four years at The Dudley Group. These changes left some opportunity for the executive team to review

portfolios and after careful consideration and interview process James Fleet was successful to become our new chief people officer in March 2020. Our new director of strategy, Katherine Sheerin, will take up her post in July 2020.

We also saw changes to the non-executive composition as several members came to their end of term or made the decision to step down from the board. This was a great opportunity to be able to expand the range of skills and knowledge around our board. The highly qualified and diverse executive and non-executive members will add fresh perspective and expertise to drive the Trust forward.

July 2019 saw the appointment of Gary Crowe who was most recently a university professor of Innovation Leadership at Keele University Management School. Then later in the year Liz Hughes, a consultant with more than 30 years' experience, who has been appointed chair of the Trust's Quality & Safety Committee. We also appointed three associate non-executive directors: Ian James, Vij Randeniya and Lowell Williams.

Throughout the year we took many opportunities to celebrate the achievements of our staff and teams and here are just a few examples of some of the innovations and award-winning services we provide.

Stroke

We are the best performing stroke service in the West Midlands according to the Sentinel Stroke National Audit Programme, which is the single source of stroke data in the UK. We have a Level 'A' rating, meaning our patients get swift world-class stroke care near to their home.

Hip fracture best practice

Having orthogeriatric assessment is essential to our patients who are admitted with hip fractures. Evidence shows that mortality rates are lower for hip fracture patients who have orthogeriatrician assessment and the necessity for it is supported by National Best Practice Tariff and NICE guidelines.

For The Dudley Group to be one of the nine trusts in the UK to achieve such a consistent orthogeriatric assessment for our hip fracture patients, supports reduced mortality and improved quality of care.

Anaesthetics

We are the first Trust in the West Midlands to receive the prestigious Anaesthesia Clinical Services Accreditation, demonstrating 100 per cent in patient experience, patient safety and clinical leadership, a real benchmark for quality standards in our anaesthetics team.

The Dudley Endometriosis Centre awarded BSGE Accreditation.

Our endometriosis centre in February achieved national accreditation from the British Society for Gynaecological Endoscopy (BSGE) for 2020.

This will raise the Trust's profile and help us attract patients seeking specialised endometriosis care as well as trainees seeking experience in advanced laparoscopic (keyhole) surgery.

Accreditation from the BSGE is dependent on meeting the criteria based on an audit of work undertaken in 2019.

Our centre's total number of cases operated on in 2019 was 20. This compares favourably with other local centres including Birmingham (19) and Derby (15), and even the Imperial Endometriosis Centre (17). The BSGE requirement for us was a minimum of 12 operations.

We are now recognised as an accredited centre on a national level, having been chosen as a provisional centre in 2019. Our endometriosis centre details are now published online on a national database on the BSGE website.

Diabetes

We provide a seven-day inpatient diabetes nurse service and review all patients admitted with a diabetic emergency within 24 hours. This enables patients to recover more quickly and be discharged earlier.

The Diabetes Antenatal Team was chosen to be part of the National Diabetes in Pregnancy Quality Improvement Programme. We set up a pioneering virtual clinic for monitoring diabetes in pregnancy. The Dudley Group was one of the first trusts in the country to use Flash Glucose monitoring to enable mums-to-be to optimise their glucose control during pregnancy, and we can now offer this treatment to all women with type 1 diabetes who become pregnant. Flash glucose monitoring uses a small device worn on the upper arm, which continuously records interstitial glucose levels.

We have developed a fast-track service to enable diabetes to be optimised before elective surgery. This has reduced cancelled operations due to poor diabetes control and enables safer surgery and faster post-operative recovery.

Our integrated foot care team delivers award-winning care to people with foot problems, enabling faster healing and preventing avoidable amputations.

Endocrinology

We have dedicated thyroid, parathyroid and adrenal multi-disciplinary teams, working together to deliver the best outcomes for patients with endocrine disorders. We also have strong links to the Queen Elizabeth Hospital Birmingham for pituitary surgery.

Our recent Get It Right First Time (GIRFT) review was exemplary and commented that we are 'well-managed, delivering high-quality care and fantastic research work!'

Cardiology

Our British Society of Echocardiography approved department performs up to 1,000 Echos per month. Our specialist multi-disciplinary cardiac team treat around 1,500 patients per year, implanting over 350 devices in the Cardiac Catheter Lab. Our 15 cardiology clinical staff completed over 22,000 non-invasive investigations in the last year.

Our Cardiac Assessment Unit won Initiative of the Year in the Leading Healthcare Awards for our work with ED in managing low-risk chest pain in a specialised unit co-located next to ED and pulling chest pain patients directly to the cardiac team. This unit has extended opening hours following the successful pilot.

Respiratory

Our Dudley Respiratory Assessment Service (DRAS) was runner-up in the Leading Healthcare Awards 2020 in the Team of the Year category. Dudley Respiratory Assessment Service is a multi-professional team dedicated to improving the care and quality of life for respiratory patients. By utilising a forward-thinking, innovative approach to respiratory health we are able to integrate services across secondary, primary and community settings ensuring accessible, holistic care for respiratory patients.

Frailty assessment

In November 2019 we opened our frailty assessment service co-located with our Emergency Department to transform the way we assess frail elderly patients arriving at ED.

These patients receive optimal care from a dedicated frailty team providing comprehensive geriatric assessment, in line with recommendation in the NHS Long Term Plan. This enables them to get home sooner and maintain their independence.

Frail patients with complex health conditions receive support from a team of specialists to help prevent admission to hospital and reduce their reattendance.

Dudley Clinical Hub

In 2019, Dudley Clinical Hub launched a new telephone call system. This system created a six-line contact centre. The Hub maintained a dedicated telephone line for West Midlands Ambulance Service (WMAS) and we continued to work with WMAS to increase calls into the Hub eg WMAS involvement in monthly case evaluation. Whilst we have seen an increase in calls from WMAS, there remains a greater opportunity to reduce hospital conveyances.

We have also undertaken pilots - one within the WMAS Strategic Cell, to work with the team in directing appropriate patients to the Hub. The pilot was successful in its ability to triage patients and redirect thus reducing unnecessary conveyances, and there remains opportunity to expand this. Further to this we worked as part of a multi-disciplinary team at the hospital front door (ED), identifying, supporting and redirecting patients as appropriate and working on early discharge. The learning from both of these remains a key focus of the ongoing development plan for this service.

There was also a visit to the PCAL (Primary Care Assessment Line) in Leeds. A team of people from acute physicians, medical director, GPs, commissioner, Clinical Hub senior nurses and administrator participated in this visit to understand how their service had evolved over a 15 year period and what we could learn from the model.

A Clinical Hub steering group is leading on the development plan. The focus of the plan is;

- To improve utilisation of the Hub;
- To improve the IT system interoperability;
- To improve the clinical pathways and decision making;
- To develop the Clinical Hub based on the Leeds model of a Primary Care Access Line; and
- To include alignment and workforce with the WMAS Strategic Cell.

Other teams have been established to respond to demand in the Hub and across community services, including a team of healthcare assistants (HCAs) whose work will include observations, chronic obstructive lung disease (COPD) reviews, simple dressing and Clinical Hub trainee nursing associates (TNAs) to develop their general nursing skills and specialist skills in areas such as diabetes and continence as well as attendance at university.

PAPP – Care Home Support

We introduced a Proactive Admission Prevention Pilot across three care homes, with weekly planned visits to review acutely unwell residents as identified by the homes,

and to enable quicker response to deteriorating patients, to review Advanced Care Pathways (ACPs) and Do Not Attempt Cardio Pulmonary Resuscitation (DNACPRs) to ensure these are in place. This has helped to reduce the number of conveyances and promoting that patients remain in their usual residence.

Enhanced Care Team

The Enhanced Care Team has gone from strength to strength, identifying actions to minimise ED attendances eg ensuring care plans are in place as quickly as possible, to avoid readmission, review patients in home to avoid further deterioration, clear actions in place for frequent attenders, educating care home staff in identifying deteriorating patients.

Emergency Access Standard (EAS): The following KPIs contributed to economy wide performance improvement, as part of Urgent Care Service Improvement Group:

- Reduction in conveyances from the identified 18 care homes by 40 per cent
- Increase in OPAT (outpatient parenteral antimicrobial therapy) hydration pathway from zero to 25 per cent in the first six months
- Reduction in attendances of identified patients with long term conditions by 40 per cent
- Reduction in Category 3 calls being conveyed to hospital

Podiatry

The podiatry service has undergone a number of improvements, including the introduction of a new referral form and inclusion/exclusion criteria, and a review of administration processes which has maximised the reuse of cancellations and booking of new patient appointments.

IV Pathways

Intravenous (IV) Furosemide commenced late in 2019 for patients who are housebound and unable to attend ambulatory heart failure clinic. This is delivered by the community IV team, working in conjunction with the heart failure team.

We have redesigned a community supportive palliative care team to better treat end of life patients. This was initially a pilot, from 1st December 2019, and work has continued to look at introduction of a response service.

First Contact Physiotherapy (FCP)

In 2019/20 we successfully rolled out our FCP service, which started in October 2018, to 21 GP practices across the Dudley borough. FCP is a service that allows patients to book directly with a highly-skilled physiotherapist for musculoskeletal conditions such as back pain, for an assessment and early advice. The role also

involves screening for serious pathology and making sure service users are referred to the most appropriate service. The service allows us to see patients right at the start of the pathway to avoid them waiting and patient feedback is excellent.

Our aim is to roll out FCP to all GP surgeries in the near future with the support of our GP colleagues.

Dietetics

A pilot was undertaken within a Halesowen GP practice, demonstrating that the early intervention of dietitians with patients can not only release GP time and reduce the amount of return visits that patients make, but also ensure that patients are seen by the right person, first time. This has opened up further opportunity for enhanced roles for Allied Health Professionals (AHPs).

Digital Trust

It has been an exciting year for digital transformation in the Trust. We recruited a new chief information officer to lead the Trust in enhancing the Trust's digital capabilities. Our strategic approach to the *brilliant basics* has continued in our rolling programme of computer modernisation across the whole organisation to deliver real improvements in the working environment and efficiency for many departments. This work will continue into the next financial years, to ensure devices are kept up-to-date and secure. In addition The Dudley Group became the first acute and community provider in the Black Country to install the new nationally mandated, high speed, secure health and social care network and benefit from much faster secure connection to other organisations.

Our *digital first* approach took a huge step forward in the early part of the year, replacing the electronic record in the Emergency Department and ensuring that tests and referrals across the organisation were moved to online. We also updated our imaging software to a state-of-the-art solution before Christmas, which allowed us to retire our old electronic record and imaging system. The bringing together of electronic records and using data to improve the care for our patients achieved a national recognition with a Leading Healthcare Award for the best use of data, in our management of deteriorating patients.

In response to the COVID-19 pandemic, the organisation mobilised hundreds of devices to support clinical teams as well as allow more homeworking, along with new software packages to improve collaborative teamworking remotely. We rapidly developed our electronic patient record to support new clinical assessment pathways and used it to quickly identify patients eligible for research trials into treatment for COVID-19, becoming the third top recruiter to the clinical trial in the Midlands, in the company of Trusts twice our size. The Trust was early to mobilise tablet devices

across the organisation to make sure patients could stay in contact with their loved ones, at what has been a difficult and challenging time for everybody.

Our existing *'Connected Care'* programme has rapidly accelerated to connect up information in the borough. This included to and from GPs and the hospital bringing together care across the community to make sure up-to-date information is available to support assessment and clinical decision making. The importance of having joined-up records was brought sharply into focus in plans to support the Birmingham Nightingale at the NEC. This work benefits the national agenda of integrating care more closely.

Clockwise from top left: Taking part in Birmingham Pride; National Pathology Week; Santa Dash; International Day of the Nurse; Christmas market; Balcony Project open day

Overview

Our strategy and objectives

The Trust's strategy describes how the Trust will deliver its vision and objectives. It outlines how we will continue to be a sustainable organisation delivering high quality healthcare in the right place at the right time for the population of Dudley and beyond.

Our vision is to be:

Trusted to provide safe, caring and effective services because people matter – care better every day.

Our values

Our vision and values were developed in 2015, and during 2018 there was extensive consultation with staff on whether they should change. Staff told us that they felt connected to the vision and values and that we should continue to use this. Our values support our vision and define how the Trust and every member of staff will work to deliver the best care possible.

We have six strategic objectives which are:

1. Deliver a great patient experience;
2. Deliver safe and caring services;
3. Drive service improvement, innovation and transformation;
4. Be the place people choose to work;
5. Make the best use of what we have; and
6. Deliver a viable future.

There are underpinned by three clinical aims:

- Develop integrated care provided locally to enable people to stay at home or be treated as close to home as possible.
- Strengthen hospital-based care to ensure high-quality hospital services are provided in the most effective and efficient way.

- Provide specialist services to patients from the Black Country and further afield.

Risks to delivering our objectives

Like any organisation there are risks to the Trust's ability to deliver its objectives and ensure patient safety. The Trust has to ensure it defines these risks, analyses them and identifies how to mitigate against them and this is key to how the Trust manages risk. The most significant risks are reported to board each month, along with actions to manage them, and this information is available in the Trust's board papers on its website www.dgft.nhs.uk. The most recent reporting period at the time of production of this annual report was May 2020.

In relation to achievement of strategic objectives the Trust faced the following major risks during the course of the year which includes clinical and longer term risks:

- The quality of services in relation to urgent and emergency care and diagnostic imaging resulting in the issue of Section 31 notices by the CQC in respect of urgent and emergency care;
- Failure to meet access standards caused by demand exceeding hospital capacity;
- Operational performance standards in relation to the four hour emergency care standard, the 62 day cancer standard, and the one per cent diagnostic standard; and
- Financial viability caused by potential changes in the local health economy.

Incident management and never events

The Trust actively encourages its staff to report incidents, believing that to improve safety it first needs to know what problems exist. This reflects the National Patient Safety Organisation which has stated:

"Organisations that report more incidents usually have a better and more effective safety culture. You can't learn and improve if you don't know what the problems are."

As a Trust, we are committed to learning from incidents. This is supported by an open culture which encourages any incident regardless of the level of harm (including 'near misses') to be reported through the Trust's electronic incident management system Datix. During 2019/2020 the Weekly Meeting of Harm membership has been increased to include the chiefs of division and key individuals are invited to present a potential serious incident to the group. The meeting has been formalised and a terms of reference developed.

The process for the investigation of serious incidents has been reviewed to support the timely completion of investigations. The improvements include reports which are

now written by the Patient Safety Team and they are supported by an independent specialist. Regular meetings are held with the investigation team to drive the investigation forward.

The Trust had four never events during 2019/20 – one relating to wrong part of body treated; three relating to retained foreign object post-operation/procedure.

The process of the investigation of less serious incidents in the divisions has been reviewed. This has led to the closure of a significant number of these incidents. The process for their identification has also been reviewed and these are now identified through the Weekly Meeting of Harm or review by the speciality leads/deputy chief (ie falls/pressure ulcers).

The Integrated Governance Report has been reviewed to provide the divisions and directorates with a more constructive review of incidents, risks, procedural documents, Central Alerting System (CAS) alerts and inquests/claims. The revised report was agreed within the divisions and launched in October 2019.

You can read more about how we manage incidents on page 102.

How we manage our services

The overall day-to-day management of our hospitals and services is the responsibility of the team of executive directors, under the leadership of the chief executive and supported directly by other senior managers in various departments.

Our operational structure is formed from four divisions; Surgery, Women's and Children; Medicine and Integrated Care; Clinical Support Services and Corporate, and these are closely linked through patient pathways. Each clinically led division has a management team comprising a chief of, deputy director of operations and a head of nursing. These in turn are managed by a director of operations who reports to the chief operating officer.

Divisions are supported by corporate services, which include communications, estates, finance, governance, human resources, information, organisational development, Dudley Improvement Practice, research, development and IT.

We operate a board committee structure to ensure that we are well governed, managed effectively and scrutinised appropriately. The board of directors is responsible for formulating strategy, ensuring accountability and shaping a healthy culture. Key committees include finance and performance, audit, quality and safety, workforce, Digital Trust and technology, and staff engagement. Members of the board also form the trustees of The Dudley Group NHS Foundation Trust Charity. We continually refine our governance arrangements, ensuring that they are suitable

for the effective running of our Trust. A formal escalation framework is in operation to ensure that key issues and concerns are escalated through the committee structure for board attention where appropriate.

Going Concern

The Group and Trust's Annual Report and Accounts have been prepared on a going concern basis.

International Accounting Standard 1 requires the board to assess, as part of the accounts preparation process, the Group and Trust's ability to continue as a going concern. In the context of non-trading entities in the public sector, as defined within the Government Financial Reporting Manual (FReM), the anticipated continuation of the provision of a service in the future as evidenced by inclusion of financial provision for that service in published documents is normally sufficient evidence of going concern.

The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than, the dissolution of the Group and Trust without the transfer of its services to another entity within the public sector.

In preparing the financial statements, the Board of Directors has considered the Group's and Trust's overall financial position against the requirements of IAS1.

The close of the 2019/20 financial year and the early part of 2020/21 has been overshadowed by the COVID-19 outbreak which has had profound effects upon the operations of health services throughout the UK. As a consequence, NHS finances have been significantly impacted at a national and local level.

In relation to the Going Concern assessment, there are implications for Group and Trust's Profitability, Liquidity and Continuity of Service.

Profitability

- The 2019/20 plan was based on the delivery of a control total deficit of £2.831m (prior to Provider Sustainability Funding - PSF). Achievement of the control total would result in a PSF receipt to the Trust of £6.462m. In addition, the Trust planned a land sale at Corbett Hospital which would have yielded a profit on sale of £4.424m. The combined position was therefore expected to deliver a surplus of £8.055m. Delivery of this plan required the Trust to deliver a Cost Improvement Programme (CIP) saving target of £23.368m.

- The final outturn equated to a surplus of £3.521m. Achievement of the control total ensured that the Trust received full PSF of £6.462m plus a further £0.376m given to the Trust in 2019/20 which related to the previous financial

year. The land sale was deferred following consultation. The Trust has not received any Financial Recovery Fund (FRF) monies.

- The Trust negotiated year end settlements with both NHS England (NHSE), for an additional £4.8m for specialised services, and Dudley CCG for an additional £8.3m to cover the cost of emergency care. In addition, the Trust received £2m to cover the additional COVID-19 costs incurred in March 2020, from NHSE. Furthermore, a technical adjustment to reduce the control total target of £0.745m was granted for control total assessment purposes linked to the need to include an accrual for annual leave, linked to COVID-19.

The increased costs incurred in the final quarter (£2m), associated with preparation for, and the treatment of, patients suffering from COVID-19, have been recognised in full. NHSE and NHSI, in line with Government releases, have agreed to meet all reasonable costs associated with COVID-19 and have funded 2019/20 costs accordingly.

Continuity of Service

A number of factors indicate that the Trust will provide continuity of services. In relation to our financial plan for 2020/21:

- Negotiations have been ongoing on an STP-wide basis for the provision of future services prior to the impact of COVID-19. Original plans were submitted on the basis of a settlement in line with CCG growth plus a further £8.3m.
- A CIP target of £10m has been assumed as a realistic figure as part of the plan.
- The net impact of these assumptions has resulted in a deficit plan of £6.416m.
- However, the onset of COVID-19 resulted in the suspension of further negotiations and planning.

Since this submission, however, the NHS landscape has changed dramatically due to COVID-19. Financial plans for 2020/21 have been deferred with Trusts and CCGs operating in accordance with guidance issued by NHSI in March.

This guidance states that, for an initial period covering 1 April – 31 July 2020:

- NHS providers will receive block contract payments from commissioners, and income from non-NHS sources.
- Where this is not sufficient to cover a provider’s underlying cost base, additional central top-up payments will be made. Further top-up payments will be made to cover reasonable costs of responding to the crisis, net of any cost reductions e.g. for consumables not required.
- The new block/top-up arrangements are likely to continue for the remainder of 2020/21.

- For the time being the focus remains on the restoration and recovery of services together with the ongoing battle against COVID-19.
- April 2021 will see a reset of the NHS. Guidance is awaited on what this means but it is unlikely that planning will return on the same basis as pre-COVID-19.
- There will undoubtedly be a stronger emphasis on collaboration as an STP.

The guidance issued by NHSE and NHSI in relation to block contracts and the correspondence indicating the target for the next four years, coupled with the absolute operational needs associated with the treatment of patients during the current outbreak, provide a clear signal (in the absence of a signed 12 month contract), that the Group and Trust will continue to provide services for the foreseeable future.

Liquidity

The Group and Trust achieved its control total in 2019-20 and were able to maintain liquidity without the need to borrow cash from the Treasury.

NHSI has announced significant changes to the NHS Provider cash regime, effective from 1 April 2020.

- Interim revenue loans at 31 March 2020 are to be extinguished during 2020/21. Providers will be issued Public Dividend Capital (PDC) to effect the repayment of outstanding balances at 31 March 2020.
- For 2020/21, the Financial Recovery Fund (FRF) will be the sole source of financial support for NHS providers and CCGs that are otherwise unable to live within their means.
- Organisations' entitlement to FRF will continue to depend on full-year financial performance and, where financial trajectories are not achieved, any FRF that has been paid but not earnt will be converted to DHSC financing (PDC).
- Future revenue support will be available for exceptional short-term cash flow requirements and longer-term revenue support for providers in financial distress. This support will be provided as PDC (rather than loans) and does not require principal repayment but carries a dividend payable at the current PDC rate (3.5%).

The changes in the cash regime from 1 April 2020, alongside the short term COVID-19 measures, provide a degree of assurance regarding future revenue funding. This in turn provides reassurance over the Group's and Trust's ability to continue as a Going Concern.

In further support of this conclusion, and recognising the heighted 'Going Concern' uncertainty generated by the COVID-19 pandemic, NHSE and NHSI issued a joint statement on 27 May 2020 which incorporates the following paragraph, reaffirming 'continuity of service' and Government funding:

‘In March 2020 we announced revised arrangements for NHS contracting and payment to apply for part of the 2020/21 year. In May 2020 we issued revised financial management guidance to CCGs for the corresponding period. We are not yet able to definitively announce the contracting arrangements that will be in place for the rest of 2020/21 and beyond. It remains the case that the Government has issued a mandate to NHS England for the continued provision of services in England in 2020/21 and CCG allocations have been set for the remainder of 2020/21. While these allocations may be subject to minor revision as a result of the COVID-19 financial framework, the guidance has been clarified to inform CCGs that they will be provided with sufficient funding for the year. Providers can therefore continue to expect NHS funding to flow at similar levels to that previously provided where services are reasonably still expected to be commissioned. While mechanisms for contracting and payment are not definitively in place, it is clear that NHS services will continue to be funded, and Government funding is in place for this.”

Long term sustainability and planning

The NHS Long Term plan sets out to achieve that all NHS organisations are in financial balance by 2023/24.

The Group and Trust recorded a surplus for 2019/20 but have an underlying deficit. The Group and Trust are forecasting a deficit in 2020/21. The forecast deficit is based on a number of assumptions and there is significant uncertainty in the financial plan for 2020/21 as a result of COVID-19 pandemic and its impact on the Group and Trust. The Group and Trust recognises that the underlying deficit, combined with the assumptions made on likely levels of income and the ability to deliver against the Cost Improvement Programme and Agency Expenditure Ceiling, creates uncertainty over future funding needs. The Group and Trust have assumed financial support will be received from the Department of Health and Social Care during the course of 2020/21 in order to meet ongoing liabilities where required and continue to provide healthcare services. The extent and nature of the financial support from the Department of Health and Social Care, including whether such support will be forthcoming or sufficient, is currently uncertain, as are any terms and conditions associated with the funding.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s and the Trust’s ability to continue as a going concern. However, the assurance provided by the immediate continuing provision of healthcare services and improved access to funding through changes in the NHS financing regime significantly mitigates this. The financial statements do not include the adjustments that would result if the Group or the Trust were unable to continue as a going concern.

Financing - conclusion

The Board of Directors is therefore satisfied and considers it appropriate that the accounts for the year ended 31 March 2020 should be prepared on a Going Concern basis.

Pictures courtesy of Tom Maddick / SWNS

Performance summary

The Trust closely measures and monitors performance throughout the year with reports on both financial and operational performance for all areas of the Trust reported monthly to Finance and Performance Committee, Board of Directors and Council of Governors. In addition, an electronic performance dashboard, accessible via our staff intranet, allows senior staff to closely monitor performance in their specific areas, and weekly performance reports are discussed by our executive directors.

Performance against the national targets

The Trust has faced a challenging year with managing the demand for services and balancing the capacity available to meet this.

It is important to acknowledge that the outbreak of the COVID-19 pandemic led to a reduction of all planned activity in the last month of the financial year. This was following Government guidance to the NHS to stop all non-urgent work to ensure capacity could deal with COVID-19 patients.

Patient flow throughout the hospital and then onwards out of hospital is vital to ensure the safe and effective running of our hospital emergency and inpatient services. Between April 2019 to March 2020 delayed transfers of care varied due to a number of external factors, this included a lack of nursing home placements and changes in the domiciliary care market. This however has started to resolve with recent changes in the market and the improved availability of beds.

In February The Dudley Group ranked 142 out of 217 Trusts for the number of delays, with 217 being the worst performing. We have achieved a reduction in super stranded patients (patients who have been medically fit to go home for longer than 21 days) to 6.89 per cent which is 29 patients, against our planned reduction of no more than 55 patients. However we have since seen an increase in the latter part of the year with Medically Fit for Discharge Patients (MFFD) being as high as 133 on one day. As part of our system-wide approach to COVID-19 we have seen very small numbers of patients' discharges being delayed and we are working on new pathways to continue this once the NHS resumes all services.

We have continued to see strengthened relationships with our Local Health Economy System Partners, in particular through our multiagency system calls which are held twice daily with senior system leaders. We remain committed to reducing variations in seasonal length of stay and we have developed ambitious plans for the coming year within the system to reduce our MFFD patients.

Other Planned Care constitutional performance standards were all being achieved prior to August 2019. In the beginning of the year our Emergency Access Standard (this is the aim to see, treat, admit or discharge all patients within four hours)

improved from 77 per cent in March 2019 to just under 90 per cent in July 2019. There was a deterioration during the winter months through demand outstripping capacity.

There are three main standards for cancer services:

1. Patients referred by a GP should be seen within two weeks of referral.
2. Patients referred directly by their GP to a cancer pathway who are then subsequently diagnosed with cancer should start treatment within 62 days of referral.
3. All patients diagnosed with cancer, irrespective of how they were initially referred, should start treatment within 31 days of the diagnosis of cancer.

Cancer performance continued to be delivered and achieve the required standards during March 2019 through to September 2019. The way we have to manage peaks in demand in some services requires teams to work additional clinics, and our cancer performance standard deteriorated when there was national uncertainty about the tax implications of NHS Pensions changes. This caused some staff to not want to work additional time. A quality improvement programme and detail about the implications for staff of pension changes has meant most cancer standards are back on trajectory.

The Referral to Treatment (RTT) target ensures that patients are able to access consultant-led elective services within 18 weeks of referral by a GP to final treatment. This standard is one of the main performance standards in the NHS, alongside the four hour emergency access and the national cancer measures. Throughout 2019/20 The Dudley Group was one of the best performing trusts in the country for the delivery of RTT, something the organisation remains exceptionally proud of. In every month, with the exception of March 2020, the Trust achieved the RTT standard of 92 per cent. Over the whole year the Trust achieved 93.53 per cent against the target of 92 per cent. This commitment ensured that patients from Dudley and the surrounding areas were able to access surgery and outpatient treatments quickly and effectively by the right specialist at the right time.

Access to timely diagnostics was good for the first six months of the year until September 2019 when we saw a decline in performance which was improving with rectification plans in the last six months of the year.

The COVID-19 outbreak has adversely impacted the NHS, in particular some of our standard work has had to stop for a period of time to allow us to deal with the emerging pandemic. All key performance indicators have seen a deterioration and we are planning for restoration of key services and then full recovery in due course.

The table below highlights the changes in how many patients we have seen over the past three years.

	2017/18	2018/19	2019/20
Inpatient (Finished Consultant Episode)	147,174	139,016	134,862
ED Attendances	103,443	107,578	107,503
Outpatient Attendances	588,044	632,174	632,141

Financial performance

The Trust was set a very challenging financial target at the start of the year and this necessitated the continuation of the formal Financial Improvement Programme carried forward from 2018/19. This programme aligns with the Trust's improvement programme, Dudley Improvement Practice, and is focused on the elimination of waste. A significant number of initiatives have run throughout the year that have contributed to the successful delivery of the Trust's national target of a £3.6m deficit. The delivery of this target has attracted further central resources through the Provider Sustainability Fund of £6.8m that leaves the Trust with a surplus for 2019/20 of £3.5m. This is the second year in a row that the Trust has continued to improve its financial position and means that the Trust has delivered a net surplus for the two year period 2018/19 and 2019/20.

The numbers presented below relate to The Dudley Group financial performance, not including the Charity.

	2019-20			2018-19	
	PLAN £000	ACTUAL £000	VARIANCE £000	PLAN £000	ACTUAL £000
INCOME	£375,865	£405,062	£29,197	£353,782	£364,808
PAY	-£238,106	-£249,923	-£11,817	-£218,521	-£228,166
NON PAY	-£117,837	-£136,061	-£18,224	-£113,265	-£124,963
EBITDA	**£19,922**	**£19,078**	**-£844**	**£21,996**	**£11,679**
DEPRECIATION & FINANCE COSTS*	-£18,412	-£22,395	-£3,983	-£22,891	-£20,624
NET	**£1,510**	**-£3,317**	**-£4,827**	**-£895**	**-£8,945**
PSF Core	£6,462	£6,838	£376	£9,043	£4,115
PSF Bonus	£0	£0	£0	£0	£3,682
FINAL SURPLUS/(DEFICIT)	**£7,972**	**£3,521**	**-£4,451**	**£8,148**	**-£1,148**

*1 Figure includes impairment of £0.028m in 19/20 and £0.154m in 18/19

*2 Note that the Trust target before PSF equated to a deficit of £3.576m – a reconciliation to the £1.510m surplus shown in the table above is set out below

Plan figure as above	£1,510	Surplus figure stated in above table
Remove land sale	(£4.424)	This is excluded when assessing performance
Other technical changes	£0.083	Other technical items excluded
Opening Trust Control Total	**(£2.831)**	**Original target issued by NHSI**
Revision due to COVID-19	(£0.745)	Amendment linked to untaken annual leave
Final Trust Control Total	**(£3.576)**	**Final target for assessing performance**
Actual performance	(£3.317)	Figures before PSF in above table
Performance v Control Total	**£0.259**	**Positive performance ensuring full PSF**

COVID-19

The Trust has finished the year in a heightened period of escalation due to the impact of COVID-19. Reasonable additional costs to address the financial impact of the pandemic have been met centrally and came to just over £2m.

ED attendances had increased during the year and were nearly 3,000 higher than 2018/19 until a significant reduction occurred in March 2020. Elective work was slightly lower than 2018/19 during the year and exacerbated further by a cessation of non-urgent planned procedures in mid-March in order to free up staff/beds for COVID-19 patients.

Emergency admissions continue to increase, showing a rise of 8.1 per cent over 2018/19, placing pressure on the hospital system. Up until March 2020 over 12,400 more first outpatients had been seen compared to 2018/19 but 5,900 fewer follow-up outpatient appointments. This was in-keeping with national guidance to reduce the number of follow-up attendances. However, cancellations in March due to COVID-19 resulted in 4,600 fewer new outpatient appointments and 7,500 fewer follow-up outpatients being seen in that month alone.

Technology has been implemented to undertake more virtual appointments and where effective, this will be continued in the new year. Community services activity was slightly lower than 2018/19 but as above, the impact of COVID-19 resulted in a further deterioration during March 2020.

	2019-20			2018-19	increase
	PLAN	ACTUAL	VARIANCE	ACTUAL	19-20 from 18-19 %
A&E attendances	106,952	107,347	395	107,477	-0.1%
Elective spells	58,505	53,429	-5,076	55,223	-3.2%
Non elective spells (exc. maternity)	41,377	38,612	-2,765	36,550	8.1%
Births	4,283	4,142	-141	4,310	-3.9%
Outpatient attendances/procedures	573,403	553,300	-20,103	558,853	-1.0%
Community attendances	438,040	423,401	-14,639	429,802	-1.5%

Additionally, we have delivered a significant level of cost savings from improved efficiencies of circa £13.3m during the year. At the start of the year we had identified £9.611m worth of schemes, but as we progressed through the year, more savings plans were achieved. However, this was below the £22.368m needed in order to achieve the original Cost Improvement Programme target.

	2019-20		
	PLAN £000	ACTUAL £000	VARIANCE £000
Pay Efficiencies	£3,517	£5,402	£1,885
Non Pay Efficiencies	£3,609	£3,851	£242
Income Efficiencies	£2,485	£4,010	£1,525
Unidentified	£12,757	£0	-£12,757
TOTAL CIP	**£22,368**	**£13,263**	**-£9,105**
TARGET CIP	**£22,368**		

One of the biggest challenges the Trust continues to face is the cost of temporary staffing. Whilst the Trust extensively uses its own bank of staff to fill vacancies and shortages in rotas, it does also need to use agency staff. These staff typically cost more than substantive staff and put pressure on Trust budgets. The Trust spent just over £13.5m on agency staff (in addition to staff it drew from its own bank of temporary staff). This pressure challenged the Trust both financially and operationally and is more than double the cap set by NHS Improvement. During the year, progress had been made and there is an improving trend for medical staff and scientific/therapeutic staff together with the maintenance of zero agency spend for clinical support workers. However, there was a deterioration in nurse agency spend in the latter half of the year, first driven by increased emergency activity and then latterly by a significant hike in staff unavailability due to self isolation regarding COVID-19.

This remains an area where a concerted effort is being made in 2020/21 to reverse this trend in spending through recruitment and retention of substantive staff.

	2017/18 £000	2018/19 £000	2019/20 £000
Medical	£3,847	£4,385	£3,601
Qualified Nursing & Midwifery	£6,167	£8,055	£8,797
Un-qualified Nursing & Midwifery	£213	£0	£0
Scientific/ therapeutic	£1,354	£1,150	£838
Admin/manager	£127	£77	£275
TOTAL	**£11,708**	**£13,667**	**£13,511**

TARGET	**£6,183**

In 2019/20 the Trust invested £8.7m on new facilities and equipment. The Trust's Digital Trust Programme entered its fourth year of development with an investment of £2.3m. We also spent £1.5m on new and replacement medical equipment. At the end of the financial year we invested £261k in equipment to enable us to manage the COVID-19 virus.

Summary capital

Investment 2019/20	Amount £000
Replacement Medical Equipment	£1,545
Information Technology	£887
ED Development	£674
Digital Health Programme	£2,319
Other schemes	£1,249
COVID-19	£261
Private Finance Initiative Lifecycle	£1,776
Total	**£8,711**

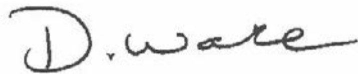
All of these investments improve the efficiency of the services we provide.

The Trust ended the year with a cash balance of £4.2 million, all held within the Government Banking Service which is £4.1m less than the same time last year. This is due to an increase in the amount owed by other NHS bodies at the year end with cash expected to be received in April. The Trust's overall liquidity position was at -10.4 days compared to the plan of -12.3 days.

During 2019/20 the Trust was required to review its payment terms with suppliers to ensure cash was managed appropriately. Whilst the Trust continued its policy of paying all local suppliers at the earliest opportunity to support the local economy, during these difficult economic times the Trust did see a reduction in performance against the best practice payment policy target of 95 per cent compliance. During 2019/20 the Trust paid 63.9 per cent of non-NHS invoices in value terms and 27.3 per cent in quantity terms.

The Dudley Group 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.

Dame Yve Buckland
Interim Chairperson



Diane Wake
Chief Executive

Partnership working

Black Country Pathology Service

This year saw the transfer of Trust staff across to the Black Country Pathology Service (BCPS) hosted by The Royal Wolverhampton NHS Trust. The BCPS comprises the four pathology laboratories in the Black Country as follows:

- The Dudley Group NHS Foundation Trust
- Sandwell and West Birmingham NHS Trust
- Walsall Healthcare NHS Trust
- The Royal Wolverhampton NHS Trust

It provides the pathology services for our acute hospitals and also local GPs. Some of our laboratories also offer specialist services to the wider NHS and also work on research studies.

As part of a major initiative in the NHS, pathology in England is being reorganised into much larger local network models. This is driven by NHS Improvement and sees the formation of 29 pathology units across the country. For the BCPS, it will be an even more attractive place to work. It will also enable us to continue to offer the latest tests and services applying cutting edge clinical science to modern patient care.

Healthier Futures Partnership

Around 1.5 million people live in the five areas of Wolverhampton, Walsall, Dudley, Sandwell and West Birmingham. There are a number of challenges for these local populations, including healthy life expectancy being lower than the national average by more than six years, higher numbers of people with mental health problems, high levels of infant mortality, high levels of child and adult obesity, and many people living with multiple long-term health conditions.

The Healthier Futures Partnership, previously known as the Black Country and West Birmingham Sustainability and Transformation Partnership, is the collaboration between 18 organisations across local authorities, NHS bodies and the voluntary and community sectors that has been established to address these challenges.

The aims of the Healthier Futures Partnership are:

a) To improve the health of this population by reducing inequalities in health outcomes and improving the quality of and access to services.

b) To attract more people to work in health and care in the region through new ways of working, better career opportunities, support and the ability to balance work and home lives.

c) To work together to build a sustainable health system that delivers safe, accessible care and support in the right locations, in order to get the greatest value from the money spent.

There is much work to do to achieve these aims. However, progress has been made, with closer collaboration already leading to stroke services being reconfigured, pathology services consolidated to improve efficiency and turnaround times, advances made in personalised care arrangements and a new perinatal mental health community service.

This year we have worked together to establish priorities for how health and care services in our local areas will be improved over the next five years. Services need to be designed and delivered for the benefit of the people who live and work within the Black Country and West Birmingham and so we engaged with patients, public and staff in developing these, plus we took account of feedback from staff, GPs, health and wellbeing boards and governing bodies, as well as from all of the organisations in our partnership.

Key highlights:

- The development of a clinical strategy covering 12 priority areas, alongside a primary care strategy focusing on GP and general practice nurse recruitment and retention and also a digital enabling strategy.

- The pilot of a rapid cancer diagnostic centre in Dudley from January 2020 with the aim of rolling this out across the partnership by July 2020, as well as a plan to improve urology services across the system.

- A local maternity and neonatal system plan which has already resulted in a significant reduction in smoking rates during pregnancy and has seen this system be the first, nationally, to implement one shared care record across individual maternity units.

- Secured funding for a digital app that will increase access to health and care services and offer our population alternative pathways via mobile phones, tablets and PCs.

Another development was the creation of the Healthier Futures website, giving the partnership an online presence to update people on its aims, projects, achievements and challenges. www.healthierfutures.co.uk

Healthier Futures Partnership exists to benefit local people, and through continued collaboration, the partners are confident of delivering truly integrated health and care services of which everyone in the Black Country and West Birmingham can be justifiably proud.

Clockwise from top left: Brierley Hill Health & Social Care Centre; courtyard at Russells Hall Hospital; Emergency Department; Guest Outpatient Centre.

Highlights of the year

We have so many fantastic staff, volunteer and patient stories we cannot include them all, so here is a selection of just a few highlights of our year 2019/2020.

April

'Growing our own' nurses

We're beating the national nursing shortage by training up to 100 of our own nurses through the nursing associate scheme. We are partnering with the universities of Wolverhampton and Worcester for this new national initiative after serving as a pilot site.

Nurse associates study for two years through a mixture of taught education days, in-work training and placements. Once qualified, they deliver hands-on, person-centred care for patients and service users. This stand-alone role also provides a progression route into graduate level nursing.

May

Celebrating our nurses and midwives

International Nurses Day is celebrated each year on 12th May – the birthday of Florence Nightingale. We honoured our nurses, midwives and CSWs with a week of events, including visits from the tea trolley, a day's conference at Himley Hall – with plenty of fun thrown in – and an against-the-clock bed making competition in the main reception at Russells Hall Hospital.

June

Stubbing out smoking

In June the Trust went smoke-free across its sites of Russells Hall Hospital, and Corbett and Guest outpatient centres. Smoking shelters were taken down and all smoking and vaping banned on our property, including in cars on our car parks. The ban helps create a healthier environment for staff, patients and visitors.

July

Where to spend a penny!

Petrol stations, cafes and restaurants came to the aid of our community staff who need a comfort break when they are out and about.

We have approximately 250 community staff working shifts across the day and night, clocking up hundreds of miles each month. So we put out a plea for places with toilets to join a scheme allowing nurses to pop in and simply use the loo while they are out and about. The appeal met with a great response and scores of locations now proudly display a poster telling community staff they are welcome.

It also led to many places offering to refill water bottles for staff as well.

August

National recognition for anaesthetics

Anaesthetists at The Dudley Group were recognised for providing the highest quality care to their patients by achieving the prestigious Anaesthesia Clinical Services Accreditation (ACSA) from the Royal College of Anaesthetists (RCoA).

To receive accreditation, departments demonstrate high standards in areas such as patient experience, patient safety and clinical leadership, meeting 100 per cent in all areas. It means patients at The Dudley Group can be assured they are receiving outstanding service. Dudley is the first trust in the West Midlands to become accredited, and only the 33rd in the UK.

September

Back to the floor

Senior nurses who now work as managers took the opportunity to roll up their sleeves and go back to the 'shop floor' to support their colleagues on wards.

More than 40 senior nurses whose roles have taken them away from direct patient care began going back to the floor one day a week to help ward staff deliver high quality care at Russells Hall Hospital. The move has a positive impact on patient experience while ensuring senior staff can be more visible in modelling high professional standards.

October

Five-star food

Our food services for patients, staff and visitors have been awarded a five star food hygiene rating.

The inpatient food services and restaurants at Russells Hall Hospital and Corbett and Guest outpatient centres are provided by Interserve, which is celebrating holding on to its top rating after rigorous audits by Interserve food safety officers.

November

'Chill out' room for teens

A special 'chill out' room has been opened to help teenagers cope with the stress of being in a hospital emergency department, in memory of a hospital porter who died aged 27.

Grant's Room at Russells Hall Hospital features a Playstation and Xbox to distract older children who may struggle with being in the environment of paediatrics ED. Funds for the room were raised in memory of Grant Clifford, who was a porter at the hospital for nearly three years.

It is at the heart of the paediatrics Emergency Department so staff can easily keep a check on young patients, but it provides somewhere separate for 13 to 16 year-olds to go.

December

Season's greetings

Kind-hearted members of the public and staff sent more than 1,000 Christmas cards to patients who were in hospital on Christmas Day. Our inpatient Christmas card appeal saw us ask members of the public to write an extra card for patients who couldn't be at home on Christmas Day.

The Trust received generous donations of cards from local schools, while libraries acted as collection points for members of the public.

January

New year, new joints!

Orthopaedic patients began the new year with new joints after being given the unusual option of spending Christmas Day in hospital.

Surgeons in the Trauma and Orthopaedics Department at Russells Hall Hospital came up with the idea of offering patients the chance to have their operation over Christmas. It meant they were able to celebrate the festive season surrounded by patients and staff on the ward.

February

Specialist centre for women's health

A new specialist centre was set up in Dudley to speed up diagnosis and treatment of women with complex cases of a debilitating condition. Russells Hall Hospital was chosen as the Dudley Provisional Endometriosis Centre - one of only nine in the UK.

Endometriosis occurs when tissue, similar to the lining of the womb, is found in other parts of the body. This lining can start to cover the ovaries, fallopian tubes, bladder or bowel and sometimes even the lungs. It currently takes up to eight years to get a diagnosis, and it affects 10-15 per cent of women of childbearing age.

March

Story time for tiniest tots

Even the tiniest baby can benefit from being read to – that was the message shared with parents on the neonatal unit on World Book Day.

The unit marked the day by encouraging parents to read to their babies in hospital. The ward has its own small library of books which have been donated or bought, and has set up a quiet area for parents to read in.

Reading to babies on a neonatal unit helps create a routine and a feeling of normality in a hospital environment. It helps with bonding, even if the baby is too fragile to be held, and can get brothers and sisters involved.

Accountability Report

Directors’ report

The Board of Directors was established and constituted to meet the legal minimum requirements stated in the Health and Social Care (Community Health and Standards) Act 2003 and the requirements of the NHS Foundation Trust Code of Corporate Governance published by Monitor.

Non-executive director appraisals for 2018/19 were conducted by the chairman on a one-to-one basis against a structured format that used 360 degree feedback from executive team members and peers. The performance of each NED was assessed against agreed objectives, specific strengths or areas for improvement (linked to contribution made across four dimensions of depth, breadth, strategic focus and challenge / support). The appraisal findings were considered by the Council of Governors Appointments and Remuneration Committee in April 2019. At the time of writing the 2019/20 appraisal process had been paused owing to the COVID-19 pandemic. As part of the restoration of governance arrangements, it is anticipated that the process will now concluded by September 2020.

The Health and Social Care Act 2008 (Regulated Activities) Regulations 2014 deals with the Fit and Proper Persons Test which came into force in November 2014. We have complied with this requirement since May 2015 both upon appointment and with annual re-checks.

Non-executive directors can only be removed by a 75 per cent vote of the Council of Governors following a formal investigatory process, and the taking of independent legal advice, in accordance with guidance issued by our regulators.

We are confident that our board members do not have any interests or company directorships which could conflict with their management responsibilities. A Register of Directors’ Interests is held by the board secretary and is published on the Trust’s website www.dgft.nhs.uk

As an NHS foundation trust, no political or charitable donations have been made during 2019/20. During the year, we were not charged interest under the Late Payment of Commercial Debts (Interest) Act 1998.

As far as the directors are aware, there is no relevant audit information of which the auditor is unaware. The directors have taken all of the necessary steps to make themselves aware of any relevant audit information, and to establish that the auditor is aware of that information.

Section 43(2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012) requires that the income from the provision of goods and services for the purposes of the health service in England must be greater than its income from the provision of goods and services for any other purposes. We confirm that we have

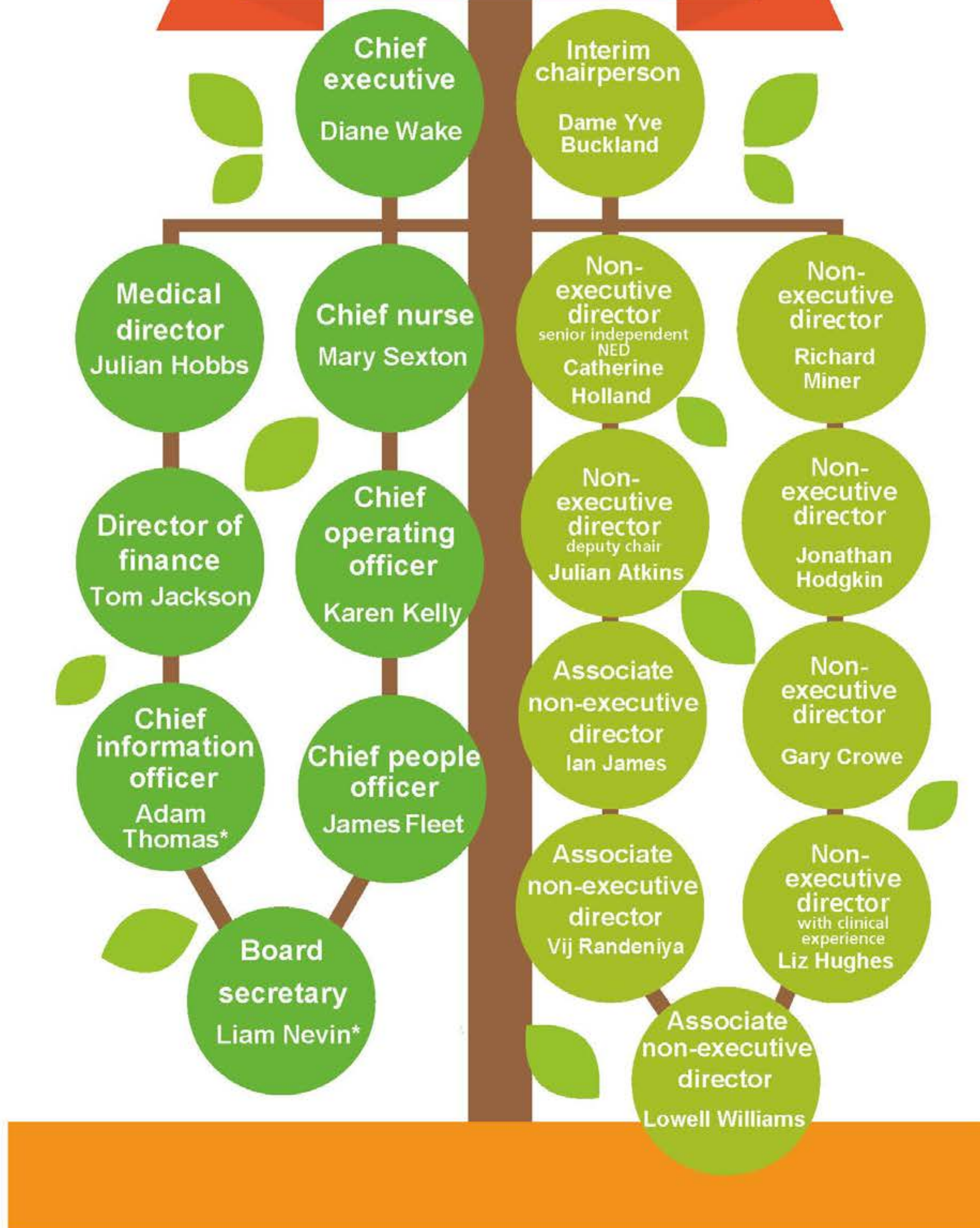
met this requirement and that income received in 2019/20 had no impact on our provision of goods and services for the purposes of the health service in England.

The Board of Directors is responsible for ensuring that we have effective governance arrangements supporting the delivery of our quality priorities. Regular reports on the Trust's progress against the established quality priorities are taken to both the board and the Council of Governors by the chief nurse and further information on progress against standards can be found on the Trust's website www.dgft.nhs.uk

In the following pages you will find more information about the Board of Directors in post during the year 2019/20.

You can find more information of how the Board of Directors has assessed itself against the NHS Improvement well led framework through the Annual Governance Statement on pages 95 to 112.

Above and right, our cardiology teams performed up to 1,000 Echos per month and over 22,000 non-invasive investigations in the last year.



*non voting executive

Our directors

Julian Atkins, non-executive director, deputy chair

Julian joined the Trust as a non-executive director in January 2016. He has experience in both the public and private sectors, having worked at organisations such as Alliance & Leicester, Marks & Spencer, Solihull Health Authority and the Thomas Cook Group.

Prior to joining the Trust, he was part of the executive leadership team and head of human resources at Coventry Building Society where he worked for nearly 25 years.

Julian is a Fellow of the Institute of Financial Services and the Chartered Institute of Personnel and Development. He is a member of the board at Coventry and Warwickshire Chamber of Commerce's subsidiary training company and is also a past president of Coventry and Warwickshire Institute of Financial Services.

Julian chairs the Charitable Funds and Workforce & Staff Engagement committees, and is a member of the Audit and Quality & Safety committees.

Julian is passionate about delivering excellent customer service through skilled individuals and effective teams.

Dame Yve Buckland, interim chairperson

Dame Yve Buckland joined us as interim chairperson in May 2019.

She started her professional life as an archivist, having completed a history degree and archives training at Leeds and Liverpool universities. She went on to have a series of managerial roles in local government, working for Cheshire and Birmingham councils, and in the early 1990s was appointed city secretary by Nottingham City Council, the first female chief officer in the council.

By 2000 she had achieved her first national role. Yve was appointed by the Government to set up the Health Development Agency, a body which put together the evidence base for tackling key public health problems such as childhood obesity and smoking-related diseases. She was awarded a DBE for her work in this area.

Yve went on to become chair of the NHS Institute for Innovation and Improvement based at Warwick University, a post she held from 2005 to 2010 and also, between 2005 and 2015, was the chair of the Consumer Council for Water.

She is currently the chairperson of the Royal Orthopaedic Hospital in Birmingham, chair of trustees of Act for Cancer, and Pro-Chancellor of Aston University.

Professor Gary Crowe, non-executive director

Gary was most recently a university professor of Innovation Leadership at Keele University Management School. He previously held senior commercial positions in strategy, business transformation and risk & financial management as a director and management consultant in the financial services sector.

Gary holds a number of external board appointments, and has served as an independent non-executive director with another NHS trust since 2015. He is a qualified chartered banker and fellow of a number of professional organisations and learned societies.

James Fleet, chief people officer

James joined the Trust as interim director of strategy and transformation in January 2020 before being appointed as chief people officer in March 2020. He has over 20 years' experience in designing, delivering and leading major healthcare improvement. This has included work on transformation strategies and interventions for a wide range of NHS organisations and systems across the UK.

James is an experienced healthcare director, having held leadership roles within the NHS, before becoming director for a leading healthcare advisory service. Most recently James co-founded Four Eyes Insight Ltd, where he was the executive lead for their national team of transformation specialists, supporting NHS organisations to optimise clinical and workforce capacity.

James has a robust knowledge and experience of the regulatory framework, having worked closely with the regulatory bodies at national and regional levels.

A Fellow of the Chartered Institute of Personnel and Development, James has worked with a wide range of NHS executive teams and boards, to advise and guide them in developing and implementing far-reaching strategic change and improvement across clinical, quality, performance and workforce measures. James is passionate about harnessing clinical engagement, organisational development and workforce transformation, as key levers for sustainable change within providers and wider systems.

James also led a national two-year clinical productivity programme with NHS England/Improvement, which involved more than 100 NHS provider Trusts.

Julian Hobbs, medical director

Julian joined the Trust from The Royal Liverpool University Hospital where he had been deputy medical director. Julian is also a deputy medical director and leads on mortality for Cheshire and Merseyside area team at NHS England.

Julian is a consultant cardiologist by background and has worked at Liverpool Heart and Chest Hospital alongside his current roles. He has had extensive experience in medical management roles for several years.

Jonathan Hodgkin, non-executive director

Jonathan is an economist by training and has extensive experience of working at the interface of the public and private sectors as a consultant, regulator and company director in the utilities sector. He has held many director positions throughout his career.

As a business consultant Jonathan has advised governments, regulators and companies around the world on industry restructuring, strategy and regulation.

Catherine Holland, non-executive director, senior independent NED

Catherine is a writer, speaker, coach/mentor and facilitator, developing the practice of senior leaders.

She is an associate consultant with Amara Collaboration, a contributing author to Street Smart Awareness and Inquiry in Action, and co-designer and facilitator in transformational leadership development retreats. She is a member of the Golden Egg Academy.

A former social worker, trainer and assistant director in social services, Catherine worked for 14 years in the Probation Service, first as a director for corporate services and later as chief executive of Staffordshire and West Midlands Probation Trust (SWM Trust), the second largest probation trust in the UK.

Catherine designed and led West Midlands Probation through a successful performance and culture turnaround programme, and project managed the merger with Staffordshire Probation, the new trust going on to be recognised for excellence and awarded four stars by the British Quality Foundation.

She led SWM Probation Trust through extensive and challenging changes brought about by the Government's Transforming Rehabilitation programme, becoming chief executive of Staffordshire and West Midlands CRC, and later the newly-formed Reducing Reoffending Partnership.

Liz Hughes MBE, non-executive director

The Dudley Group welcomed Liz to its board in December 2019. Liz is deputy medical director for Health Education England and a consultant in chemical pathology and metabolic medicine at Sandwell and West Birmingham Hospitals Trust and honorary professor at both the University of Birmingham and University of Aston and visiting professor at Worcester University.

Professor Hughes established the physician associate role in the NHS, a role that many hospitals now have within their workforce, securing the first ever non-medical faculty at the Royal College of Physicians. She is proud that when it first began in 2015 there were 183 and now there are just over 2,000 physicians associates employed in the NHS.

Medical education and training is a passion for Professor Hughes who has also established a GP training scheme with the Chinese government and developed speciality medical training within the Middle East.

Liz is a national expert in the treatment of inherited lipid disorders and is one of the founder members of the national charity HEARTUK with which she has worked extensively with multi professional healthcare professionals and patients.

In 2016, the aviation profession honoured Liz for her contribution towards training doctors in aerospace-related medicine. She was the winner of the Improving Safety in Medicines Management category in the Patient Safety Awards 2013. She has held a number of national roles including chair of Academic Careers and Research Evidence on behalf of Health Education England.

She chairs the Quality and Safety Committee.

Tom Jackson, director of finance

Tom is a career NHS finance professional with nearly 30 years' service. For the last 11 years he has operated at board level in a range of organisations including community, acute, primary care and commissioning.

A Fellow of the Chartered Institute of Public Finance, Tom is motivated by adding value and transformation to his finance leadership role.

Ian James, associate non-executive director

Ian trained first as a geologist before heeding the call of public service and qualifying as a social worker in Nottingham in 1985 and working as a welfare rights worker for a community learning disability team with Nottinghamshire County Council.

He worked in North Wales for 14 years for Clwyd and Wrexham Councils in a variety of roles before becoming chief officer for Children and Young People's Partnerships. He was instrumental in implementing the responses to the Waterhouse Tribunal of Inquiry into Abuse of Children in Public Care in 1998.

In 2002 he moved to the West Midlands, working first for Birmingham City Council where he led work to devolve services to the city's 11 constituencies as well as service improvement programmes for neighbourhood advice and benefits services and homelessness services.

He has also worked in Staffordshire where he established and became director of the Joint Commissioning Unit before becoming director of Communities and Adult Social Care for Solihull Council between 2012 and 2016. He was the West Midlands regional chair of ADASS from 2013 to 2016. Since 2016 he has worked for the Local Government Association as a care and health improvement adviser specialising in health and care and wellbeing system leadership.

Karen Kelly, chief operating officer

Karen joined us in January 2018 from Barnsley Hospital NHS Foundation Trust where she held the post of director of operations.

A graduate of Keele University, Karen qualified as a nurse in 1993 and worked for more than 20 years at the University Hospital of North Staffordshire. She became part of the transformation team tasked with turning around Mid Staffordshire NHS Foundation Trust, becoming head of nursing there in 2010. Following this, she held the post of medical nurse director, followed by deputy director of operations at The Royal Liverpool and Broadgreen University Hospital Trust.

Karen is passionate about quality of care being delivered that ensures our patients are safe.

Richard Miner, non-executive director

Richard is a chartered accountant by background and chairs the Audit Committee. Having joined the Trust in 2010, he is also a member of the Finance and Performance committee, the Digital Trust and Technology Committee and sits on the board of Dudley Clinical Services Limited.

A former partner in national accounting firm PKF (now part of BDO), he was also group finance director at LPC Group plc, at one time the largest independent tissue manufacturer in the UK.

Richard first became involved with the NHS in 2006 as a non-executive director of Birmingham East and North PCT where he chaired the audit committee and world class commissioning working group.

He is currently a director of Enterprise FD Limited, a provider of flexible and interim finance directors to entrepreneurial and ambitious organisations. This also includes his role as finance director with Open Study College, one of the leading providers of distance learning materials.

Liam Nevin, Trust secretary

Liam joined as Trust secretary in August 2019. He has worked in public services for more than 30 years in a variety of roles and has spent the last five years working in further education as company secretary, prior to which he was a director of law for two different local authorities.

Liam is a qualified solicitor of 20 years' standing with approximately 14 years spent in senior governance roles. He is also professionally qualified through the Chartered Institute of Housing.

Vij Randeniva OBE, associate non-executive director

Vij is an experienced non-executive director within the health service. He is deputy chairman of Birmingham Women's and Children's NHS Foundation Trust and sits on the governing body of Aston University.

Vij is a trustee of the Royal Society for Public Health and former chief fire officer for West Midlands Fire Service.

Vij has substantial experience of large-scale project management, leadership and change management. Vij was awarded the OBE in 2006.

Mary Sexton, chief nurse

Mary joined the Trust as interim chief nurse in January 2019 and became substantive in November 2019. An experienced corporate lead for nursing, quality and governance, she brought with her more than 12 years' experience at executive level.

She joined us from North Middlesex University NHS Trust where, as interim director of nursing and midwifery, she reviewed the complaints and PALS process reducing overdue complaints by 60 per cent. She also provided robust oversight of the nursing taskforce resulting in an improved nursing and midwifery workforce and management of spend.

Mary, who began her career as a staff nurse at East Surrey Hospital in 1983, has worked in a variety of settings including acute, community and mental health at local and regional level.

An honorary professor for the School of Health and Education at Middlesex University, she has extensive experience in service transformation and professional standards and acts as a specialist professional advisor with the Care Quality Commission (CQC).

Adam Thomas, chief information officer

Adam rejoined the Trust in 2009 and brings more than 15 years of NHS experience in clinical and senior management positions to his executive role.

A graduate of Aston University, Adam qualified as a pharmacist and proceeded to undertake post-graduate qualifications in clinical pharmacy and independent prescribing, sustaining a clinical commitment in medical oncology at The Dudley Group since 2010.

After leading a number of healthcare IT projects, he took a career move to IT in 2016 where, as part of the senior leadership team, he has delivered a programme of digital transformation and enhancement including the Trust's strategic electronic patient record (EPR), Sunrise.

Adam takes responsibility for the commercial IT function that generates revenue for reinvestment in the Trust.

As a strong advocate for connected care systems, over the past two years Adam has led on the delivery of population health management solutions for the Dudley healthcare economy, linking the hospital with GPs across the borough. Established as a digital leader within the region, from prior roles as digital strategy director and

deputy chief information officer, he continues to support MCP and STP digital strategic agendas.

Diane Wake, chief executive

A registered nurse by background, Diane joined The Dudley Group NHS Foundation Trust in April 2017 from Barnsley Hospital NHS Foundation Trust where she was chief executive from 2013.

Diane has extensive experience in both clinical and leadership roles. She trained as a nurse between 1984-1987 and has a comprehensive background in nursing, occupying senior nurse leadership positions in surgical specialties of urology, colorectal, vascular and breast.

She became a general manager and from this joined Mid Yorkshire Hospitals as a deputy chief nurse. She then joined the Royal Liverpool University Hospitals as chief nurse and chief operating officer from 2007-2013. She was interim CEO in 2012-13.

Diane was then appointed chief executive of Barnsley Hospital Foundation Trust and was chair of the Northern Burn Care Network.

She has a passion for patient safety and high quality care and has knowledge and expertise in implementing robust governance processes.

Lowell Williams, associate non-executive director

Lowell was chief executive officer of Dudley College of Technology from 2008 until 2009 and led the college to an Ofsted Outstanding rating in the 2017 inspection.

In January 2018, he was named as one of seven appointments to the Government's advisory group, the National Leaders of Further Education, which is made up of principals from colleges who have been rated good or outstanding.

Lowell led the creation of Dudley's Academies Trust.

Board of directors' attendance

Position	Name	Commencing	End	Board meeting attendance out of 11
Chief Executive	Diane Wake	03/04/17		10
Director of Finance	Tom Jackson	01/02/18		11
Chief Operating Officer	Karen Kelly	02/01/18		10
Medical Director	Dr Julian Hobbs	02/10/17		10
Chief Nurse	Mary Sexton	28/01/19*		11
Director of Workforce	Andrew McMenemy	01/08/16	01/01/20	10
Chief People Officer	James Fleet*	02/01/20		1 (from 1)
Director of Business & Transformation	Natalie Younes***	25/09/17	30/11/19	2 (from 7)
Chief Information Officer	Adam Thomas***	01/09/19		9
Trust Secretary	Liam Nevin***	19/08/19		6 (from 6)
Chairman (Interim)	Dame Yve Buckland	20/05/19	19/05/21	10 (from 10)
Chairman	Jenni Ord	01/01/16	30/04/19	1 (from 1)
Non-executive Director	Dr Liz Hughes	15/11/19	15/11/21	2 (from 4)
Non-executive Director	Julian Atkins	04/01/16	31/12/21	11
Non-executive Director	Richard Miner	01/05/12	30/09/20	11
Non-executive Director	Catherine Holland	01/09/18	01/09/21	10
Associate non-executive Director	Lowell Williams**	01/12/19	01/12/20	3 (from 4)
Non-executive Director	Prof Gary Crowe	01/07/19	01/07/22	7 (from 8)
Associate non-executive Director	Vij Randeniya**	07/11/19	07/11/20	4 (from 5)
Non-executive Director	Jonathan Hodgkin	01/04/18	31/03/21	10
Associate non-executive Director	Ian James	01/07/19	01/07/20	7 (from 8)

*Mary Sexton became substantive chief nurse on 29/11/19, James Fleet joined in January 2020 as Interim Director of Strategy & Business Transformation before being appointed as substantive 1/03/20, Adam Thomas became interim Chief Information Officer 01/04/19

** Associate non-executive directors are non-voting ***denotes non-voting

Notice periods - the notice period for all executive directors is 3 months. Non-executive directors do not have a notice period.

Board committee structure
Council of govenors
Board of directors
Experience and engagement committee
Governance committee
Appointments and remuneration committee
Quality and safety committee
Digital Trust and technology committee
Charitable funds committee
Audit committee
Workforce and staff engagement committee
Finance and performance committee
Nomination and remuneration committee

Audit committee

During the year, the audit committee operated in accordance with its responsibilities as set out in its terms of reference, which included:

- To agree the audit plan, audit fee and approach (including areas of risk, fraud risk, misstatement and materiality), and received findings of the external auditor in relation to the financial statements, value for money opinion, the Quality Accounts (where applicable), the report to those charged with governance and to consider the implications of and management's responses to their work. More specifically, the audit committee considered the auditor's identified significant risks as part of their plan in relation to fraud in revenue and expenditure recognition, management override of controls, the valuation of property, financial sustainability and use of resources/value for money. It has commented on its approach and attitude to fraud to the external auditor.

- To receive and approve the Annual Report and Accounts, in particular the Trust board's assessment of Going Concern which is set out on page 21, and the assessment of the impact of COVID-19 which is considered in the Annual Governance Statement.

- To review, monitor the integrity (including the application of accounting principles and policies) and approve the financial statements and other reports when delegated by the board or in conjunction with the board and to provide assurance to the board.

- To review the systems which underpin the Trust's reporting including the establishment and maintenance of an effective system of integrated governance (including budgetary control), risk management and internal controls (including counter fraud measures) across the whole of the Trust's activities, both clinical and non-clinical, that supports the achievement of the Trust's objectives and in so doing;

- To ensure that there is an effective internal audit and Local Counter Fraud function that meets Government Internal Audit Standards and that provides appropriate independent assurance to the Audit Committee, chief executive and Trust board.

The key issues that the Audit Committee considered during the year were in relation to the following:

- Internal Audit identified some internal control weaknesses in regard to audits in the areas of discharge management, radiology, sickness absence,

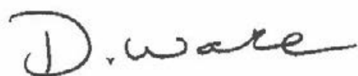
business intelligence, CQC progress review and rostering. Management have implemented action plans in respect of each of these areas and progress on the implementation of the recommendations of Internal Audit is being overseen by the Audit Committee.

- The process by which the Board Assurance Framework is updated was considered and challenged during the year, resulting in improvements being made to provide greater analysis and oversight of key risks.
- The progress of the Trust's Clinical Audit programme against the plan was considered during the year to receive assurance that quality improvement and outcomes were being checked and monitored.

In each case the Audit Committee considered the information and explanations from management, and sought assurance that actions were put in place to address the issues raised. More detail on some of these areas is included in the Annual Governance Statement.

The external auditor, PriceWaterhouseCoopers LLP ("PwC") provides a progress report to each Audit Committee meeting set against the audit plan. The Audit Committee measures the effectiveness of the external audit process, its timing and outputs against this plan. The external auditor is appointed by the Council of Governors for a maximum five year term following a competitive tender process against a set of quality and value for money criteria and following the recommendation of a tender committee which includes executive, non-executive and governor representation. PwC's five year term expires at the completion of financial and other reporting for the year ended 31st March 2020. The most recent tender process in 2019 has overseen the appointment of Grant Thornton in PwC's stead and their work commences in respect of the 2020/21 year.

Audit Committee membership		**Attendance**
Richard Miner	Non-executive Director (committee chair)	4/4
Jonathan Hodgkin	Non-executive Director	3/3
Gary Crowe	Non-executive Director	2/2
Lowell Williams	Non-executive Director	0/1
Julian Atkins	Non-executive Director	4/4
In attendance		
Tom Jackson	Director of Finance	4/4
Gilbert George	Interim Director of Governance	1/1
Liam Nevin	Board Secretary	2/2



Signed on
22nd June 2020
Diane Wake
Chief Executive

Remuneration Report

Annual statement on remuneration (Information not subject to audit)
The Appointments and Remuneration committee operates to review and evaluate the board structure and expertise, as well as to agree a job description and person specification for the appointments of the chief executive and audit executive directors. The committee also identifies and nominates suitable candidates for such vacancies and recommends its proposed appointment for chief executive to the Council of Governors.

Interview panels for executive director appointments are usually made up of existing directors, governors and external stakeholders. The committee determines the appropriate levels of remuneration for the executive directors. Remuneration levels are normally determined by reference to such factors as those applying in equivalent organisations in the NHS, changes in responsibility, performance, salary increases agreed for other NHS staff and guidance issued by the Secretary of State.

During the year, substantive appointments were made for the posts of chief information officer, chief nurse, Trust secretary and chief people officer.

For the purpose of the Annual Report and Accounts, the chief executive has agreed the definition of a "senior manager” to be voting executive and non-executive directors only.

Evaluation of the Trust Board

Executive directors were set objectives and were evaluated by the chief executive as part of the annual appraisal process and the chief executive’s own performance was evaluated by the chairman. The non-executive directors’ objectives were set by the chairman and their evaluation was carried out by the chairman. Objectives were set by the senior independent director for the chairman as part of the evaluation process.

Senior manager remuneration policy

(Information not subject to audit)

Remuneration for executive directors does not include any performance-related elements and there are no plans for this in the future. No significant financial awards or compensation have been made to past senior managers during the reporting period. There is no provision for the recovery of sums paid to directors or for withholding payments of sums to senior managers. Senior managers' service contracts do not include obligations on the Trust which could give rise to or impact on remuneration payments for loss of office. Senior managers' individual service contracts mirror national terms and conditions of employment and include notice periods and any termination arrangements. In the event of a contract being terminated, the payment for loss of office will be determined by the Nomination and Remuneration Committee. Payment will be based on contractual obligations. Payment for loss of office will not be made in cases where the dismissal was for one of the five 'fair' reasons for dismissal.

In setting the remuneration policy for senior managers, consideration was given to the pay and conditions of employees on Agenda for Change. The Trust uses benchmarking data to ensure all salaries, including those over £150,000, are reasonable and provide value for money. Executive and non-executive colleagues did receive a cost of living rise of 1.32 per cent in 2019/20 plus a one-off payment of 0.77 per cent. The Trust has not consulted with employees when determining the senior managers' remuneration.

Yve Buckland
Remuneration and Nomination Committee Chairperson

Nomination and remuneration committee

(Information not subject to audit)

The Nomination and Remuneration Committee is a sub-committee of the board and holds at least one meeting per year. During 2019/20, it held three meetings and attendance at meetings were as below. Executive directors also attend the Nomination and Remuneration Committee on occasion. The terms and conditions for the executive directors and senior managers of the Trust are included in their individual contracts of employment which includes notice periods and any termination arrangements.

The Trust has an Equal Opportunity and Diversity Policy in place which was ratified in January 2020 and covers all aspects of the Trust's business.

Nomination and remuneration committee		Attendance
Julian Atkins	Non-executive Director	3
Yve Buckland	Non-executive Director	2 / 2
Gary Crowe	Non-executive Director	1 / 2
Jonathon Hodgkin	Non-executive Director	3
Catherine Holland	Non-executive Director	2
Liz Hughes	Non-executive Director	0 / 1
Ian James	Associate non-executive Director	2 / 3
Richard Miner	Non-executive Director	3
Jenni Ord	Non-executive Director	1 / 1
Vij Randeniya	Associate non-executive Director	1 / 1
Lowell Williams	Associate non-executive Director	1 /1

Future policy table – executive directors

This sets out the Trust's policy for future remuneration of senior managers.

	Salary and fees	Taxable Benefits	Annual Performance related bonuses	Long-term Performance related bonuses	Pension-related benefits	Other Remuneration
Description	Basic pay for Executive role	Chief Exec has a lease car; the benefit associated with this is reported on yearly P11d's. Chief People Officer is paid accommodation expenses.	N/A	N/A	NHS Pension Scheme membership	Medical Director paid under M&D terms and conditions. Medical Director remuneration paid as a pensionable responsibility allowance. Chief Operating Officer is paid a monthly expense payment of £230.46, this is in addition to basic pay and is treated as an allowance payment in terms of tax and NI. From April 2020 this has been consolidated into salary payment.
How that component supports the short and long-term strategic objectives of the foundation trust	To ensure the Trust is well-led and all short and long term objectives are met, the salary for senior managers must be competitive in order to recruit and retain talented individuals	To ensure senior managers are appropriately compensated for those journeys they have undertaken on behalf of the Trust. The policy for senior managers is the same as that applying to other staff.	N/A	N/A	This enables the Trust to recruit sufficient talent at Executive Director level and accords with custom and practice in the rest of the NHS.	This is essential to ensure a medically qualified person can occupy the role of Medical Director
An explanation of how that component operates	Executive Director salaries are determined by the Remuneration Committee of the Trust Board, informed by benchmark salary derived from established national NHS pay surveys. Executive directors are appointed on a permanent basis under a contract of service at an agreed salary	Trust Expenses Policy applies to Senior Managers. Taxable benefits incurred fell within the scope of this policy. Levels of benefits reflect national terms and conditions for other staff groups to ensure consistency	N/A	N/A	This is determined in accordance with NHS Pension Scheme Benefits. No additional payments are made	As determined by national terms and condition of employment
The maximum that could be paid in respect of that component	Fixed salary determined by Nominations & Remuneration Committee	N/A	N/A	N/A	As determined by NHS Pension Scheme Entitlements	As determined by national terms and condition of employment
Where applicable, a description of the framework used to assess performance	N/A	N/A	N/A	N/A	N/A	N/A

Non executive directors

	Fee payable	Any additional fees payable for any other duties to the foundation trust	Such other items that are considered to be remuneration in nature
Description	Fee for the Chair, Deputy Chair, Senior Independent Director, Chair of Audit Committee, and other Non-executive Directors	N/A	Expenses incurred in the course of their duties such as public transport, mileage and subsistence as determined by Trust policy.
How that component supports the short and long-term strategic objectives of the foundation trust;	To ensure the Trust is well-led and all short and long term needs met, the fee for Non-executive Directors must be competitive in order to recruit and retain talented individuals	N/A	To ensure Non-executive Directors are appropriately compensated for those journeys they have undertaken on behalf of the Trust. The policy for Non-executive Director expenses is the same as that applying to other staff
An explanation of how that component operates	The Chair and Non-executive members are entitled to be remunerated by the Trust for so long as they continue to hold office as Chair or Non-executive member. They are entitled to receive remuneration only in relation to the period for which they hold office. There is no entitlement to compensation for loss of office. The level of remuneration is determined by the Governors with due regard to the remuneration paid in other Foundation Trusts	N/A	Mileage and subsistence allowances for Non-executive Directors are set by the Council of Governors.
The maximum that could be paid in respect of that component	The rate of remuneration payable to the Chairman of the Trust is £48,324 p.a**.** The Senior Independent Director and Deputy Chair are remunerated at £15,230 p.a. and the Chair of Audit Committee is remunerated at £15,079 p.a. The remuneration for the other Non-xecutive Directors is between £13,190 and £13,585 p.a.	N/A	N/A
Where applicable, a description of the framework used to assess performance	Performance of Non-executive Directors is assessed by the Chairman annually, and for the Chairman, by the Senior Independent Director.	N/A	N/A

Information subject to audit

Salary and Pension entitlements of Senior Managers **2019/20**

A) Remuneration

Name and Title	Note	2019-20						2018-19					
		Salary	* Expense payments (taxable)	Performance pay and bonuses	Long term performance pay and bonuses	# All Pension Related Benefits	Total	Salary	* Expense payments (taxable)	Performance pay and bonuses	Long term performance pay and bonuses	# All Pension Related Benefits	Total
		(bands of £5,000)	(to the nearest £100)	(bands of £5,000)	(bands of £5,000)	(bands of £2,500)	(bands of £5,000)	(bands of £5,000)	(to the nearest £100)	(bands of £5,000)	(bands of £5,000)	(bands of £2,500)	(bands of £5,000)
		£000	£	£000	£000	£000	£000	£000	£	£000	£000	£000	£000
Diane Wake, Chief Executive		175 - 180				0	175 - 180	180 - 185				152.5 - 155	335 - 340
Tom Jackson, Director of Finance		145 - 150				2.5 - 5	150 - 155	145 - 150				5 - 7.5	155 - 160
Julian Hobbs, Medical Director		190 - 195				80 - 82.5	270 - 275	190 - 195				115 - 117.5	310 - 315
Karen Kelly, Chief Operating Officer		130 -135				37.5 - 40	170 - 175	130 - 135				57.5 - 60	190 - 195
Mary Sexton, Chief Nurse	A	135 - 140				130 - 132.5	265 - 270	20 - 25				20 - 22.5	45 - 50
Andrew McMememy, Director of Workforce & OD	B	85 - 90				25 - 27.5	110 - 115	110 - 115				37.5 - 40	150 - 155
James Fleet, Chief People Officer	C	0 - 5				0 - 2.5	5 - 10						0
Jenni Ord, Chairman	D	0 - 5	400				5 - 10	45 - 50	2,100				50 - 55
Yve Buckland, Chairman	E	40 - 45	1,700				40 - 45						0
Julian Atkins, Non Exec		15 - 20	600				15 - 20	10 - 15	500				10 - 15
Ann Becke, Non Exec	F						0	5 - 10	100				5 - 10
Gary Crowe, Non Exec	G	10 - 15	200				10 - 15						0
Jonathan Fellows, Non Exec	H						0	5 - 10					5 - 10
Jonathon Hodgkin, Non Exec		10 - 15	400				10 - 15	10 - 15	500				10 - 15
Catherine Holland, Non Exec	I	15 - 20	100				15 - 20	5 - 10	100				5 - 10
Elizabeth Hughes, Non Exec	J	0 - 5					0 - 5						0
Ian James, Associate Non Exec	K	10 - 15					10 - 15						0
Richard Miner, Non Exec		15 - 20	800				15 - 20	15 - 20	1,400				15 - 20
Vijith Randeniya, Associate Non Exec	L	5 - 10					5 - 10						0
Richard Welford, Non Exec	M						0	10 - 15	300				10 - 15
Lowell Williams, Associate Non Exec	N	0 - 5					0 - 5						0
Douglas Wulff, Non Exec	O						0	10 - 15	200				10 - 15
Aggregate Total		1025 - 1030	4,200			280 - 282.5	1315 - 1320	1030 - 1035	5,300			395 - 397.5	1435 - 1440

Note :-

* Expense Payments relate to home to base travel reimbursement for Non Executive Directors

\# The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to transfer of pension rights. This value derived does not represent an amount that will be received by the individual. It is a calculation that is intended to provide an estimation of the benefit being a member of the pension shceme could provide. The pension benefit table provides further information on the pension benefits acruing to the individual.

A Mary Sexton started 28 January 2019.
B Andrew McMememy went to secondment from 1 January 2020.
C James Fleet started 19 March 2020.
D Jenni Ord left 30 April 2019.
E Yve Buckland started 20 May 2019.
F Ann Becke left 31 October 2018.
G Gary Crowe started 1 July 2019.
H Jonathan Fellows left 31 July 2018.
I Catherine Holland started 1 September 2018.
J Elizabeth Hughes started 15 November 2019.
K Ian James started 1 July 2019.
L Vijith Randeniya started 7 November 2019.
M Richard Welford started 1 April 2018 and left 31 March 2019.
N Lowell Williams started 1 December 2019.
O Douglas Wulff left 3 February 2019

The Trust is required to disclose the relationship between the remuneration of the highest paid Director and the median remuneration of the other Trust employees.
The banded remuneration of the highest paid Director of the Trust for 2018/19 is £190,000 - £195,000 (2018/19 £190,000 - £195,000). This was 6.82 times (2018/19 6.94 times) the median remuneration of the workforce, which was £25,000 - £30,000 (2018/19 £25,000 - £30,000).
In 2019/20, there were no (2018/19 nil) employees who received remuneration in excess of the highest paid Director.

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.

Information subject to audit

B) Pension Benefits

Name and Title	Note	Real increase in pension at pension age (bands of £2,500)	Real increase in lump sum at pension age (bands of £2,500)	Total accrued pension at pension age at 31 March 2020 (bands of £5,000)	Lump sum at pension age related to accrued pension at 31 March 2020 (bands of £5,000)	Cash Equivalent Transfer Value at 1 April 2019	Real Increase in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2020	Employer's contribution to stakeholder pension
		£000	£000	£000	£000	£000	£000	£000	£000
Diane Wake, Chief Executive		0	0	70 - 75	210 - 215	1,542	22	1,564	
Tom Jackson, Director of Finance		0 - 2.5	0 - 2.5	50 - 55	125 - 130	973	28	1,001	
Julian Hobbs, Medical Director	2	2.5 - 5	0 - 2.5	60 - 65	145 - 150	1,114	82	1,196	
Karen Kelly, Chief Operating Officer		2.5 - 5	0 - 2.5	50 - 55	145 - 150	1,075	69	1,144	
Mary Sexton, Chief Nurse		7.5 - 10	12.5 - 15	45 - 50	115 - 120	849	147	996	
James Fleet, Chief People Officer	1	0 - 2.5	0	5 - 10	15 - 20	87	8	95	
Andrew McMememy, Director of Workforce & OD	1	2.5 - 5.0	0 - 2.5	35 - 40	75 - 80	539	44	583	

Note:-
1 Figures shown reflect time in office during the year.
2 Figures shown reflect time in office during the year and include accrued benefits and contributions in respect of full salary, which will include both management and medical contributions.
3 No pension benefits are received.

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

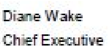
A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004-05 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. The figure excludes any increase due to inflation, and takes account of 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.

The benefits and related CETVs in the above table do not allow for a a potential future adjustment arising from the McCloud judgement.
The CETV values at 31 March 2019 and 31 March 2020 may have been calculated using different methodologies (due to the introduction of Guaranteed Minimum Pension GMP) indexation also known as GMP equalisation during 2019/20). This change in methodology may have impacted the real increase in CETV figure.

Due to the lead time required to perform calculations and prepare annual reports, the CETV figures quoted in this report for members of the NHS Pension scheme are based on the previous discount rate and have not been recalculated.

The Trust is required to disclose the expenses paid to Directors, Non Executive Directors and Governors.
The band of the expenses paid for 2019/20 was £20,000 - £22,500 (2018/19 £15,000 - £17,500)



Signed

Diane Wake
Chief Executive

Date: 22nd June 2020

Governor and director expenses

(Information not subject to audit)
During 2019/20, 17 individuals (2018/19, 16) were executive or non-executive directors for the Trust. Of these, 14 (2018/19, 13) received expenses in the reporting period and the aggregate sum of expenses paid was £22,119.72 (2018/19, £17,086.29). In addition, 25 individuals (2019/20, 25) were governors for the Trust. Of these, 5 (2018/19, 1) received expenses in the reporting period and the aggregate sum of expenses paid was £862.81 (2018/19, £7.20).

Better Payment Code of Practice

The Better Payment Code of Practice requires the Trust to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later.

The Trust experienced a difficult financial year where it was required to carefully manage its working capital. This resulted in a reduction in its performance against the Better Payment Code of Practice.

	2019/20 Number	2019/20 £000	2018/19 Number	2018/19 £000
Total non-NHS trade invoices paid in the year	49,550	214,678	60,872	210,885
Total non-NHS trade invoices paid within target	13,541	137,237	32,702	168,317
Percentage of non-NHS trade invoices paid within target	**27%**	**64%**	**54%**	**80%**

The Trust can confirm that is has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance. This guidance discusses how public sector organisations should charge for information.

Staff report

About our employees

The Trust employs 4,708 substantive and 429 fixed term contract staff (as at 31st March 2020).

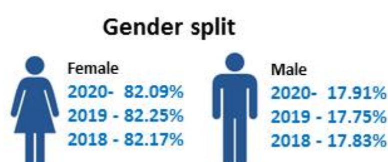
In this section you will find a breakdown of the workforce profile, staff in post during the year and information about how the Trust promotes equality and diversity and how it engages with its workforce.

An analysis of workforce statistics indicates they are comparable with the local Dudley population. The higher proportion of female workers to male is typically reflected across other combined acute and community trusts.

NHS
The Dudley Group
NHS Foundation Trust

Workforce Profile

A break down of our staff according to



Disability breakdown

	2018	2019	2020
Declared Disability	1.32%	1.73%	3.04%
Nothing Declared	63.62%	58.28%	42.10%
Declared no Disability	35.06%	39.98%	54.87%

Ethnicity breakdown

	2018	2019	2020
BME	16.10%	16.52%	18.10%
White	68.29%	68.75%	71.04%
Not Stated	15.61%	14.73%	10.86%

Age Profile

Employee Age Group	Headcount		
	2018	2019	2020
<=20 Years	71	74	76
21-25	441	412	448
26-30	619	625	683
31-35	658	648	672
36-40	553	567	608
41-45	578	549	557
46-50	690	665	660
51-55	688	671	688
56-60	400	442	495
61-65	184	186	194
66-70	47	50	43
>=71 Years	11	13	14
Grand Total	4940	4902	5138

Religion/faith breakdown

Religious Belief	% of Workforce		
	2018	2019	2020
Atheism	5.24%	5.92%	8.80%
Buddhism	0.14%	0.20%	0.31%
Christianity	28.99%	30.76%	37.00%
Hinduism	1.48%	1.47%	1.62%
Chose not to disclose	42.19%	40.31%	32.95%
Islam	2.09%	2.67%	3.83%
Other	3.64%	3.92%	5.14%
Sikhism	0.93%	1.29%	1.44%
Undefined	15.30%	13.44%	8.84%
Judaism	0.00%	0.02%	0.04%
Jainism	0.00%	0.00%	0.04%

Sexual Orientation

Sexual Orientation	% of Workforce		
	2018	2019	2020
Bisexual	0.10%	0.10%	0.29%
Gay or Lesbian	0.73%	0.88%	1.23%
Heterosexual	42.94%	46.94%	59.65%
Chose not to disclose	40.97%	38.72%	29.93%
Undefined	15.26%	13.36%	8.78%
Undecided-other not listed	0.00%	0.00%	0.12%

Staff in post

Staff Group	FTE	Headcount
Add Prof Scientific and Technic	186.50	206
Additional Clinical Services	991.25	1169
Administrative and Clerical	929.18	1054
Allied Health Professionals	327.07	392
Healthcare Scientists	47.84	53
Medical and Dental	489.91	510
Nursing and Midwifery Registered	1519.19	1753
Grand Total	4490.94	5137

FTE – full time equivalent

Sickness absence data*

Sickness absence data for the first three quarters of 2019/20 can be found below, however quarter four will be published by NHS Digital: https://digital.nhs.uk/dataand-information/publications/statistical/nhs-sickness-absence-rates

Q1: 4.84%

Q2: 4.74%

Q3: 5.21%

Q4: 4.94%

*excluding COVID-19 absence data

Equality and diversity

The Trust has participated in the NHS Employers diversity programme for a second year, alongside joining the Stonewall champions programme which will continue to support progress on being a Trust that values diversity and inclusion.

The Trust started an inclusion group this year and this is now diversifying into networks that support different elements of the protected characteristics. These networks will further focus on peer-to-peer support, raising awareness and providing a critical eye to the Trust’s policies and processes.

The Board of Directors continue to monitor the Trust activities to promote diversity and inclusion through the Workforce and Staff Engagement Committee. This includes the delivery of the Workforce Race Equality Standard (WRES), Workforce

Disability Equality Standard (WDES), gender pay gap reporting and any areas identified for action including continued work on access to training, promotion and raising awareness.

Throughout 2019 the Trust celebrated diversity and inclusion by raising awareness of religious celebrations, attending Birmingham Pride and celebrating Black History Month. These activities all encourage participation and raise awareness of the importance of diversity and inclusion within the workplace.

All staff are required to complete a module on equality and diversity through the Trust's mandatory training programme which includes learning disability and autism awareness. All new employees complete this training as part of their induction into the Trust. The Trust has also introduced more training for managers focusing on being inclusive, compassionate leaders.

The Dudley Group is subscribed to the Disability Confident scheme which is a national standard that recognises it is positive about employing people with disabilities; it provides a guaranteed interview for those with a disability who meet the job criteria. The Trust also reviews its recruitment process regularly to ensure it follows best practice and is a fully inclusive employer.

Annually, the Trust publishes workforce data to support it in reviewing how well it is representing the local area and ensuring it promotes employment and development opportunities to all. Information on the Trust's gender pay gap can be found at https://gender-pay-gap.service.gov.uk/

At 31st March 2020, the Board of Directors comprised 10 non-executive directors including the chair and eight executive directors. Of the total six are female and 12 are male. Of the Trust, 4313 (81.70 per cent) staff are female and 966 (18.30 per cent) are male, 18.22 per cent are BAME (Black, Asian and minority ethnic) and 69.8 per cent white.

Note 5.3 Average number of employees (WTE basis)	Total Accounts 31 Mar 2020 2019/20 No.	Permanent Accounts 31 Mar 2020 2019/20 No.	Other Accounts 31 Mar 2020 2019/20 No.	Total Accounts 31 Mar 2019 2018/19 No.	Permanent Accounts 31 Mar 2019 2018/19 No.	Other Accounts 31 Mar 2019 2018/19 No.
Medical and dental	553	484	69	529	478	51
Ambulance staff	0			0		
Administration and estates	950	903	47	913	876	37
Healthcare assistants and other support staff	1,435	1,297	138	1,392	1,269	123
Nursing, midwifery and health visiting staff	1,698	1,499	199	1,604	1,467	137
Nursing, midwifery and health visiting learners	11	11	0	21	21	
Scientific, therapeutic and technical staff	304	242	62	339	251	88
Healthcare science staff	0			0		
Social care staff	0			0		
Other	0			0		
Total average numbers	4,951	4,436	515	4,798	4,362	436

WTE – whole time equivalent

Average numbers include locums, agency and bank staff

Employee Expenses						
	Total	Permanent Employed	Other	Total	Permanent Employed	Other
	31 Mar 2020	31 Mar 2020	31 Mar 2020	31 Mar 2019	31 Mar 2019	31 Mar 2019
	2019/20	2019/20	2019/20	2018/19	2018/19	2018/19
	£000	£000	£000	£000	£000	£000
Salaries and wages	188,418	186,494	1,924	177,402	2,288	2,288
Social security costs	17,627	17,627	0	16,809	0	0
Apprenticeship levy	933	933	0	866	0	0
Pension cost - employer contributions to NHS pension scheme	20,478	20,478	0	19,386	0	0
Pension cost - employer contributions paid by NHSE on provider's behalf	8,886	8,886	0	0	0	0
Pension cost - other	70	70	0	48	0	0
Other post employment benefits	0	0	0	0	0	0
Other employment benefits	0	0	0	0	0	0
Termination benefits	0	0	0	0	0	0
Temporary staff - external bank	0	0	0	0	0	0
Temporary staff - agency/contract staff	13,511	0	13,511	13,655	13,655	13,655
NHS charitable funds staff	53	53	0	46	46	0
TOTAL GROSS STAFF COSTS	249,976	234,488	15,435	228,212	15,943	15,943
Recoveries from DHSC Group bodies in respect of staff cost netted off expenditure	0	0	0	0	0	0
Recoveries from other bodies in respect of staff cost netted off expenditure	0	0	0	0	0	0
TOTAL STAFF COSTS	249,976	234,488	15,435	228,212	15,943	15,943

Staff health and wellbeing

Supporting our staff to be healthy at work is more important than ever, with rising sickness absence levels due to mental health issues and coronavirus. This year we have developed a range of activities to further support our people. These are alongside the core health and wellbeing service which undertakes pre-employment health assessments, immunisations and vaccinations, health surveillance, treatment and follow up of inoculation injuries/sharps injuries, in-employment health assessments and health checks. We also provide management referrals and ongoing support to make sure that our colleagues are safe and well to deliver care to our patients.

Our mental health support for colleagues has grown in 2019/2020. The range of support that we offer staff with mental health issues includes:

- Access to work mental health service delivered by Remploy, which offers independent 1:1 confidential mental health support/vocational support.
- Confidential telephone and virtual counselling by an Employee Assistance programme which supports colleagues not only with work-related stress/anxiety, but with any issues causing our colleagues concern, including financial worries. It also offers legal advice. This service has been upgraded to include face to face counselling, which will commence when COVID-19 social distancing measures allow.
- Face-to-face counselling offered by a Trust-employed counsellor.
- Telephone helpline for advising and supporting colleagues with queries relating to COVID-19, 12 hours a day, seven days a week.
- Planned provision of alternative therapies to Trust staff, including reflexology and aromatherapy among others, subject to COVID-19 social distancing measures being lifted or sufficiently relaxed.

In addition to the above support, we have also been signposting colleagues to other sources of free support for NHS Employees, including among others:

- NHS Practitioner Health, an external organisation that provides mental health and addiction support to doctors, dentists and other health professionals.
- A free wellbeing support helpline, 0300 131 7000, available from 7am-11pm, seven days a week, providing confidential listening from trained professionals and specialist advice, including coaching, bereavement care, mental health and financial help.
- A 24/7 text alternative to the aforementioned helpline.
- Online peer-to-peer, team and personal resilience support including through Silver Cloud and free mindfulness apps such as Unmind, Headspace, Sleepio and Daylight.

Our dedicated physiotherapy service for our teams was expanded in 2019/2020 and provides access to fast track physiotherapy to support colleagues who have identified a musculoskeletal problem. It also has a drop-in service to allow access for colleagues with acute issues.

Access to occupational physician support has been increased in the interim.

We are planning to increase the resources of the Staff Health and Wellbeing Service in the medium to long term, including clinical and administrative staffing levels and premises used to deliver the service.

The Staff Health and Wellbeing Service took over the testing of staff for coronavirus, with effect from Friday 1st May 2020. During coronavirus, the service also arranged free professional haircuts for staff on Russells Hall Hospital premises.

The Staff Health and Wellbeing team supported the HR advisors with sickness absence training for managers. This included how and when to make a management referral for their staff.

It also partnered with Solutions for Health, to deliver health checks to Trust staff.

Monthly menopause workshops had been planned but had to be suspended due to the coronavirus outbreak. These will commence at an appropriate time in the future.

We are also promoting healthy eating and further initiatives have been undertaken to improve access to healthy food choices in the Trust premises. This includes increasing the healthy eating options by limiting snacks with high sugar, fat and salt content; removing promotions on unhealthy foods and snacks and removing foods and drinks high in sugar, salt or fat from till points.

Access to physical activity continues to be available through improved staff access to the Action Heart gym at the Russells Hall Hospital site. We have a regular yoga class for staff to attend as well as a cycle group who promote cycling and our cycle to work scheme. Continuing our work to support staff to become healthier, we became a Smoke Free Trust in June 2019 and partnered with an external agency to provide smoking cessation support.

The annual flu vaccine campaign was delivered between October 2019 and February 2020 to all staff, with a particular focus on clinical staff. The Staff Health and Wellbeing Service delivered the training for peer vaccinators for the flu campaign and provided a drop-in vaccination service. We are really pleased that we exceeded our target of 80 per cent of frontline staff receiving the vaccine, showing just how much they want to protect themselves, their patients and their families.

NHS Staff Survey 2019

The NHS staff survey is conducted annually. From 2018 onwards, the results from questions are grouped to give scores in 10 indicators. The indicator scores are based on a score out of 10 for certain questions with the indicator score being the average of those.

The response rate to the 2019 survey among Trust staff was 43 per cent which is a significant improvement on the previous two years (2018: 36.1 per cent). The national response rate for acute and community combined trusts was 50 per cent.

There are a number of areas where scores have improved when compared to 2018. These include reducing violence and staff knowing how to report it and what learning has been taken from the incidents. The safety culture is improving and that is largely due to focused improvement plans throughout the year including promoting learning from positive events (GreaTix) and learning from incidents in an open and honest culture. However, we are committed to continue to drive improvements in these areas.

The survey has also highlighted issues which we continue to address through clear and robust recovery and quality improvement activity, including drawing on the capacity and expertise of our Dudley Improvement Practice colleagues. Furthermore, we will focus greater attention on a wide ranging programme of staff engagement and culture activity, as well as increasing executive visibility within the organisation.

Scores for each indicator together with that of the survey benchmarking group (acute and community trusts) are presented below.

	2019/20		2018/19		2017/18	
	Trust	Benchmarking Group	Trust	Benchmarking Group	Trust	Benchmarking Group
Equality, diversity and inclusion	9	9.2	9.1	9.2	9.1	9.2
Health and wellbeing	5.5	6.0	5.7	5.9	5.9	6
Immediate managers	6.6	6.9	6.8	6.8	6.7	6.8
Morale	5.7	6.2	5.7	6.2		
Quality of appraisals	5.3	5.5	5.5	5.4	5.5	5.3
Quality of care	7.2	7.5	7.1	7.4	7.3	7.5
Safe Environment – Bullying and harassment	7.7	8.2	7.9	8.1	8.3	8.1
Safe environment - violence	9.5	9.5	9.4	9.5	9.4	9.5
Staff culture	6.5	6.8	6.4	6.7	6.8	6.7
Staff engagement	6.7	7.1	6.7	7	7	7

Plans for 2020/21

The survey results have identified areas of improvement, especially around the way our staff feel about and experience their working lives, as reflected in some of the staff engagement and morale based themes and questions. We will work collaboratively with staff and staff organisations, to co-design a high impact action and improvement plan based around the key themes – morale, management and behaviours. Plans for 2020/21 will be developed and driven by our people, who will feel empowered to make local improvements and be supported by their leaders to make The Dudley Group a great place to work.

Our main areas for focus during 2020/21

- Bullying and harassment – take direct action to call out negative behaviours and redefine the approach and use of our behaviour charter.
- Inclusion – have a fresh approach by launching a programme of inclusion networks, working alongside Stonewall to become an LGBT+ diversity champion, to engage and support staff from all backgrounds.
- Management and leadership -– accelerate the pace and scale of leadership development, as well as establishing an accreditation programme for managers and leaders across the Trust.
- Quality of appraisals – invest further in the development of our managers, giving them the tools and skills they need to support and nurture our people in the best possible way.

- Morale – offer a higher level of direct support to individuals and the team, to address clear cultural challenges, which undermine efforts to create a happy and healthy workplace.

Staff Friends and Family Test

Throughout the year, we continuously monitor how staffs feel about working at the Trust through two questions:

1. How likely are you to recommend the Trust to friends and family if they needed care or treatment?
2. How likely are you to recommend the Trust to friends and family as a place to work?

During 2019/20, more than 2500 staff took the time to tell us what they thought about working at the Trust and these comments and scores are used to inform the strategy for staff engagement, alongside the staff survey and 'Make it Happen' events.

On average 84.4 per cent (68 per cent in 2018/19) of staff would recommend the Trust as a place to work and 89.6 per cent (83 per cent in 2019/20) would recommend for care and treatment.

Engaging with our workforce and communities

Good communication and engagement across the Trust is a priority to ensure colleagues, patients and the public know what is happening in the Trust. We use many different channels to engage our workforce and community in service development. We have held a number of service away days during 2019/20 to concentrate on service level quality improvement.

The Trust is committed to working in partnership with its employees to maximise its potential to deliver against its business objectives, through robust arrangements for joint working which include consultation and negotiation. We appreciate the need for collaborative working on the underpinning aims and values to ensure exemplary practice in the employment and treatment of staff. The Trust recognises the importance of proper representation by recognised trade unions and we are committed to involving and engaging with Staff Side, trade unions and staff through our Joint Negotiating Committee to ensure that we maintain effective workplace employee relations.

Dudley Improvement Practice

The Dudley Improvement Practice (DIP) provides staff with the capability and confidence to solve problems and continually improve the services they are passionate about. Empowering staff to overcome their own service improvement obstacles and retain the ownership of these challenges increases job satisfaction, motivation and pride in work.

The goal is that by July 2021, the Trust will have the capability and capacity to be self-sufficient in applying the methodology and that a culture of continuous improvement will have started to develop. The improvement practice will be sustainable, continually aligned to deliver Trust strategy and every member of staff will know how to apply the method or seek support to do so in their own departments and service areas.

In its first year, DIP has proven the efficacy of the approach in supporting teams with improvement activity and has been broadly accepted as the Trust's long-term method for continuous improvement. The method and implementation continues to evolve as we learn from experience with the other trusts in the national cohort and the NHS England / Improvement central team.

In year one DIP supported six teams to deliver quantifiable improvements in their department and ran three, five-day improvement events. Teams in ophthalmology, ward C3 and emergency theatre gained a thorough understanding of the DIP method, applied it to make improvements in their areas and maintained continuous improvement momentum following the events.

The activity to date has also had a significant positive effect on team working, morale and motivation which has been quantified by using a subset of Staff Survey questions.

There are now plans to increase the DIP resource in order to ramp up the scale of implementation in years two and three. The delivery targets for DIP are designed around supporting the proven value stream approach where improvement activity is structured around end-to-end clinical pathways.

Put on hold due to COVID-19, work on the gastrointestinal pathways will be rescheduled and will consist of one value-stream analysis event and five improvement practice events over the course of a year. This will increase to two concurrent value streams in subsequent years.

The Hub

The Hub is the Trust's intranet and enables us to share news and updates with all our staff. This includes health campaigns, finance information, workforce and recruitment updates. It shares successes such as award wins and innovations, and alerts staff to any operational changes.

The Hub is also the central repository for all clinical and non-clinical procedural documents, links and essential information.

Team Brief

Led by the chief executive each month, this face-to-face event enables staff to receive updates on Trust performance and developments, and to ask questions of the executive directors.

Live Chat

Again led by the chief executive at least once a month, Live Chat is a very popular online forum for staff to put questions and to receive an immediate response from the senior management team.

Healthcare Heroes

Healthcare Heroes is an opportunity to recognise and reward the great work of our teams, individuals and volunteers. Staff and patients put in nominations each month and the winners, chosen by the chief executive, are paid a surprise visit and presented with a certificate and prize. We share the success through videos on our social media channels as well as on The Hub and in Team Brief.

Patient Safety and Experience Bulletins

We continue to engage clinicians with important patient safety and experience information through weekly email bulletins on specific themes.

Committed to Excellence

Committed to Excellence continues to grow and grow as our big annual event, with 20 awards presented in our gala presentation evening. Staff, patients and the public nominate people for outstanding achievement with winners honoured at the ‘Oscars’ style celebration.

Make It Happen Events

Once a quarter we go out and about talking to our staff about their experiences of working for The Dudley Group. Over a tea trolley we chat about how we can improve our working environment, which helps to formulate our people strategy.

Long Service Awards

We feel that 10, 25 and 40 years are big milestones in an NHS career and so in 2019 changed our Long Service Awards to reflect not just service with The Dudley Group but within the NHS. Staff who have notched up 10 years receive a badge and certificate. Those who have worked in the NHS for 25 and 40 years have their service celebrated at an annual ceremony.

Social media

We have a strong social media presence and regularly post news about the Trust, events, our services and health advice on Facebook and Twitter. We actively encourage staff to engage with us on Twitter and several departments have set up their own Twitter accounts during 2019. We have more than 10,000 total page followers on Facebook and nearly 5,000 followers on Twitter.

Health and safety

The Trust is committed to providing exemplary standards of care to its patients and a safe working environment for its staff to accomplish this. The Health, Safety and Fire Team focus on all issues related to work activities and the environment in which they are provided, ensuring that the Trust complies with our statutory obligations under the Health and Safety at Work Act and associated legislation and guidance.

During 2019/20 the Trust concentrated again on fire safety, specifically around the safety of the North Block area of the Russells Hall Hospital site, coupled with anti-ligature assessments and display screen equipment assessments.

A number of policies have been updated to ensure compliance with regulatory and local governance policies.

The Health, Safety and Fire Team has also been heavily involved in the response to the COVID-19 outbreak providing specialist advice and guidance in relation to appropriate personal protection equipment (PPE) for staff and working closely with the Incident Response Team to ensure staff are protected to enable them to do their clinical work during a difficult period.

Moving into 2020/21 the team will continue to work on priorities around health and safety, specifically around Control of Substances Hazardous to Health (COSHH) safety and the ongoing work priorities around North Block and COVID-19 response.

Countering fraud

The Trust has continued to ensure its staff are aware of responsibilities towards fraud and bribery and have both a fraud and corruption policy and an anti-bribery policy to support staff, and takes its responsibility for countering these issues very seriously.

We have a Local Counter Fraud Service and one of our key aims is to work together to promote an anti-fraud culture. By carrying out fraud presentations and awareness sessions, the Trust can be sure that staff understand that fraud against the NHS will not be tolerated.

Trade union facility time

Under The Trade Union (Facility Time Publication Requirements) Regulations 2017, the Trust is required to publish certain information on trade union officials and facility time on the Trust website and Government portal.

Facility time covers duties carried out for the trade union or as a union learning representative, for example accompanying an employee to disciplinary or grievance hearing. It also covers training received and duties carried out under the Health and Safety at Work Act 1974.

Trade union representatives and full-time equivalents (FTE)

Trade union representatives: 4
FTE trade union representatives: 3.98

Percentage of working hours spent on facility time

0% of working hours: 0 representatives
1 to 50% of working hours: 3 representatives
51 to 99% of working hours: 0 representatives
100% of working hours: 1 representative

Total pay bill and facility time costs

Total pay bill: £181,978,314
Total cost of facility time: £33,101
Percentage of pay spent on facility time: 0.02%

Paid trade union activities

Hours spent on paid facility time: 2082
Hours spent on paid trade union activities: 95.2
Percentage of total paid facility time hours spent on paid Trade Union activities: 4.56**%**

Expenditure on consultancy

Details of expenditure on consultancy can be found on page xxx of the accounts.

Off payroll engagements

There were no off payment engagements during 2019/20. It is our policy not to use off-payroll engagements.

Reporting of compensation schemes – exit packages

Reporting of other compensation schemes - exit packages 2019/20	A09CT17	A09CT18	A09CT19	A09CT20	A09CT21	A09CT22	A09CT23	A09CT24
	Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed	Total number of exit packages	Total cost of exit packages	Number of departures where special payments have been made	Cost of special payment element included in
	Accounts	Accounts	Accounts	Accounts	Accounts	Accounts	Accounts	Accounts
	31 Mar 2018	31 Mar 2018	31 Mar 2018	31 Mar 2018	31 Mar 2018	31 Mar 2018	31 Mar 2018	31 Mar 2018
	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18
	No.	£000	No.	£000	No.	£000	No.	£000
Exit package cost band (including any special payment element)								
<£10,000	0	0	15	30	15	30	0	0
£10,000 - £25,000	0	0	2	28	2	28	0	0
£25,001 - £50,000	1	29	1	47	2	76	0	0
Total	1	29	18	105	19	134	0	0

Reporting of other compensation schemes - exit packages 2017/18	A09PT17	A09PT18	A09PT19	A09PT20	A09PT21	A09PT22	A09PT23	A09PT24
	Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed	Total number of exit packages	Total cost of exit packages	Number of departures where special payments have been made	Cost of special payment element included in
	Accounts	Accounts	Accounts	Accounts	Accounts	Accounts	Accounts	Accounts
	31 Mar 2017	31 Mar 2017	31 Mar 2017	31 Mar 2017	31 Mar 2017	31 Mar 2017	31 Mar 2017	31 Mar 2017
	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17
	No.	£000	No.	£000	No.	£000	No.	£000
Exit package cost band (including any special payment element)								
<£10,000	0	0	7	23	7	23	0	0
£10,000 - £25,000	0	0	2	20	2	20	0	0
Total	0	0	9	43	9	43	0	0

Exit packages: other (non-compulsory) departure payment	Payments agreed	Total value of agreements	Payments agreed	Total value of agreements
	Accounts	Accounts	Accounts	Accounts
	31 Mar 2020	31 Mar 2020	31 Mar 2019	31 Mar 2019
	2019/20	2019/20	2018/19	2018/19
	No.	£000	No.	£000
Voluntary redundancies including early retirement contractual costs	1	1	0	0
Mutually agreed resignations (MARS) contractual costs	3	47	0	0
Contractual payments in lieu of notice	14	57	9	43
Total**	18	105	9	43
of which:				

Sustainability and the environment

There is no question that sustainability is one of the most important challenges facing us all in the 21st century and it is one that unites staff, patients and the Trust's local communities.

The Trust recognises its responsibility to find ways to deliver great healthcare that is also environmentally, socially and financially sustainable and has developed a Green Plan to meet these ambitions. The Trust is a significant employer, buyer and provider of services within the region and recognises that its activities have a detrimental effect on the environment. It has a responsibility to act in a responsible manner.

NHS England and Improvement has set a target of a 51 per cent reduction in its carbon footprint by 2025 and has launched a programme 'For a greener NHS' with the aim of the NHS becoming net carbon zero in line with the commitment from the wider UK Government.

These targets are for reductions in absolute emissions, so will be even more challenging in the context of growth. Achieving these targets will present a significant challenge to the Trust and will require changes to the way it manages and operates its infrastructure, how it procures goods and services, how it disposes of waste and how staff, patients, suppliers and contractors travel to the Trust.

In its refreshed Strategy 2019-2021, the Trust made a commitment to develop its approach to environmental sustainability. The Trust's vision to 'care better every day' has led the Trust to entitle the Green Plan 'Care better for our environment'.

The Green Plan provides an opportunity for the Trust to take significant strides towards lessening its impact through consuming less, emitting less from buildings, providing sustainable travel opportunities and greener procurement, which will together minimise its impact on the environment.

The Trust recognises that sustainable development is a critical factor in enabling it to deliver world class healthcare, both now and in the future. It is therefore dedicated to ensuring it creates and embeds sustainable models of care throughout our operations and to ensuring its operations, and estate(s), are as efficient, sustainable and resilient as they possibly can be.

To achieve the Green Plan the Trust will continue to work closely with its PFI partners, Interserve and Summit Healthcare, who have been integral partners in the development of this plan.

The Trust has continued to make good progress on many things that will contribute significantly to a sustainable footprint and already started to take some steps:

- It has signed the ‘NHS Single-Use Plastics Reduction Campaign’ pledge. This relates to catering services and Interserve will cease using plastic cutlery and cups in its catering facilities.
- The Trust joined the NHS re-use programme. This means that it will make old furniture and equipment available across the NHS and will also look to invest in this programme before buying furniture.
- It has invested in LED lighting in North Block at Russells Halls Hospital and the multi storey car park, reducing utility and maintenance costs by £70k per annum.
- Interserve has increased the number of recycling points across the Trust.
- It is operating a cycle to work scheme, has promoted staff discounts for annual bus passes and has engaged with its partners to identify ways of promoting and encouraging the use of public transport.
- A new Procurement Strategy clearly sets out the intention to review sustainability, carbon reduction and adaption, and waste reduction within relevant procurement projects.
- Electronic payslips have completely replaced traditional paper payslips for all Trust employees, avoiding the need for 8,000 printed payslips each month. The Trust has also introduced an electronic expenses system which has further reduced paper usage.
- There is a homecare service in place whereby all pharmaceuticals for suitable patients are delivered directly from the supplier to their home, rather than to the Trust first, to reduce the supply chain carbon footprint.
- Trust staff are encouraged to make processes paperless wherever possible. Many departments use electronic referrals and staff are encouraged to use online, electronic copies of documents for reference instead of printing hard copies.
- At Russells Hall Hospital there is a Peace Garden, an “End of Life” garden, an external gym space and an external area to sit, eat and reflect near South Block.
- External spaces accessed from the Children’s Assessment Area provide a lawn and planted zone with climbing frames.
- Shrubberies and trees are actively managed to ensure that green spaces are accessible. There are 755 trees that are managed and maintained across the Russells Hall Hospital site.
- One of the car parking areas at Russells Hall Hospital is managed in such a way to protect a species of newt by encouraging wild flowers and shrubs to grow together with a light touch maintenance regime.

Sustainable Care Models

- The NHS Long Term Plan (2019) sets out an ambitious target to re-design the way in which outpatient services are delivered. The target is that by 2023/24, up

to 30 per cent of face-to-face attendances can be avoided by redesigning pathways and deploying digital technology. The Trust is planning to reduce outpatient attendances by at least 150,000 per year which will have a significant impact on the number of miles and carbon emissions associated with travel to and from its hospital and outpatient centres.

- The Trust currently provides outpatient clinics from a number of community locations so that services are more accessible to communities and reduce the need to travel to hospital.
- Other specialties already hold such 'virtual clinics' or conduct routine follow-ups via telephone.

Transportation

The transport of goods, services, staff, patients and visitors has a significant impact on local air quality, congestion and health. Delivering a robust Travel Plan and supporting staff, patients and visitors to use more active and sustainable travel methods will reduce the impact of these activities, leading to cost savings and health benefits. The Trust is committed to improving local air quality and improving the health of the local community by promoting active travel to staff, patients and the public who use its services.

Volunteers

The volunteer service goes from strength to strength with almost 500 people regularly giving their time freely to support patients and staff across the Trust. This year has seen the introduction of a student volunteering programme, supporting individuals who wish to consider future careers in healthcare. Approximately 140 students have successfully taken part in the programme.

The onset of the COVID-19 pandemic towards the end of this period resulted in 90 per cent of regular volunteers not coming in to the hospital. Changes to the service were quickly put in place. Volunteers helped to make and distribute single use visors for staff. Volunteer drivers were introduced to deliver medication to isolated patients for pharmacy and deliveries of PPE became a regular daily occurrence. An appeal for new volunteers was highly successful as the local community was keen to help. Many of these new volunteers wish to continue to support the Trust in the future.

Volunteers are asked to pledge a minimum of 100 hours per year and people range in age from 16- 83 years old. People join the team of volunteers for a variety of reasons including getting to know others and make new friends, make a difference to someone, or to gain experience of a busy healthcare environment.

The Trust is always keen to recruit new volunteers and people can apply online via the website: www.dgft.nhs.uk/volunteering or call the volunteers' coordinator on 01384 456111 extension 1887, or email dgft.volunteering@nhs.net

Staff on ward C1

Foundation Trust membership

The membership of the Trust comprises local people and staff who are directly employed by us or our partner organisations. Our minimum age for membership is 14 years; there is no upper age limit. Full details of who is eligible to register as a member of the Trust can be found in the Trust Constitution which is available on our website www.dgft.nhs.uk. Any public members wishing to come forward as a governor when vacancies arise or to vote in governor elections must reside in one of the Trust's constituencies. Staff are automatically included as members within staff group constituencies unless they choose to opt out.

During 2019/20, we continued to promote membership to local communities and the importance of having a voice. We continue to maintain a public membership of more than 13,000. As at 31st March 2020 the Trust had a total of 13,671 public members.

The focus remained on developing opportunities to maintain a public membership target of no less than 13,000, and refine recruitment activity to any identified areas of shortfall. This is important to ensure that our membership continues to reflect the diversity of the communities we serve and the protected characteristics as set out in the Equality Act 2010. The Trust's strategy also included developing more opportunities for engaging with members to gain feedback that we can use to improve patient experience.

During 2019/20, we hosted five 'Meet our Experts' events during the year including behind the scenes events held at the Corbett and Guest Outpatient Centres, Russells Hall Hospital and Brierley Hill Health & Social Care Centre. These health fair events create a unique opportunity to learn about the services provided by the Trust and visit areas not normally seen by the public. Some of the events' younger guests who may be considering a career in healthcare say the events are inspiring. Members continue to engage well with these events. You can see more about them on page 88.

More information about the Trust and the latest news can be found on our website at www.dgft.nhs.uk. The members' area of the website also contains information about being a member and the contribution members make to the ongoing success of the organisation.

Members can:

- be involved in shaping the future of healthcare in Dudley by sharing their views,
- vote in governor elections (excluding those living outside the West Midlands),
- stand for election to represent their constituency (candidates must be minimum 16 years old),

- attend behind the scenes tours and member events,
- participate in public meetings, public and patient involvement panels and focus groups, and
- fundraise for The Dudley Group NHS Charity.

Membership

Date	Public
31st March 2017	13,875
31st March 2018	13,888
31st March 2019	13,794
31st March 2020	13,671

Membership constituency breakdown report as at 31st March 2020

Public Constituencies	Number of Members
Brierley Hill	1,739
Central Dudley	2,374
Halesowen	1,112
North Dudley	1,312
Outside of the West Midlands	505
Rest of the West Midlands	1,772
South Staffordshire and Wyre Forest	1,142
Stourbridge	1,661
Tipton and Rowley Regis	2,054

Public membership breakdown by age, gender and ethnicity		**Number of Members**
Age	0-16 years	4
	17-21 years	261
	22+ years	12,813
	Not stated	593
Gender	Male	4,488
	Female	9,032
	Unspecified/not stated	151
Ethnicity	White	10,998
	Mixed	398
	Asian or Asian British	1,225
	Black or Black British	425
	Other	68
	Not stated	557

Staff constituencies

Staff Constituencies	Number of Members
Allied Health Professionals and Healthcare Scientists	673
Medical and Dental	535
Nursing and Midwifery	2945
Non Clinical	1063
Partner Organisations	673

Council of Governors

The Council of Governors was formed on 1st October 2008 and is responsible for holding the non-executive directors to account for the performance of the Board of Directors. The majority of the Trust's governors are elected through the public membership to make up the Council of Governors which consists of 25 governors in total:

Public elected: 13 governors
Staff elected: 8 governors
Appointed from key stakeholders: 4 governors

Tables summarising the Council of Governors and the constituencies they represent can be found on pages 85 and 86.

The Board of Directors continues to work closely with the Council of Governors through regular attendance at both full Council of Governor meetings and the committees of the council. Both non-executive and executive directors are assigned as nominated attendees at the Council of Governors sub-committees. This provides opportunities for detailed discussion and debate on strategy, performance, quality and patient experience and enables governors to see non-executive directors function. Governors regularly attend public Board of Directors meetings and are invited to observe meetings of the committees.

The Board of Directors is accountable to the Council of Governors ensuring it meets its Terms of Authorisation. A Register of Interests confirming individual declarations for each governor is maintained by the Trust and is available on request by calling (01384) 321124 or emailing dgft.foundationmembers@nhs.net.

All the Trust's governors comply with the 'fit and proper' persons test as described in the Trust's provider licence. The conditions are incorporated into the Foundation Trust Constitution.

The Council of Governors has the following key responsibilities:

- appointing and/or removing the chair, including appraisal and performance management,
- appointing and/or removing the non-executive directors,
- appointing the external auditors,
- advising the Board of Directors on the views of members and the wider community,
- ensuring the Board of Directors complies with its Terms of Authorisation and operates within that licence,
- recruiting and engaging with members,
- advising on strategic direction,
- receiving the Annual Accounts, any report of the auditor on them, and the Annual Report at the Annual Members' Meeting,
- approving significant transactions which exceed 25 per cent by value of Trust assets, Trust income or increase/reduction to capital value,
- approving any structural change to the organisation worth more than 10 per cent of the organisation's assets, revenue or capital by way of merger, acquisition, separation or dissolution,
- deciding whether the level of private patient income would significantly interfere with the Trust's principal purpose of providing NHS services, and
- approving amendments to the Trust's Constitution.

Where an item is reserved for both Council of Governors and Board of Directors approval, for example a change to the Trust's Constitution, then this change would not be made if either party did not approve the recommendation put before them. In practice, a constructive and close working arrangement is maintained between the Council of Governors and board through the chairperson and lead governor.

The Trust continues to work closely with the Council of Governors to further develop the governor role to reflect the requirements of the Health and Social Care Act and other best practice and guidance. Ongoing training and development is provided by the Trust allowing experts from within and outside the Trust to work with the Council of Governors to identify key aspects of their role. This includes how they influence strategy within the Trust, and how they will engage with members and the wider community so that their views and opinions can be heard.

Council of Governor Committees

During the year, the Council of Governors reviewed its committees and their terms of reference and operates the following:

- Appointments and Remuneration Committee (chairperson Yve Buckland)
- Experience and Engagement Committee (chairperson Karen Phillips April – December 2019, Yvonne Peers, January – March 2020)

The Appointments and Remuneration Committee meets at least once a year and is responsible for ensuring a formal, rigorous and transparent procedure for the appointment, reappointment and removal of non-executive directors, reviewing their number, specific skill mix and remuneration as set out in the relevant aspects of the *Code of Governance* and in line with the Trust's constitution.

The committee, chaired by the Trust chairman, oversee the recruitment process through the use of interview and stakeholder assessment panels. The Appointments and Remuneration Committee submit their recommendations for appointments, reappointments and removals to a meeting of the full Council of Governors.

The table below provides a summary of the non-executive members' length of appointment and role:

Name	Role	Date of Retirement
Julian Atkins	Non-executive director	31.12.21
Jonathan Hodgkin	Non-executive director	31.03.21
Richard Miner	Non-executive director	30.09.20
Catherine Holland	Non-executive director, Senior independent director	31.08.21
Ian James	Associate non-executive director	01.07.20
Gary Crowe	Non-executive director	01.07.22
Vij Randeniya	Associate non-executive director	07.11.20
Lowell Williams	Associate non-executive director	30.11.20
Liz Hughes	Non-executive director	01.11.22

Council of Governors Membership and Meetings 2019/2020

Public Governors

Name	Constituency	
Fred Allen	Central Dudley	4/4
Arthur Brown	Stourbridge	4/4
Joanna Davies-Njie	Stourbridge	1 / 4
Sandra Harris	Dudley Central	2 / 4
Mike Heaton	Brierley Hill	1 /4
Viv Kerry (end of term of office Jun ’19)	Halesowen	1 / 1
Hilary Lumsden (elected Jun’19)	Halesowen	3 / 4
Natalie Neale	Brierley Hill	2 / 4
Rex Parmley	Halesowen	4 / 4
Yvonne Peers	North Dudley	3 / 4
Piggott - Nicola (re-elected June ‘19)	North Dudley	0 / 4
Pat Price (passed away Feb ’20)	Rest of the West Midlands	1 / 4
Peter Siviter	South Staffs and Wyre Forest	2 / 4
Farzana Zaidi	Tipton and Rowley Regis	4 / 4

Staff Governors

Name	Constituency	
Marlon Amulong (elected Jun ’19)	Nursing and Midwifery	2 / 4
Bill Dainty (resigned May ‘19)	Nursing and Midwifery	0 / 0
Jill Faulkner (elected Dec ‘19)	Non Clinical	1 / 1
Ann Marsh	AHP and HCS	3 / 4
Atef Michael (elected Jun 19)	Medical and Dental	3 / 4
Margaret Parker	Nursing and Midwifery	1 / 4
Karen Phillips (end of term of office Dec ‘19)	Non Clinical	3 / 4
Edith Rollinson	Nursing and Midwifery	2 / 4
Alan Walker	Partner Organisations	2 / 4

Appointed Governors

Name	Constituency	Name
Colin Elcock (appointed Jul '19, stood down Sep '19)	Dudley Metropolitan Borough Council	1 / 3
Richard Gee (retired Mar '20)	Dudley Clinical Commissioning Group	3 / 4
Anthea Gregory (stood down Sep '19)	University of Wolverhampton Medical School	0 / 3
Maria Kisiel (appointed Sep '19)	University of Wolverhampton Medical School	2 / 2
Mary Turner	Dudley CVS and Trust volunteers	4 / 4
Steve Waltho (stood down May '19, reappointed Oct '19)	Dudley Council	1 / 1

Figures show number of meetings attended that were held during the term of office.

The Council of Governors monitors attendance at full council meetings and committee meetings as agreed under the governors' code of conduct. In all instances above where governors have maintained less than the required attendance, the Council of Governors is satisfied that there was reasonable cause for non-attendance.

Full Council of Governor meetings are regularly attended by key clinicians and senior staff from across the Trust providing presentations and question and answer sessions to help governors understand how the organisation works.

Governor Resignations, Elections and Re-appointments

During 2019/20, elections were held for vacancies in the following constituencies:

- **Public:** North Dudley, Halesowen – one vacancy in each
- **Staff:** Medical and Dental. Non-clinical – one vacancy in each, Nursing and Midwifery – 2 vacancies

In accordance with the Trust's Constitution, we use the method of single transferable voting for all elections. This system allows voters to rank candidates in order of preference and, after candidates have either been elected or eliminated, unused votes are transferred according to the voter's next stated preference.

During the year, a total of 10 members put themselves forward as nominees for the six vacancies arising with more than 12 per cent returning votes in contested public elections and 20 per cent turnout in staff elections.

Civica Election Services was appointed to oversee the election process which returned the following governors for a three-year term effective from June 2019:

Public: North Dudley, Nicola Piggott
Public: Halesowen, Hilary Lumsden
Staff: Medical and Dental, Dr Atef Michael
Staff: Nursing and Midwifery, Marlon Amulong

Civica Election Services was appointed to oversee the election process which returned the following governors for a three-year term effective from December 2019:

Staff: Non clinical, Jill Faulkner
Staff: Nursing and Midwifery, no nominations received

Governors reaching end of term of office or resigning during 2019/20

Cllr Colin Elcock, Appointed: Dudley Metropolitan Borough (appointed July 2019, stood down Sept 2019)
Cllr Steve Waltho, Appointed: Dudley Metropolitan Borough (appointed Nov 2018, stood down June 2019 and subsequently reappointed October 2019)
Pat Price, Public elected: Rest of the West Midlands (passed away Feb 2020)
Dr Anthea Gregory, Appointed: University of Wolverhampton (stood down Sept 2019)
Maria Kisiel, Appointed: University of Wolverhampton (appointed Sept 2019)
Dr Richard Gee, Appointed: Dudley CCG (retired Mar 2020)

Council of Governors Review 2019/20

Since authorisation, our Council of Governors has regularly conducted a review of its effectiveness in discharging its statutory and other duties. During quarter four, the council undertook an effectiveness review and will use the results to support an action plan to address those areas highlighted as requiring development. This will focus on, amongst other things, governor training and development, and governance arrangements in respect of the council's responsibility to deliver it statutory duties.

The governor training programme was subjected to a refresh during the year and is constructed on a modular basis with the modules structured to support newly appointed and elected governors and as a refresher for all council members.

These modules were delivered for the newly elected governors from the elections in quarters one and three and as refresher for those returned for a further term of office and new governors. One to one support is in place for all new governors and

buddying is encouraged for those more experienced governors to support newly appointed governors. Annual training on fire safety and infection control is offered across two sessions in the year allowing governors to attend at least one of these sessions. The Council of Governors Experience and Engagement Committee monitors the take-up of induction and “mandatory” training, along with overseeing the content of the training programme utilising feedback from those attending the individual modules. The format of the training will be reviewed using the feedback received from governors as part of the Council of Governors self-assessment effectiveness review 2019/20 which concluded during quarter four.

A series of engagement events supplement the training and enable governors to attend strategy workshops with the board, coupled with presentations from elements of the Trust on their service. The latest series of ‘Meet our Experts’ events have focused on the Corbett and Guest outpatient centres, community services, podiatry, Dudley Rehabilitation Services, children’s services, falls team, ophthalmology, gastroenterology, Community Single Point of Access, end of life and Dudley Improvement Practice. Members of the council regularly participate in review and inspection activities including PLACE and Quality & Safety Review audits.

Council members are also invited to attend Trust board committees and working groups including the Patient Experience Group.

The Trust worked with the Council of Governors to develop an engagement plan for 2020-2022 with the governors’ ‘Out There’ initiative at its core, supporting governors out and about in their respective constituencies. This was submitted to the March 2020 meeting of council for approval and will be monitored by the Experience and Engagement Committee. Owing to the COVID-19 pandemic, face-to-face engagement is on hold until further notice.

Throughout the year, governors have continued to participate in Trust activities that seek to assure and improve standards of quality and patient experience.

Governors have joined senior Trust staff to complete Quality and Safety Reviews conducted across clinical and treatment areas of the Trust. Two governors are members of the Trust’s Patient Experience Group and the Quality and Safety Group, both of which report to the Quality and Safety Committee of the Board of Directors. Governors have also attended the Drugs and Therapeutic Group which reports to the Trust’s Medicines Management Group. Governors are active members of the Clinical Education Charity.

During the year, Governors have continued to participate in the national PLACE audit as patient assessors and participated in several Listening into Action events hosted by the Trust.

Governor engagement with Trust members and local communities

The Trust supports governors in raising public and staff awareness of the work of the Trust and their role within their constituencies. The 'Out There' initiative continues to support governors to undertake their role in finding out what people think about the Trust and feed back their views to the Board of Directors.

During the year, Council of Governor members have actively supported events in and around the Dudley borough with regular attendance at local health economy discussion forums and events including the Dudley Health Care Forum.

During 2019/20, governors continued to reach out into their constituencies and have attended a number of community and support groups such as GP patient panels and participation groups.

Governor fundraising activities

During the year, the Council of Governors established a charity campaign to raise funds for fold-out beds for the children's ward at Russells Hall Hospital. The beds provide parents of sick children a vital place of comfort at the bedside of their child. The initial target was to purchase two beds and governors have undertaken a range of activities including hosting tombola raffles, donations in lieu of Christmas cards and a sponsored mountain climb.

Lead governor

The lead governor role is designed to assist the Council of Governors where it may be considered inappropriate for the chairperson, or her deputy, to deal with a particular matter. The lead governor will also provide an independent link between the Council of Governors and the Board of Directors. Mr Fred Allen has held the role of lead governor for the year 2019/20.

How to contact a governor or director

There are several ways Trust members or members of the public can contact either their governor or a member of the Board of Directors:

- at Council of Governors meetings in public,
- at Board of Directors meetings in public,
- at the Annual Members' Meeting,
- at members events, and

- via the Foundation Trust office on email or by phone.

For dates and times of these meetings and other members' events, please visit the members section on the Trust website at www.dgft.nhs.uk or contact the Foundation Trust office:

Email dgft.foundationmembers@nhs.net
Telephone (01384) 321124
Write Freepost RSEH-CUZB-SJEG, 2nd Floor, South Block, Russells Hall Hospital, Pensnett Road, Dudley, DY1 2HQ

Several governors are also happy to be contacted directly and their details can be obtained using the details above.

NHS Foundation Trust Code of Governance Disclosures

- The Trust's Council of Governors, please see pages 82 to 89.
- The Trust's Board of Directors please see pages 41 to 62.
- Remuneration and nominations committee see page 57.
- Audit committee see page 54.
- The Foundation Trust's Membership see pages 80 to 82.

Governors at the Meet our Experts event at Guest Outpatient Centre.

NHS Oversight framework

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

• New Service Models

• Preventing Ill Health and Reducing Inequalities

• Quality of Care and Outcomes

• Leadership and Workforce

• Finance and Use of Resources.

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

Segmentation

The Trust is subject to Section 31 notices which are more fully described in the Annual Governance Statement along with the measures that the Trust has implemented to address the Care Quality Commission's findings.

The Trust has been assigned a segmentation rating of 3 as at 31st March 2020; segmentation of 3 or 4 would indicate a trust is, or is likely to be in breach of its licence. For more information on how the Trust reviews its governance, risk management and systems of internal control see the Annual Governance Statement at pages 95 to 112.

This segmentation information is the Trust's position as at 31st March 2020. Current segmentation information for NHS trusts and foundation trusts is published on the NHS Improvement website.

Finance and use of resources

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

Area	Metric	2019/20 Scores				2018/19 Scores			
		Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Financial sustainability	Capital service capacity	3	3	4	4	4	4	4	4
	Liquidity	3	3	3	4	3	3	3	3
Financial efficiency	I & E margin	2	2	3	4	3	2	3	4
Financial controls	Distance from financial plan	3	1	1	1	4	2	2	2
	Agency spend	4	4	4	4	4	4	4	3
Overall scoring		**3**	**3**	**3**	**3**	**4**	**3**	**3**	**3**

Statement of the chief executive's responsibilities as the accounting officer of The Dudley Group 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 The Dudley Group 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 The Dudley Group NHS Foundation Trust and of its income and expenditure, other items of comprehensive income and cash flows for the financial year.

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

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

The accounting officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS foundation trust and to enable them to ensure that the accounts comply with

requirements outlined in the above mentioned Act. The Accounting Officer is also responsible for safeguarding the assets of the NHS foundation trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Diane Wake
Chief Executive
Date: 22 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 The Dudley Group NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Dudley Group NHS Foundation Trust for the year ended 31st March 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The chief nurse has responsibility for the oversight of the Trust's risk management policy and processes with the Trust's board secretary being responsible for the Board Assurance Framework. The Board of Directors has an established Risk and Assurance Group, which meets monthly to review corporate and directorate specific risks and associated assurances and mitigation plans. The group oversees the effective operation of the Trust's risk register and provides challenge to the levels of assurance throughout the organisation to ensure the effective management and mitigation of risks.

Additionally, each division of the Trust, through their divisional governance framework, reports to the Risk and Assurance Group on their management of risks at an operational level.

The Trust has a comprehensive induction and training programme, supplemented by e-learning training packages and additional learning opportunities for staff. Collectively, these cover a wide range of governance and risk management topics for both clinical and non-clinical staff in all disciplines and at all levels in the organisation.

Additionally, training is available from the corporate governance team on aspects of the wider risk management and governance agenda.

The risk and control framework

The Board of Directors provides leadership on the management of risks, determining the risk appetite for the organisation and ensuring that the approach to risk management is applied consistently. Through the Board Assurance Framework the board determines the total risk appetite the Trust is prepared to accept in the delivery of its strategic objectives. The board takes its assurance from the Risk and Assurance Group which reports into the Audit Committee and its board committees. This incorporates the controls in place to manage the identified risks to their determined target score and the monitoring of any required actions where the risk exceeds the board's appetite for risk in that area.

The Trust's Risk Management Strategy and Policy provides guidance on the identification and assessment of risk and on the development and implementation of action plans. Risk identification is clinically driven and divisions undertake continuous risk assessments to maintain their risk registers and to implement agreed action plans. Risks are assessed by using a 5x5 risk matrix where the total score is an indicator as to seriousness of the risk. Action plans to address or manage risks are recorded in the risk register and managed at divisional and/or board level. Regular reports to the Risk and Assurance Group confirm the progress made in managing any identified risks.

Each level of management, including the board, reviews the risks and controls for which it is responsible. The board and board committees monitor the progress against actions to minimise or mitigate risks in accordance with the Risk Management Strategy.

Papers received at the Board of Directors meetings and at board committee meetings identify the risks to the achievement of Trust objectives and their link to the risk register. The Trust uses a dedicated monitoring system. This records and monitors all risks across the organisation including the current and targeted mitigated risk scores and progress against the identified action plans where the risk is above its target score. Active risk management forms part of the divisional governance framework with the operational risk registers being a standing item on the Risk and Assurance Group's agenda. Positive assurance to date confirms the effectiveness of the management and control of these identified risks. Action plans are in place to address any perceived gaps in control or assurance that arise during the year.

The Board Assurance Framework identifies the key risks to the achievement of the Trust's objectives and the assurance mechanisms and it reports on the effectiveness of the Trust's system of internal control in those areas.

Each board committee considers the strategic risks that fall within its terms of reference and the reports are triangulated with the Corporate Risk reports considered by the committees. The Board Assurance Framework supports this Annual Governance Statement and is informed by partnership working across the Black County Sustainability and Transformation Plan, and through working with the Dudley Clinical Commissioning Group (CCG), Council of Governors, and other stakeholders. The Board Assurance Framework focuses on those key risks to achievement of the Trust's objectives; below are the significant issues that have been tracked and reported to the board and the degree of risk remaining at the end of the year:

The reporting framework requires risks to be identified, on both board and committee front summary sheets that accompany all reports submitted, providing an ongoing record of emerging issues which allow the link back to the Board Assurance Framework.

The Trust faced the following major risks during the course of the year which includes clinical and longer term risks:

- The quality of services in relation to urgent and emergency care and diagnostic imaging resulting in the issue of Section 31 notices by the CQC in respect of urgent and emergency care;
- Failure to meet access standards caused by demand exceeding hospital capacity;
- Operational performance standards in relation to the four hour emergency care standard, the 62 day cancer standard, and the one per cent diagnostic standard; and,
- Financial viability caused by potential changes in the local health economy.

The Trust has submitted Improvement Plans to the regulator in relation to operational performance and the service quality issues arising from the CQC inspection and, as a result of breaches of its licensing conditions, has entered into enforcement undertakings in relation to the delivery of these plans.

The Trust adopts a robust approach to data quality and governance with more information available on page 107.

The Trust is practising good data security against the National Data Guardians' 10 data security standards and both the Trust and Terafirma complete annual DSP Toolkits to provide assurance. Board assurance is provided by the Caldicott and Information Governance Group (CIGG), the data protection officer (DPO), senior

information risk owner (SIRO),chief information officer (CIO) and Caldicott Guardian are core members of this group.

The Trust also has well established arrangements to monitor quality governance and improvements in quality. These include the use of performance dashboards, a clinical and nursing audit programme, the review and monitoring of Nursing Care Indicators and the robust monitoring against local and national targets for quality measures including healthcare associated infections (HCAI), pressure ulcers and falls; all of these linking to the Trust's own Quality Priorities.

The Trust has further developed its integrated performance report during 2019/20 and is increasingly adopting Statistical Process Control (SPC) reporting which informs the effectiveness of our business improvement processes. A consistent base set of data is used to report to each of the board committees – Workforce & Staff Engagement, Finance and Performance, and Quality and Safety Committee, as well as operationally to the divisions and the executive. Quality dashboards are also provided for each ward giving visual feedback on quality metric delivery for staff and patients.

Nursing Care Indicator audits, along with the use of the 'perfect ward' auditing tool as a methodology, measure the quality of care given to patients and the monthly audits of key nursing interventions and associated documentation, are published, monitored and reported to the Board of Directors by the chief nurse. This is supported by on-going real-time surveys, capturing the views of patients and using these to make improvements. An increased number of listening events support the improvement cycle. The Trust continues to monitor the hospital standardised mortality ratio (SHMI) to monitor its performance compared with national levels.

Regular reports on the progress against key Quality Priorities provide assurance that these are actively managed and progressed at an operational level. Internal audit involves external stakeholder partners and provides an independent opinion on the adequacy of the arrangements for ensuring compliance with the Care Quality Commission Regulatory Standards.

Information risks are managed and controlled through the Trust's established risk management processes.

The Trust has a Caldicott and Information Governance Group (CIGG), which reports to the Audit Committee, whose remit is to review and monitor all risks and incidents relating to data security and governance. The Trust's Caldicott Guardian, SIRO (director of finance and information) and information governance manager are members of the CIGG.

The Trust is registered with the Information Commissioner's Office registration number Z8909702.

The Trust is working to the Data Security and Protection Toolkit which is an online self-assessment tool that allows organisations to measure their performance against the National Data Guardian's 10 data security standards.

All organisations that have access to NHS patient data and systems must use this Toolkit to provide assurance that they are practicing good data security and that personal information is handled correctly. There are 40 Assertions (32 of which are mandatory and eight non-mandatory) within the Data Security and Protection Toolkit requiring 100 mandatory pieces of evidence. The Trust has one remaining action to achieve the "Standards met" designation, namely:

> Percentage of Staff Successfully Completing the Level 1 Data Security Awareness training.

All committees of the board are chaired by non-executive directors. The board has established seven committees each with clear terms of reference which are reviewed annually to ensure they remain appropriate to support the board. The board reviewed the effectiveness of its first line governance arrangements in December 2019 and resolved to introduce an additional committee to address digital and technology issues, reflecting the significance of this agenda to the future success of the Trust.

Each committee chair provides a formal summary of key issues arising from the committee to the full Board of Directors meeting. This summary report provides information on the assurance received at the committee which supports the Trust's assurance framework and performance reporting ultimately received by the board.

The Trust informs and engages with its key stakeholders in relation to risk through a number of forums. This includes regular review meetings with the Trust's regulators and Commissioners and the sharing of performance reports including key and emerging risks with the Trust's Council of Governors. Key stakeholders include local and national politicians, Dudley Clinical Commissioning Group (CCG), our PFI partner Summit Healthcare (Dudley) Ltd, the Council of Governors, the Foundation Trust (FT) members, patient groups, patients, the local community and the Local Authority Select Committee on Health and Adult Social Care.

During 2019/20, the work of the internal auditors and the board review of the Assurance Framework and supporting governance processes had identified some gaps in control which resulted in specific action plans being drawn up with their progress reported to, and monitored by, the Audit Committee.

Whilst not significant issues in themselves, internal audit identified gaps in some specific control areas in the following areas:

- Discharge management
- Radiology
- Sickness absence
- Cost Improvement Programmes

Management have implemented an action plan to address each of the control areas. Implementation of the discharge management recommendations is being overseen by the Finance and Performance Committee and Internal Audit will review implementation of the recommendations in respect of radiology and sickness absence in the 2020/21 Audit Plan.

None of the gaps had impacted on the final delivery of the Trust's stated objectives.

The head of internal audit opinion includes an assessment of the Trust's Risk Management processes and control framework.

The Audit Committee

Greater detail on the role of the Audit Committee is set out elsewhere in the Annual Report however the Audit Committee, comprised of non-executive directors, is established to provide assurance to the Board that there is an effective system of integrated governance, risk management and internal control across the whole of the Trust's activities (both clinical and non-clinical), that supports the achievement of the Trust's objectives and that this system is established and maintained.

After each of its meetings during the year, the Audit Committee provides a written report to the Trust board that details the matters discussed, key issues identified and any items requiring referral to Trust board.

Further, as part of discharging its main functions, the Audit Committee prepares an annual report for the Trust board and the chief executive as accounting officer of the Trust and expresses its considered opinion on key aspects of governance based upon the evidence and assurances it has received.

Workforce safeguards

The Trust has introduced the Dudley People Plan which is aligned to the overall Trust Strategy, including key workforce development, transformation and well-being initiatives.
The Plan has five key areas;

- A Workforce for Now and in the Future
- A Caring, Kind and Compassionate Place
- Equality, Fairness and Inclusion
- Improvement and Development Culture
- Using technology to innovate

The implementation of the plan is overseen by the Workforce and Staff Engagement Committee.

The main areas of workforce performance including absence rates, vacancy rates, retention, agency spend, appraisal and mandatory training compliance is reported within the specific Workforce Key Performance Indicator Report to the committee as well as being part of the Trust Integrated Performance Report that is provided monthly to the Board of Directors.

The Trust collates and reviews data every month for a range of workforce metrics, quality and outcomes indicators and productivity measures, this enables the Trust to undertake safe workforce planning. For example, a nursing staffing skill mix review was undertaken in spring 2019 which informed the nursing staffing establishment. The chief nurse report to the Board of Directors on a monthly basis contains information on safe staffing.

The Trust has published on its website an up-to-date register of interests**,** including gifts and hospitality, for decision-making staff (as defined by the Trust with reference to the guidance) within the past 12 months as required by the *Managing Conflicts of Interest in the NHS* guidance.

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

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

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

Further information on staff matters is available in the staff section of the Annual Report.

Failure to remain financially sustainable in 2019/20 and beyond

The Board recognises the level of risk within its financial plan particularly in respect of the underlying financial position. Nevertheless, the Trust has delivered against its control total target for 2019/20, securing a financial surplus taking into account receipts from the Provider Sustainability Fund, and has a much stronger working capital position heading into 2020/21. The Trust and all NHS organisations are entering an uncertain financial period as it addresses the impact of the COVID-19 pandemic.

Commitments have been made by central government and mechanisms are being created by NHS Improvement/England to ensure all resource requirements are addressed. The Trust continues to support medium term planning objectives to secure a recurrently financial balanced position. Oversight continues to be provided by the board and the Finance and Performance Committee.

The proposal to establish a Multi-Specialty Community Provider in the Black Country also has potential implications for the future financial sustainability of the Trust. The board has carried out a detailed risk assessment. This proposal is currently paused.

Never Events

The Trust experienced four never events in 2019/20, each was reported and is being investigated through the Trust's incident reporting systems. The Trust made immediate changes to practice on the identification of these incidents and upon the conclusion of investigations will make further enhancements to the system of internal control operated by the clinical area. The learning from these incidents will be shared widely within the Trust.

Our Commissioners are being fully informed during our investigation process.

Sustainable development management plan

Working with its PFI provider, the Trust has undertaken risk assessments and has a sustainable development management plan in place which takes account of UK Climate Projections 2018 (UKCP18). The Trust ensures that its obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with. You can read more about the work we do to provide our services in a sustainable way on pages 76 to 78.

Care Quality Commission

Following a CQC inspection in January and February 2019, the Trust was rated by the CQC overall as "Requires Improvement." However, urgent and emergency care

was rated as “inadequate” in the safe domain but overall Requires Improvement. Diagnostic imaging was additionally rated as “inadequate” at service level, and also on both the safe and well led domains. The Trust was rated “Requires Improvement” in the Well Led inspection. Although the inspections were carried out in the previous year, the inspection reports were published during the current year. In addition, the CQC issued a Section 31 letter in July 2019 concerning triage performance, escalation and management of patients with sepsis or a deteriorating medical condition, and the number of registered nurses available at all times within the Emergency Department. Section 31 notices for clinical review in the Emergency Department were lifted in August 2019.

The Trust has implemented a number of measures in response to these findings including the introduction of digital dashboards to monitor performance and periodic audits of practice. The Trust sepsis data demonstrates that the Trust is now performing at target and in excess of the national average. Nurse staffing has been reviewed by the chief nurse and safe staffing is reported to the Board of Directors as part of the chief nurse monthly report.

In order to support the Board’s continued review of the Trust’s compliance with the CQC requirements, management has continued with their regular internal quality and safety reviews. These involve a multi-disciplinary team, including members of our Council of Governors and representatives of the Dudley CCG Quality Team, visiting clinical areas on an unannounced basis to observe clinical practices, question staff on their knowledge and compliance with Trust polices and to secure immediate patient feedback on their experiences.

The outcome of these reviews is reported back to the clinical area on the same day allowing them to continue with identified good practice and make any enhancements swiftly.

The outcomes of these reviews are shared across the Trust to allow good practice to be shared, enabling each area to learn from each other which is further assisted by having within the multi-disciplinary team, peer matrons and clinicians from other wards.

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

The Trust produces detailed Annual Plans incorporating both service and quality initiatives reflecting service, operational requirements and financial targets in respect of income and expenditure and capital investments. These include the Trust’s plan for improving productivity and efficiency in order to minimise income losses, meet the national efficiency targets applied to all NHS providers and fund local investment proposals. The Annual Plan incorporates projections for the next two years which facilitates forward planning in the Trust. Prior to submission to NHS Improvement,

financial plans are approved by the Board of Directors, supported by the Finance and Performance Committee.

The in-year resource utilisation is monitored by the board and its committees via a series of detailed reports covering finance, activity, capacity, human resource management and risk. Clinical risk assessments are conducted on individual savings proposals that may impact on the provision or delivery of clinical services. The Trust has continued to face a financially challenging year in 2019/20 and recognises that this will continue into 2020/21. The Trust continues with its Transformation Programme to ensure that it remains financially sustainable going forward and underpins the Trust's longer term financial strategy.

Performance review meetings assess each division's performance across a full range of financial and quality matrices which, in turn, forms the basis of the monthly integrated performance report to the Finance and Performance Committee. Monthly reports are submitted to NHS Improvement from which the Trust's risk rating is calculated and a relevant NHS Improvement Single Oversight Framework segmentation is assigned. The Trust has been assigned a segmentation rating of 3, as at 31st March 2020; segmentation of 3 or 4 would indicate a Trust is in actual or suspected breach of its Licence.

The key processes embedded within the Trust to ensure that resources are used economically, efficiently and effectively, centre around a robust budget setting and control system which includes activity related budgets and periodic reviews during the year which are considered by executive directors and the Board of Directors. The budgetary control system is complemented by Standing Financial Instructions, a Scheme of Delegation and Financial Approval Limits. This process enables regular review of financial performance by highlighting areas of concern via variance analysis. The Finance and Performance Committee also receive a monthly report showing the Trust's performance against CQUIN, NHS Improvement and CQC targets. The external auditors also give comment upon this aspect of the Trust business.

As Accounting Officer, I have overall accountability for delivery of the Annual Plan and I am supported by the executive directors with delegated accountability and responsibility for delivery of specific targets and performance objectives. These are formally reviewed and monitored monthly by the Board of Directors and its committees. Independent assurance on the use of resources is provided through the Trust's internal audit programme, Audit Committee and external agencies such as NHS Improvement, External Audit and the CQC.

Information governance

The General Data Protection Regulation (GDPR), as implemented by the UK Data Protection Act 2018, came into UK Law on 25th May 2018. It introduced a duty on all organisations to report certain types of personal data breach to the relevant supervisory authority. The Security of Network and Information Systems Directive ("NIS Directive") also requires reporting of relevant incidents to the Department of Health and Social Care (DHSC) as the competent authority from 10th May 2018.

An organisation must notify a qualifying breach of personal data within 72 hours. If the breach is likely to result in a high risk to the rights and freedoms of individuals, organisations must also inform those individuals without undue delay. Those breaches that also fulfil the criteria of a NIS notifiable incident will be forwarded to the DHSC where the Secretary of State is the competent authority for the implementation of the NIS directive in the health and social care sector. The Information Commissioner remains the national regulatory authority for the NIS directive.

The Trust has self-reported to the Information Commissioner on four occasions during 2019/20. No regulatory action was taken against the Trust in relation to these cases.

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*

During early April, new guidance was issued in light of the COVID-19 pandemic. This advised that there is no requirement for a foundation trust to prepare a quality report and include it in its annual report for 2019/20. There is no requirement for a foundation trust to commission external assurance on its quality report for 2019/20.

The Board of Directors agreed that the 2019/20 Quality Account will be prepared and issued as a separate document and confirm that they have taken the following measures to ensure the Quality Report presents a balanced view and has appropriate controls to ensure the accuracy of data.

Governance and leadership

The executive and non-executive directors have a collective responsibility as a board to ensure that the governance arrangements supporting the Quality Accounts and

Report provide adequate and appropriate information and assurances relating to the Trust's quality objectives. Board sponsors are nominated for all Quality Priorities providing visible board leadership of specific quality initiatives.

Whilst the chief executive has overall responsibility for the quality of care provided to patients, the implementation and co-ordination of the quality framework is delegated to both the chief nurse and medical director. They have joint responsibility for reporting to the Board of Directors on the development and progress of the quality framework, clinical framework and clinical management and for ensuring that the Quality Improvement Strategy is implemented and evaluated effectively.

Policies

High quality organisational documentation are essential tools of effective governance which will support the Trust achieve its strategic objectives, operational requirements and bring consistency to day-to-day practice. A common format and approved structure for such documents helps reinforce corporate identity, helps to ensure that policies and procedures in use are current and reflects an organisational approach. A standard approach ensures that agreed practice is followed throughout the organisation. With regard to the development of approved documentation, all procedural documents are accessible to all relevant staff supporting the delivery of safe and effective patient care.

Development and reporting of quality indicators and the quality account

The systems and processes which support the development of the Quality Accounts focus on engagement activities with public, patients and staff and utilising the many media/data capture opportunities available.

The topics were agreed by the Board of Directors and the Council of Governors on the basis of their importance both from a local perspective (e.g. based on complaints, results of the monitoring of Quality Indicators) and a national perspective (e.g. reports from national bodies: NHSI, CQC findings etc.).

The Trust reviews its Quality Priorities annually engaging with governors, staff, members of the public and partner organisations. This year has seen the Trust continue with the priorities from the previous year which include patient experience, nutrition/hydration, pressure ulcers, medications and infection control. External reviewers assess many parts of the systems and processes in place and appropriate improvements are made from recommendations made.

People and skills

In addition to the leadership provided by the Board of Directors, Clinical Divisional Management Teams (led by clinical directors and coordinated by general managers) are accountable for, and ensure that a quality service is provided within their respective divisions and areas of authority. They are required to implement the Quality Improvement Strategy, providing safe, effective and personal care and ensure that patients have a positive experience and are treated with courtesy, respect and kindness.

Training opportunities are available for clinical and non-clinical staff and competency is monitored as part of the Trust's appraisal system. The Board of Directors ensures that quality improvement is central to all activities. This is achieved by routine monitoring, participation in national improvement campaigns, celebrating success with our staff awards and proactively seeking patient views on our services.

Data quality and governance

Data Quality (DQ) Assurance over the various elements of quality, finance and performance is of key importance to management and the board. Reviews of the Trust's system of internal control in respect of data quality are undertaken in each year through the approved internal audit work plan. A kite-marking data quality assurance policy has been introduced and is being rolled out as new reporting is developed.

The Trust has robustly utilised existing data collection and reporting arrangements to monitor progress against the Quality Priorities and identify trends. Good quality information underpins the effective delivery of patient care and is essential if improvements in quality of care are to be made.

Internal Audit specifically devotes an element of their annual work plan to providing assurance over the Trust's DQ processes. There is a rolling programme of areas for review ensuring that over time the Trust's DQ systems are subject to review.

The Trust has a data quality reporting and governance structure utilising a Data Quality and Standards Group which reports through the Caldicott and Information Governance Group. A part of this groups work is to monitor the DQ of the Commissioning Data Set (CDS) submissions to the NHS Digital Secondary Uses Service (SUS) and monitors the quality against SUS DQ reports and the NHS Digital Data Quality Maturity Index (DQMI), and this is also reviewed with the CCG.

The Trust has a comprehensive set of in-house Referral to Treatment Times (RTT) monitoring reports that are used both within the organisation to manage the RTT waits, in conjunction with information held on the Trust's OASIS Patient Administration System (PAS), and for the external reporting of performance.

The Health Informatics Team have worked closely with the divisions to generate reports that match the patient pathways, primarily using data sourced from the Trust's PAS. Internal management audits of the RTT pathways are done on an ad-hoc basis by both operational and information staff periodically throughout the year. There is significant and constant validation of the data by both the RTT team and the Health Informatics Team and any identified issues are acted upon.

The Trust's IT Department (Terafirma) is ISO27001 accredited, holds Cyber Essentials (CE) certification and has achieved 100% compliance with regards to the NHSD Data Security Protection (DSP) Toolkit and Data Guardian Standards. Our approach to delivering data security is defined in the Trust Board approved Cyber Security Strategy which identifies the key data security and protection risks including but not limited to; supply chain compromise (SCC), business email compromise (BEC) and the Internet of Things (IoT).

The Trust has implemented sophisticated controls including data leak protection (DLP), advanced threat protection (ATP), geo- referencing and secure domain firewalling to address key data security risks. The recent implementation of a market leading, cyber secure asset management solution will further enhance and evidence the robust controls already in place. In the ever evolving technology and cyber workspace, the trust continues to provide assurances and delivery plans to further enhance our controls, aligning to the Network and Security Systems (NIS) Directive.

The Trust assures the quality and accuracy of elective waiting time data via a number of quality management processes. Quality assurance is governed by standard operating procedures (SOPs), staff training and peer support at the operational team level for those entering data and managing waiting lists. Monitoring reports are populated directly from the administrative system, which is used throughout referral to treat (RTT) pathway management. Data in this system represents the 'near-time' operational position for actively managing waiting lists, sending appointments and identifying care episode outcomes.

To assure accuracy of the waiting time position operational teams in directorates supported by the health informatics team undertake internal management audits within specific pathways. The RTT team supported by health informatics then undertake a validation process of the output data on a continual rolling basis to provide a quality control. When active validation controls identify anomalies the route cause is established and addressed through corrective action. Finally, the Trust Data Quality and Standards Group (in temporary hiatus during Covid-19 in accordance with central advice) reviews data quality issues and recommends preventative action, process change approaches to further assure quality and accuracy. The Trust performs above the national median and in the upper quartile on the model hospital data quality index.

Key risks to the quality and accuracy of elective waiting time data centre around the human input and the manual validation processes. A key element of this risk is the reliance on resource to provide report assurance. The consequence of inaccurate waiting time management is potential for patient harm. Whilst the current quality management system provides positive assurance, the Chief Information Officer's office is working proactively to provide further risk controls through process review and corrective and preventative action plans. The Trust's data Kite-Mark policy will be applied to these data-sets to indicate throughout the process the reliability of report data in terms of quality and accuracy to better support operational teams that manage waiting list demand. Work is also underway to remove process steps in recording care episode outcomes, so that data is retained within electronic systems.

The Audit Committee has overseen the Clinical Audit Forward Plan for 2019/20. The plan was developed with regard to the requirements of the National Clinical Audit Patient Outcomes Programme (NCAPOP). The Committee has satisfied itself through periodic monitoring that performance against the plan in relation to each of the Medicine, Surgery and Clinical Support functions of the Trust is satisfactory.

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 performance information available to me. My review is also informed by comments made by the external auditors in their ISA 260 report 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, risk and governance committee and quality and safety committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board Assurance Framework and the Trust's risk management arrangements provide me with evidence that the controls to manage the risks to the Trust achieving its principal objectives have been reviewed and are effective. My review is also informed by the work of external and independent assessors and advisors including the Care Quality Commission.

During 2019/20, the work of the internal auditors and the board's review of the Board Assurance Framework and supporting risk management and governance processes, had identified some internal control weaknesses and perceived gaps in control which

have been reported as part of the Trust's routine and ongoing monitoring arrangements.

Specifically, whilst not significant issues in themselves, Internal Audit identified some internal control weaknesses in regard to audits in the areas of:

- Discharge Management
- Radiology
- Sickness Absence
- Business Intelligence
- CQC Progress Review
- Rostering

Management have implemented action plans in respect of each of these areas and progress on the implementation of the recommendations of Internal Audit is being overseen by the Audit Committee. Some planned completion dates have been impacted by the need to divert resources to the management of the COVID-19 pandemic and this has required and extension to these dates, which has also been scrutinised and approved by the Committee.

The Trust complies with the NHS Foundation Trust Code of Governance with the aim to deliver effective corporate governance, contribute to better organisational performance and ultimately discharge our duties in the best interests of patients.

Counter Fraud provisions are in place in line with the NHS Counter Fraud Authority (NHSCFA) Standards. The Trust complies with its responsibilities to fully implement Code of Conduct that includes reference to fraud, bribery and corruption and the requirements of the Bribery Act 2010. The effectiveness of the implementation of the process and staff awareness of the requirements of the Code is regularly tested.

The Head of Internal Audit opinion stated that the Trust has an "adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective. However none of the identified weaknesses were deemed to be significant in terms of the overall systems of internal control of the Trust.

EU Exit

The UK left the EU on the 31st January 2020 and is currently in an 11 month transition period whereby both the EU and UK must agree a trade deal this timeline ends on the 31st December 2020.

If no trade deal is agreed the UK will effectively leave the EU trade market and be faced with similar risks to those seen during the initial phase of planning to 'no deal'

EU Exit. The Trust has assessed its activities against these risks and a risk assessment, at a corporate level, has remained open since this initial period. Under guidance from DHSC and HM Government the NHS ceased official planning to 'no deal' EU exit at the end of 2019. However these documents will be assessed in the coming months if a threat is identified and communicated to the Trust by the lead government departments.

This will also be considered in line with the ongoing Level 4 response to the COVID-19 Pandemic, and therefore Trust assessments and processes may require alteration in line with any co-dependencies from these risks. The board is currently not being actively updated on EU Exit developments due to the reduced risk and absence of activity from HM Government departments.

COVID -19

On the 16th March 2020, the Government announced additional measures to seek to reduce the spread of coronavirus across the country. The NHS declared a level 4 National Incident and issued directions to all acute trusts to postpone all non-urgent elective operations in order to free up staff and beds for COVID patients, and theatres/recovery facilities for adaptation work. Emergency admissions, cancer treatment and other clinically urgent care services continued to be provided.

The Trust took the following actions in response to the pandemic:

Outpatients
All outpatient activity in all specialties was moved to virtual, and existing patients waiting to be seen were triaged via phone. Virtual consultations determined whether a physical examination was required.

Diagnostics
Diagnostics resource was diverted to support inpatient work, all urgent work and supporting cancer.

Cancer
All pathways for cancer were continued as far as possible in light of diagnostic and treatment constraints under COVID-19. Face-to-face clinics were stopped where possible and virtual clinics were established
The Corbett and Ramsay Hospitals were used to deliver some cancer services, including surgery for plastics, urology and breast.

Elective Procedures
All elective work was cancelled except emergency surgery.

Infection Control
The Trust put in place, as far as possible, a system to segregate all patients with respiratory problems (including presumed COVID-19 patients) at our front door within our inpatient wards and critical care. Segregation was based on those with respiratory illness and other cases.

Restoration and Recovery
At the time of writing, we have entered the second phase in the NHS's response which is to restore services in line with national requirements, and all specialties which were scaled down are now being restored.

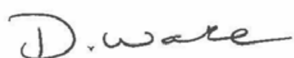
The restoration of services will follow a three stage approach:
Priority 1: Urgent & cancer patients
Priority 2: Long waiting patients
Priority 3: Routine patients

Conclusion

My review of the effectiveness of the risk management and internal control has confirmed that:

- The Trust has a generally sound system of internal control designed to meet the organisation's objectives and that controls are generally being applied consistently.
- Based on the work undertaken by a range of assurance providers, there were no significant control issues identified during 2019/20.
- I 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.
- We prepare the financial statements on a 'going concern' basis.
- Where improvements have been recommended, especially those made by the CQC within their section 31 notices; we have acted on them and tracked their implementation at both management and Board / Committee level.

I therefore, believe that the Annual Governance Statement is a balanced reflection of the actual control position in place within the year.



Diane Wake
Chief Executive
Date: 22 June 2020

Statement of directors' responsibilities in respect of the accounts

The directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the Trust and of the income and expenditure, recognised gains and losses and cash flows for the year. In preparing those accounts, directors are required to:

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury,
- make judgements and estimates which are reasonable and prudent, and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose the position of the Trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm to the best of their knowledge and belief they have complied with the above requirements in preparing the accounts.

By order of the board

Signed
Diane Wake
Chief executive
22 June 2020

Signed
Tom Jackson
Director of finance
22 June 2020

Independent Auditors' Report to the Council of Governors of The Dudley Group NHS Foundation Trust

Report on the audit of the financial statements

Opinion

In our opinion, The Dudley Group NHS Foundation Trust's Group and Foundation Trust financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and Trust's affairs as at 31 March 2020 and of the Group's and Trust's income and expenditure and the Group's and Trust's cash flows for the year then ended; and
- have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2019/20.

We have audited the financial statements, included within the Annual Report & Accounts (the "Annual Report"), which comprise: the Consolidated and Foundation Trust Statements of Comprehensive Income For the Year Ended 31 March 2020; the Consolidated and Foundation Trust Statements of Financial Position as at 31 March 2020; the Consolidated and Foundation Trust Statements of Changes in Taxpayers' and Others' Equity for the Year Ended 31 March 2020; the Consolidated and Foundation Trust Statements of Cash Flows for the Year Ended 31 March 2020 and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the National Health Service Act 2006, the Code of Audit Practice and relevant guidance issued by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice"), International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and the Trust's ability to continue as a going concern.

The Group and Trust recorded a surplus for 2019/20 but have an underlying deficit. The current financial plan for 2020/21 is based on a number of assumptions and there is significant uncertainty in the plan as a result of the COVID-19 pandemic and its impact on the Group and Trust. The Group and Trust recognise that the underlying deficit, combined with the assumptions made relating to likely levels of income and their ability to deliver against their Cost Improvement Programme and Agency Expenditure Ceiling, creates uncertainty over their future funding needs. The Group and Trust have assumed financial support will be received from the Department of Health and Social Care during the course of 2020/21 in order to meet ongoing liabilities where required and to continue to provide healthcare services. The extent and nature of the financial support from the Department of Health and Social Care, including whether such support will be forthcoming or sufficient, is currently uncertain, as are any terms and conditions associated with the funding.

These conditions, along with the other matters explained in note 1 (accounting policies) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Trust's ability to continue as a going concern. However, the assurance provided by the immediate continuing provision of healthcare services and improved access to funding through changes in the NHS financing regime significantly mitigates this. The financial statements do not include the adjustments that would result if the Group or the Trust were unable to continue as a going concern.

Explanation of material uncertainty

The Department of Health and Social Care Group Accounting Manual 2019/20 requires that the financial statements of the Trust should be prepared on a going concern basis unless management either intends to apply to the Secretary of State for the dissolution of the NHS foundation trust without the transfer of the services to another entity, or has no realistic alternative but to do so.

The Group, not including the Dudley Group NHS Foundation Trust Charity, recorded a surplus in 2019/20 of £3.521 million. The Trust has an underlying deficit and submitted a draft financial plan for 2020/21 to NHS Improvement which, if the current gaps were not addressed, would not meet the agreed financial improvement trajectory of a £1.7 million deficit. The 2020/21 draft financial plan submitted to NHS Improvement contains a deficit of £6.4 million and includes assumptions that the Trust will deliver £10 million of financial savings; that a 3.8% (£7 million) growth in income from Dudley CCG will be received; and that additional funding of £8.3 million will be received for providing emergency care services. The Trust's cash flow forecasts indicate that, should the assumptions not be achieved, the Trust will be reliant on external cash support from the Department of Health and Social Care within the 2020/21 financial year.

What audit work we performed

In considering the financial performance of the Group and the Trust and the appropriateness of the going concern assumption in the preparation of the financial statements, we obtained the 2020/21 annual plan and going concern paper and the Group's and Trust's financial plans and cash flows to March 2021. We also:

- Understood the Group's and Trust's budget produced before the impact of COVID-19 and the most recent position for 2020/21;
- Read and challenged the key assumptions underlying the financial plan, focussing on income from Dudley CCG and the cost improvement programme.
- Considered the potential impact of the planned Dudley Multispecialty Community Provider proposals;
- Looked at the Trust's actual financial performance in April 2020 compared with the forecast position; and
- Understood the cash flow forecast and the potential impact of changes to key assumptions on the Group's and Trust's ability to meets its liabilities as they fall due.

Our audit approach

Context

The Trust is the main provider of acute emergency and scheduled healthcare in Dudley, operating from three sites, the main site at Russells Hall Hospital, the Corbett Outpatient Centre and the Guest Outpatient Centre. It also provides community services in Dudley from a number of different locations. It is funded predominantly by local Clinical Commissioning Groups ("CCGs") and NHS England.

NHS Improvement has placed the Trust in Segment 3 of its Single Oversight Framework as at 31 March 2020. NHS Improvement's Single Oversight Framework is the framework for overseeing providers and identifying potential support needs. Segment 3 is described by NHS Improvement as 'Providers receiving mandated support for significant concerns'.

Our audit for the year ended 31 March 2020 was planned and executed having regard to the fact that the Group's and Trust's operations were largely unchanged in nature from the previous year. The Trust's financial stability remained a key area of focus. The Trust's operations were also affected as a result of the COVID-19 pandemic. In light of this, our approach to the audit, in terms of scoping and key audit matters, was largely unchanged apart from the COVID-19 key audit matter that was new this year.

Only the Foundation Trust is a material component which is within the scope of our Group audit. We have not undertaken a statutory audit of either Dudley Clinical Services Limited or The Dudley Group NHS Foundation Trust Charity.

Our audit also involved forming a conclusion on the arrangements for securing economy, efficiency and effectiveness in the use of resources (the "3 Es"), in accordance with the Code of Audit Practice.

Overview

- Overall Group materiality: £7,783,900 (2019: £7,465,500) which represents 2% of forecast total revenue for the 2019/20 financial year as at January 2020 (£389,195,000).

- The consolidated financial statements comprise the parent, The Dudley Group NHS Foundation Trust, and its subsidiaries (The Dudley Group NHS Foundation Trust Charity and Dudley Clinical Services Limited).
- All work was performed by a single audit team who assessed the risks of material misstatement, taking into account the nature, likelihood and potential magnitude of an misstatement and determined the extent of testing we needed to perform over each balance in the financial statements.
- During our audit we visited Russells Hall Hospital and performed the majority our audit of the financial information remotely as COVID-19 affected working arrangements for staff

- Going concern.
- Fraud in revenue and expenditure recognition.
- Valuation of the Group's Property, Plant and Equipment.
- COVID-19.
- Multispecialty Community Provider proposals.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and the conclusion on the arrangements for securing economy, efficiency, and effectiveness in the use of resources, and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the 'Material uncertainty relating to going concern' section above, and the matters described in the 'Arrangements for securing economy, efficiency and effectiveness in the use of resources' section below, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*

Management override of control and fraud in revenue and expenditure recognition – Group and Trust

See note 1 to the financial statements for the Group's disclosures of the related accounting policies, judgements and estimates relating to the recognition of revenue and expenditure, and notes 2 to 5 for further information.

Under ISAs (UK) 240 there is a (rebuttable) presumption that there are risks of fraud in revenue recognition. We extend this presumption to the recognition of expenditure in the NHS in general.

The main source of revenue for the Trust is from contracts with commissioning bodies in respect to healthcare services, under which revenue is recognised when, and to the extent that, healthcare services are provided to patients. This is contracted through a Service Level Agreement ('SLA').

We focussed on this area because there is a heightened risk due to:

- The risks surrounding the financial sustainability of the Group and Trust, as described in the section 'Material uncertainty relating to going concern'; and
- Due to the wider financial challenge in the NHS, the pressure The Dudley Group NHS Foundation Trust is under to achieve its forecast 2019/20 deficit set out in its plan submitted to NHS Improvement and gain access to the available Provider Sustainability Funding; and therefore the incentive to recognise income for services which have not been delivered during the financial year, and to omit to recognise expenditure in 2019/20, to improve the reported financial position.

We considered revenue recognition to be a risk, in particular revenue streams from the Clinical Commissioning Groups ("CCGs") and NHS England, which comprise £313 million and £60 million of the Trust's income respectively. An adjustment is negotiated with the CCGs to reflect actual levels of activity at the end of the financial year. The value of the adjustment is subject to management judgement and negotiation with commissioners. The Trust can also earn Commissioning for Quality and Innovation (CQUIN) revenue as a percentage of the contract value for demonstrating improvements in quality and innovation in specified areas of patient care.

We considered the key areas to be:

- recognition of revenue and expenditure;
- recognition of revenue in accordance with IFRS 15; and
- manipulation of journal postings to the general ledgers.

We evaluated and tested the accounting policy for revenue and expenditure recognition to ensure that it is consistent with the requirements of the Department of Health and Social Care Group Accounting Manual 2019/20 and IfRS 15. We noted no issues in this respect.

For a sample of transactions recognised during the year and around the year-end (both before and after), we confirmed that income and expenditure had been recognised in line with the Trust's accounting policies and in the correct accounting period by agreeing transactions to the supporting invoice and cash receipts/payments where appropriate.

For a sample of CCG income, we obtained the signed contract and agreed its value to the income recognised during the year. For a sample of income from over and under performance against the contract we agreed the income to supporting evidence. This included inspecting information from the year-end intra-NHS balance agreement process to identify any significant differences between the income and accounts receivable reported between the Trust and other NHS organisations.

We performed testing to identify whether there were any unrecorded liabilities. We:

- tested a sample of payments made and invoices recognised after 31 March 2020 to supporting documentation, to check that, where they related to the 2019/20 financial year, an accrual was recognised appropriately; and
- compared accrued expenses recognised as at 31 March 2020 with that recognised in the prior year to identify material differences in the accruals recognised year on year.

We also inspected the information from the year-end intra NHS balance agreement process to identify any significant differences between the expenditure and accounts payable reported with NHS organisations.

We obtained an understanding of the movement for each category of expenditure provision and performed testing by agreeing a sample to supporting evidence, confirming the accuracy of the provision calculation and that the Trust had a constructive obligation at 31 March 2020. No material issues were identified from the work performed.

We tested the holiday pay accrual back to the supporting evidence available and obtained the information that had been used to form the estimate in order to substantiate the accrual. To assess the completeness of accruals, we considered current year accruals versus prior year accruals to determine if any balances had been omitted.

No material issues were identified from the work performed on revenue and expenditure transactions and we did not identify any transactions that were indicative of fraud in the recognition of revenue or expenditure.

Journals

Our journals work was carried out using a risk based approach across the general ledger used by the Trust. We used data analysis techniques to identify the journals that had higher risk characteristics.

We focused our testing on a sample of journal transactions that had been recognised in both income and expenditure. We agreed the journal entries to supporting documentation. Our testing found that they were supported by appropriate documentation and that the income and expenditure was recognised in the appropriate accounting period for the correct value.

Key audit matter	How our audit addressed the key audit matter
Valuation of Property, Plant and Equipment– Group and Trust See note 1 to the financial statements for the Group's and Trust's disclosures of the related accounting policies, judgements, estimates, and use of experts relating to the valuation of the Group's and Trust's land and buildings, and note 13 for further information. The Trust is required to regularly revalue its assets in line with the Department of Health and Social Care Group Accounting Manual 2019/20. We have focused on this area due to the material nature of this balance, and the consequential impact on the financial statements were it to be materially misstated. As at the year-end 31 March 2020, the Group's property, plant and equipment are valued at £176 million (2019: £181 million). All property, plant and equipment is measured initially at cost, with land and buildings subsequently measured at fair value. In 2018/19, the Trust carried an exercise to determine the value of its land and buildings on a Modern Equivalent Asset basis as at 1 April 2018, with a reduced footprint, and this continued to be used as the basis for its valuation methodology in 2019/20. Valuations are performed by a professionally accredited expert, in accordance with the Royal Institute of Chartered Surveyors ('RICS') Appraisal and Valuation Manual, and performed with sufficient regularity to ensure that the carrying value is not materially different from fair value at the balance sheet date. The Group's Valuers noted that the COVID-19 pandemic has impacted on property valuations. The specific areas of risk are: • accuracy and completeness of detailed information on assets provided to the valuation expert — most significantly the floor plans, on which the valuation of hospital properties is routinely based; • the methodology, assumptions and underlying data used by the valuation expert; and • the accounting transactions resulting from this valuation.	We obtained and read the valuation report prepared by the Group's Valuers. We used our own valuations expertise to evaluate and challenge the assumptions and methodology applied in the valuation exercise. We found the assumptions and methodology applied to be consistent with our expectations. We checked that the Valuer had a UK qualification, was part of an appropriate professional body and was not connected with the Group. We tested the underlying data (upon which the valuation was based) by confirming the floor areas used in the valuation with the PFI provider. We checked that the change in valuation was appropriately disclosed in the financial statements and correctly reflected in the Group's workings and the general ledger. This we did by testing a sample of asset values which had increased or decreased by checking the Group had accounted for the valuation change correctly, and found that, for all assets tested, the revaluation or impairment had been posted accordingly in the general ledger. We considered the repairs and maintenance expense codes to confirm that there had been no material alterations to the existing value and use of assets, and to address the risk that capital expenditure had not been misclassified as repairs and maintenance spend. Due to the uncertainty created by the COVID-19 pandemic regarding the valuation of the Trust's land and buildings, we asked for additional disclosures to be added to the financial statements to reflect the impact of COVID-19 on the valuation process as at 31 March 2020. The Trust has disclosed this as part of notes 1 and 13 of its financial statements. No other significant matters were identified.

Key audit matter	*How our audit addressed the key audit matter*
COVID-19 – Group, Trust, and 3 Es During the course of the audit, both management and the engagement team considered the impact that the ongoing COVID-19 pandemic has had on the activities, suppliers and wider economy of the Group's and the Trust's financial statements. Management's assessment is that there was not a significant impact on the outturn financial position, because operations only significantly changed in scope for the last 3 weeks of the year and the Trust was able to reclaim COIVD-19 related costs. Due to the significance of the pandemic, the financial statements have recognised the impact as a non-adjusting post balance sheet event in the financial statements. The actions the Trust took in response have been disclosed as part of its Annual Governance Statement in the Annual Report. As a result of the impact of the COVID-19 pandemic on the NHS in general and the Trust in particular, we determined that the impact of COVID-19 should be a key audit matter.	We performed the following procedures to address the impact that the COVID-19 pandemic has on the financial statements: • Evaluated and challenged management's assessment of the pandemic and its impact on valuations and going concern. This included using our own valuations experts to consider the assumptions underpinning the Trust's valuation. Our work on evaluating management's going concern assessment is described in the "Material uncertainty relating to going concern" section above. • Performed sample testing of non-pay expenditure transactions posted after 31 March 2020 to address the heightened risk that transactions may have been posted to the wrong period, as a result of more staff working at home. • Looked at the items recognised as COVID-19 related costs to ensure the classification as being reimbursable was appropriate. • Assessed the disclosures made by management and ensured that the impact of the pandemic was reflected in the Annual Report, and in the accounting policies and as a non-adjusting post balance sheet event in the financial statements. • Considered if any adjustments to the carrying value of assets and liabilities were required. • Ensured access to audit evidence where this was not available electronically, for example through use of online meetings to look at evidence. • Held regular discussions with the Deputy Director of Finance to understand the impact of the COVID-19 pandemic on the Trust. We concluded that management's assessment of the impact of the COVID-19 pandemic and their arrangements for securing economy, efficiency and effectiveness in its use of resources is reasonable, as they have disclosed in the Annual Governance Statement in the Annual Report.
Multispecialty Community Provider Proposals – 3 Es Dudley CCG was selected to join NHS England's Vanguard Programme in early 2015 with the intention to develop a new care model – the Multi-Specialty Community Provider (MCP). Since that time the CCG has been working with local partners and stakeholders, including the Trust, on the development of the MCP. The aim of the MCP is to bring together services in an integrated service model, including community-based services which are currently run by the Trust. This is acknowledged to have a potential financial and clinical impact on the Trust, which it has been considering during 2019/20 as part of its response to the proposals. As a result of the potential impact of the MCP on the Trust, we determined that the Trust's response to the MCP proposals should be a Key Audit Matter for our work on the arrangements for securing economy, efficiency and effectiveness in the use of resources.	We performed the following procedures in considering the Trust's response to the MCP proposals. We: • considered relevant Trust Board Papers and Minutes; • met with the Director of Finance to discuss the proposals and the Trust's response; and • read a report entitled 'Review of the MCP financial model' that was prepared in March 2020 to understand the potential impact on the Trust's financial position. We noted that the Trust disclosed within the Annual Governance Statement that the proposal to establish a Multi-Specialty Community Provider has potential implications for the future financial sustainability of the Trust, and that the board has carried out a detailed risk assessment. This proposal is currently paused. We concluded that the Trust has considered the potential impact of the MCP proposals and that there was nothing to report in respect of their arrangements for securing economy, efficiency and effectiveness in its use of resources in this area.

Other than the matters noted in the 'Material Uncertainty relating to going concern' and 'Arrangements for securing economy, efficiency, and effectiveness in the use of resources' paragraphs, we determined that there were no further key audit matters relating to the financial statements of the Group to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Trust and the Group, the accounting processes and controls, and the environment in which the Group operates.

Due to the impact of COVID-19, the audit was primarily conducted remotely by working with Trust finance staff and other Trust employees who are based at The Dudley Group NHS Foundation Trust's largest site in Dudley (Russells Hall Hospital).

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	***Trust financial statements***
Overall materiality	£7,783,900 (2019: £7,465,500)	£7,394,000 (2019: £7,092,301)
How we determined it	2% of forecast total revenue* for the 2019/20 financial year as at January 2020 (2019: 2% of total revenue)	2% of forecast total revenue* for the 2019/20 financial year as at January 2020 (2019: 2% of total revenue)
Rationale for benchmark applied	Consistent with last year, we have applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate. We decided not to update the materiality level to reflect the total income in the draft financial statements. This was done to ensure that materiality was not increased as a result of one-off additional income the Trust received at year end.	Consistent with last year, we have applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate. We decided not to update the materiality level to reflect the total income in the draft financial statements. This was done to ensure that materiality was not increased as a result of one-off additional income the Trust received at year end.

*Revenue includes operating income from patient care activities and other operating income.

Only the Foundation Trust is a material component which is within the scope of our Group audit. We have not undertaken a statutory audit of either Dudley Clinical Services Limited or The Dudley Group NHS Foundation Trust Charity.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £300,000 (Group audit) (2019: £300,000) and £300,000 (Trust audit) (2019: £300,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Performance Report and the Accountability Report, we also considered whether the disclosures required by the NHS Foundation Trust Annual Reporting Manual 2019/20 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) and the Code of Audit Practice require us also to report certain opinions and matters as described below.

Performance Report and Accountability Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Performance Report and Accountability Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2019/20.

In light of the knowledge and understanding of the Group and the Trust and their environment obtained in the course of the audit, we did not identify any material misstatements in the Performance Report or Accountability Report.

In addition, the parts of the Remuneration and Staff reports to be audited have been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2019/20.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Accountability Report, the directors are responsible for the preparation of the financial statements in accordance with the Department of Health and Social Care Group Accounting Manual 2019/20, and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and 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 directors either intend to liquidate the Group and Trust or to cease operations, or have no realistic alternative but to do so.

The Trust is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

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

We are required under Schedule 10 (1) of the National Health Service Act 2006 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report to you where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. We have undertaken our work in accordance with the Code of Audit Practice, having regard to the criterion determined by the Comptroller and Auditor General as to whether the Trust has proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We planned our work in accordance with the Code of Audit Practice. Based our on-risk assessment, we undertook such work as we considered necessary.

Use of this report

This report, including the opinions, has been prepared for and only for the Council of Governors of The Dudley Group NHS Foundation Trust as a body in accordance with paragraph 24 of Schedule 7 of the National Health Service Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Arrangements for securing economy, efficiency and effectiveness in the use of resources

Under the Code of Audit Practice, we are required to report, by exception, if we conclude we are not satisfied that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020. Key audit matters relating to this reporting requirement are set out in the Key audit matters table above and identified as relating to the 3 Es conclusion, and in the Basis for adverse opinion paragraph below.

Adverse opinion

As a result of the matters set out in the Basis of adverse opinion section immediately below, we have concluded that the Trust has not put in place proper arrangements for securing economy, efficiency and effectiveness in the use of its resources for the year ended 31 March 2020.

Basis for adverse opinion

During 2019/20, the Trust incurred agency expenditure costs of £13.5 million. This was significantly in excess of the Trust's ceiling for agency costs, specified by NHS Improvement, of £6.2 million.

The Trust has an underlying deficit in the current year and there are gaps in the Trust's plans to break-even in 2020/21. The most recent financial plan is based on a number of assumptions and there is significant uncertainty in the funding arrangements for 2020/21 as a result of the COVID-19 pandemic and its impact on the Trust. The underlying deficit, combined with the assumptions made on likely levels of income and the Trust's ability to deliver against its Cost Improvement Programme and Agency Expenditure Ceiling, creates uncertainty over its future funding needs.

The CQC's inspection report issued in June 2019 concluded that, overall, the Trust 'Requires Improvement' and, in particular, the Trust's arrangements in relation to the 'Safe' services domain was considered to be 'Inadequate'. The main Russells Hall hospital site was rated 'Requires Improvement' overall, and the Corbett Hospital site was rated 'Inadequate'. Section 31 notices issued by the CQC have been in place for the whole of 2019/20.

The Trust's did not meet key constitutional targets during 2019/20, in particular in relation to the A&E 4-hour wait target, and the 62 day wait time for Cancer patients.

As a result of the matters noted above, the Trust has been subject to enforcement action during the year as a result of breaches of a number of conditions of its license, in relation to Quality and Governance, Financial issues and Operational Performance. The Trust has agreed a number of undertakings with NHS Improvement and NHS England to address these issues.

Based on our risk assessment and work performed, we concluded that:

- The evidence available from the results of the Trust's most recent CQC inspections and associated enforcement notices, its performance against key constitutional targets, and the associated enforcement undertakings in place as a result of the breaches of its license conditions, indicate that there were gaps in the Trust's application of the principles and values of sound governance.
- The material uncertainties in relation to Financial Sustainability and Going Concern call into doubt the financial sustainability of the Trust in the context of the sustainable deployment of resources.

In considering the Trust's arrangements we:

- read the June 2019 CQC inspection report and discussed the findings with management;
- understood the Trust's performance against key constitutional targets, in particular Referral to Treatment times, the A&E 4-hour wait target, and the 62 day wait time for Cancer patients;
- read the enforcement undertakings in place during 2019/20; and
- understood the Trust's 2019/20 results and 2020/21 financial plans, including its cash flows and assumptions underpinning the potential for future financing needs.

Other matters on which we report by exception

We are required to report to you if:

- The statement given by the directors in the Accountability Report, in accordance with provision C.1.1 of the NHS Foundation Trust Code of Governance, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for patients, regulators, and other stakeholders to assess the Group's and Trust's performance, business model, and strategy is materially inconsistent with our knowledge of the Group and Trust acquired in the course of performing our audit.
- The section of the Annual report in the Accountability Report, as required by provision C.3.9 of the NHS Foundation Trust Code of Governance, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Annual Governance Statement does not meet the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual 2019/20 or is misleading or inconsistent with our knowledge acquired in the course of performing our audit. We have not considered whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

- We have referred a matter to Monitor under Schedule 10 (6) of the National Health Service Act 2006 because we had reason to believe that the Trust, or a director or officer of the Trust, was about to make, or had made, a decision which involved or would involve the incurring of expenditure that was unlawful, or was about to take, or had taken a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency.
- We have issued a report in the public interest under Schedule 10 (3) of the National Health Service Act 2006.
- We have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility.

Certificate

We certify that we have completed the audit of the financial statements in accordance with the requirements of Chapter 5 of Part 2 to the National Health Service Act 2006 and the Code of Audit Practice.

Alison Breadon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
23 June 2020

Accounts

Foreward to the Accounts

These accounts for the period 1 April 2019 to 31 March 2020 have been prepared by The Dudley Group NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 7 to the NHS Act 2006 and are presented to Parliament pursuant to Schedule 7, paragraph 25 (4) (a) of the National Health Service Act 2006.

Signed
Diane Wake
Chief Executive
Date: 22 June 2020

Consolidated and Foundation Trust Statements of Comprehensive Income

For the Year Ended 31 March 2020

	Note	Group Year Ended 31 March 2020 £000	Group Year Ended 31 March 2019 £000	Foundation Trust Year Ended 31 March 2020 £000	Foundation Trust Year Ended 31 March 2019 £000
Operating Income from patient care activities	3	380,377	340,857	380,377	340,857
Other Operating Income	4	31,788	32,422	31,803	32,128
Total Operating Income from continuing operations		412,165	373,279	412,180	372,985
Operating Expenses from continuing operations	5	(395,347)	(360,712)	(395,435)	(360,700)
Operating Surplus / (Deficit)		16,818	12,567	16,745	12,285
Net Finance Costs					
Finance income	9	175	238	132	187
Finance expense - financial liabilities	10	(11,772)	(11,796)	(11,772)	(11,796)
PDC Dividends payable		(1,819)	(1,981)	(1,819)	(1,981)
Net Finance Costs		(13,416)	(13,539)	(13,459)	(13,590)
Gain/(loss) of disposal of assets	13	29	0	29	0
Corporation tax expense	11	(48)	(37)	0	0
Surplus/(Deficit) for the year from continuing operations		3,383	(1,009)	3,315	(1,305)
SURPLUS/(DEFICIT) FOR THE YEAR		3,383	(1,009)	3,315	(1,305)
Other comprehensive income/(expense)					
Will not be reclassified to income and expenditure:					
Impairments	13	(3,805)	(39,990)	(3,805)	(39,990)
Revaluations	13	35	(13,735)	35	(13,735)
Fair value gains/(losses) on equity instruments designated at FV through OCI	14	(174)	44	0	0
May be reclassified to income and expenditure where certain conditions are met:					
Fair Value gains/(losses) on financial assets mandated at fair value through OCI	14	0	0	0	0
TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR		(561)	(54,690)	(455)	(55,030)

The notes on pages 131 to 184 form part of these accounts.
All income and expenditure is derived from continuing operations.

There are no Non-Controlling Interests in the Group, therefore the surplus for the year of £3,383,000 (2018/19 deficit of £1,009,000) and the Total Comprehensive Expenditure of £561,000 (2018/19 Total Comprehensive Expenditure of £54,690,000) is wholly attributable to the Trust.

Consolidated and Foundation Trust Statements of Financial Position

As at 31 March 2020

	Note	Group 31 March 2020 £'000	Group 31 March 2019 £'000	Foundation Trust 31 March 2020 £'000	Foundation Trust 31 March 2019 £'000
Non-current assets					
Intangible assets	12	9,701	8,445	9,701	8,445
Property, plant and equipment	13	176,214	181,476	176,214	181,476
Other Investments/financial assets	14	1,186	1,360	0	0
Receivables	16	12,466	10,716	12,465	10,714
Total non-current assets		199,567	201,997	198,380	200,635
Current assets					
Inventories	15	3,482	3,697	3,288	3,525
Receivables	16	25,501	15,859	25,296	15,685
Other Investments/financial assets	14	500	500	0	0
Cash and cash equivalents	17	5,137	9,276	4,190	8,269
Total current assets		34,620	29,332	32,774	27,479
Current liabilities					
Trade and other payables	18	(33,160)	(28,877)	(32,888)	(28,529)
Borrowings	19	(5,510)	(5,454)	(5,510)	(5,454)
Provisions	20	(241)	(180)	(241)	(180)
Other liabilities	21	(2,518)	(1,744)	(2,518)	(1,744)
Total current liabilities		(41,429)	(36,255)	(41,157)	(35,907)
Total assets less current liabilities		**192,758**	**195,074**	**189,997**	**192,207**
Non-current liabilities					
Trade and other payables	18	0	0	0	0
Borrowings	19	(113,999)	(118,731)	(113,999)	(118,731)
Provisions	20	(753)	0	(753)	0
Total non-current liabilities		(114,752)	(118,731)	(114,752)	(118,731)
Total assets employed		**78,006**	**76,343**	**75,245**	**73,476**
Financed by					
Taxpayers' equity					
Public Dividend Capital		29,555	27,331	29,555	27,331
Revaluation reserve		23,765	27,555	23,765	27,555
Income and expenditure reserve		22,810	19,269	21,925	18,590
Others' equity					
Charitable Fund reserves		1,876	2,188	0	0
Total Taxpayers' and Others' equity		**78,006**	**76,343**	**75,245**	**73,476**

The financial statements were approved by the Board of Directors and authorised for issue on their behalf by:

Signed ....

Date: 22 June

2020 Diane Wake
Chief Executive

Consolidated and Foundation Trust Statements of Changes in Taxpayers' and Others' Equity

for the Year Ended 31 March 2020

	Group					Foundation Trust			
	.... Taxpayers' Equity					.... Taxpayers' Equity			
	Public Dividend Capital	Revaluation Reserve	Income and Expenditure Reserve	** Charitable Fund Reserves	Total Taxpayers' and Others' Equity	Public Dividend Capital	Revaluation Reserve	Income and Expenditure Reserve	Total Taxpayers' Equity
	£000	£000	£000	£000	£000	£000	£000	£000	£'000
Taxpayers' and Others' Equity at 1 April 2018	**25,951**	**81,286**	**20,411**	**2,005**	**129,653**	**25,951**	**81,286**	**19,889**	**127,126**
Surplus / (Deficit) for the year	0	0	(1,189)	180	(1,009)	0	0	(1,305)	(1,305)
Transfers between reserves	0	(6)	6	0	0	0	(6)	6	0
Net Impairments	0	(39,990)	0	0	(39,990)	0	(39,990)	0	(39,990)
Revaluations - property, plant and equipment	0	(13,735)	0	0	(13,735)	0	(13,735)	0	(13,735)
Fair Value gains/(losses) on available -for-sale financial investments	0	0	0	44	44	0	0	0	0
Public Dividend Capital Received	1,380	0	0	0	1,380	1,380	0	0	1,380
Other reserve movements	0	0	0	0	0	0	0	0	0
Consolidation adjustment	0	0	41	(41)	0	0	0	0	0
Taxpayers' and Others' Equity at 31 March 2019	**27,331**	**27,555**	**19,269**	**2,188**	**76,343**	**27,331**	**27,555**	**18,590**	**73,476**
Taxpayers' and Others' Equity at 1 April 2019	**27,331**	**27,555**	**19,269**	**2,188**	**76,343**	**27,331**	**27,555**	**18,590**	**73,476**
Surplus / (Deficit) for the year	0	0	3,479	(96)	3,383	0	0	3,315	3,315
Transfers between reserves	0	(20)	20	0	0	0	(20)	20	0
Net Impairments	0	(3,805)	0	0	(3,805)	0	(3,805)	0	(3,805)
Revaluations - property, plant and equipment	0	35	0	0	35	0	35	0	35
Fair value gains/(losses) on equity instruments designated at FV through OCI	0	0	0	(174)	(174)	0	0	0	0
Public Dividend Capital Received	2,431	0	0	0	2,431	2,431	0	0	2,431
Public Dividend Capital Repaid	(207)	0	0	0	(207)	(207)	0	0	(207)
Other reserve movements	0	0	0	0	0	0	0	0	0
Consolidation adjustment	0	0	42	(42)	0	0	0	0	0
Taxpayers' and Others' Equity at 31 March 2020	**29,555**	**23,765**	**22,810**	**1,876**	**78,006**	**29,555**	**23,765**	**21,925**	**75,245**

Consolidated and Foundation Trust Statements of Changes in Taxpayers' and Others' Equity

Public dividend capital

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

Revaluation reserve

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

Income and expenditure reserve

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

Charitable funds reserve

This reserve comprises the ring-fenced funds held by the Dudley Group NHS Foundation Trust Charity consolidated within these financial statements.

These reserves comprise Unrestricted Funds £1,821,000 (2018/19 £2,113,000) of which £1,670,000 (2018/19 £1,945,000) have been designated for specific purposes, Restricted Funds £55,000 (2018/19 £75,000) and Endowment Funds £nil (2018/19 £nil). Unrestricted Funds comprise those funds that the Trustee is free to use for any purpose in furtherance of the Charity objectives, Restricted Funds are specific appeals for funds or donations where legal restrictions have been imposed by the donor, and Endowment Funds are held as capital by the Charity to generate income for charitable purposes but cannot themselves be spent.

Consolidated and Foundation Trust Statements of Cash Flows

for the Year Ended 31 March 2020

	Group		Foundation Trust	
	31 March 2020 £000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Cash flows from operating activities				
Operating surplus/(deficit) from continuing operations	16,818	12,567	16,745	12,285
Operating surplus/(deficit)	**16,818**	**12,567**	**16,745**	**12,285**
Non-cash income and expense:				
Depreciation and amortisation	8,918	6,943	8,918	6,943
Impairments and Reversals	28	154	28	154
Income recognised in respect of capital donations (cash and non-cash)	(60)	(99)	(60)	(99)
(Increase)/Decrease in trade and other receivables	(11,312)	(1,624)	(11,282)	(1,616)
Increase/(Decrease) in other assets	0	0	0	0
(Increase)/Decrease in inventories	215	(706)	237	(678)
Increase/(Decrease) in trade and other payables	4,907	6,145	5,014	6,010
Increase/(Decrease) in other liabilities	774	105	774	105
Increase/(Decrease) in provisions	814	33	814	33
Corporation Tax (paid) / received	(48)	(37)	0	0
Movements in charitable fund working capital	31	(5)	0	0
NET CASH GENERATED FROM/(USED IN) OPERATIONS	21,085	23,476	21,188	23,137
Cash flows from investing activities				
Interest received	134	185	133	184
Purchase of financial assets	0	0	0	0
Proceeds from sales of financial assets	0	0	0	0
Purchase of intangible assets	(2,189)	(1,935)	(2,189)	(1,935)
Proceeds from sales of intangible assets	0	0	0	0
Purchase of Property, Plant and Equipment	(5,914)	(7,598)	(5,914)	(7,598)
Proceeds from sales of Property, Plant and Equipment	29	0	29	0
NHS Charitable funds - net cash flows from investing activities	42	50	0	0
Net cash generated from/(used in) investing activities	(7,898)	(9,298)	(7,941)	(9,349)
Cash flows from financing activities				
Public dividend capital received	2,431	1,380	2,431	1,380
Public dividend repaid	(207)	0	(207)	0
Capital element of PFI Obligations	(5,486)	(6,305)	(5,486)	(6,305)
Other Interest	0	0	0	0
Interest element of PFI Obligations	(11,772)	(11,796)	(11,772)	(11,796)
PDC Dividend paid	(2,292)	(2,294)	(2,292)	(2,294)
Net cash generated from/(used in) financing activities	(17,326)	(19,015)	(17,326)	(19,015)
Increase/(decrease) in cash and cash equivalents	**(4,139)**	**(4,837)**	**(4,079)**	**(5,227)**
Cash and Cash equivalents at 1 April	9,276	14,113	8,269	13,496
Cash and Cash equivalents at 31 March	5,137	9,276	4,190	8,269

1. Accounting policies and other information

NHS Improvement, in exercising the statutory functions conferred on Monitor, has directed that the financial statements of NHS foundation trusts shall meet the accounting requirements of the Department of Health and Social Care (DHSC) Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DHSC Group Accounting Manual 2019-20, issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the DHSC Group Accounting Manual permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the NHS 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.

Going Concern

The Foundation Trust's annual report and accounts have been prepared on a going concern basis.

International Accounting Standard 1 requires the Board to assess, as part of the accounts preparation process, the Group and Trust's ability to continue as a going concern. In the context of non-trading entities in the public sector, as defined within the Government Financial Reporting Manual (FReM), the anticipated continuation of the provision of a service in the future as evidenced by inclusion of financial provision for that service in published documents is normally sufficient evidence of going concern.

The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than, the dissolution of the Group and Trust without the transfer of its services to another entity within the public sector.

In preparing the financial statements, the Board of Directors has considered the Group's and Trust's overall financial position against the requirements of IAS1.

The close of the 2019/20 financial year and the early part of 2020/21 has been overshadowed by the COVID-19 outbreak which has had profound effects upon the operations of health services throughout the UK. As a consequence, NHS finances have been significantly impacted at a national and local level.

In relation to the Going Concern assessment, there are implications for Group and Trust's Profitability, Liquidity and Continuity of Service.

Profitability

The 2019/20 plan was based on the delivery of a control total deficit of £2.831m (prior to Provider Sustainability Funding - PSF). Achievement of the control total would result in a PSF receipt to the Trust of £6.462m. In addition, the Trust planned

a land sale at Corbett Hospital which would have yielded a profit on sale of £4.424m. The combined position was therefore expected to deliver a surplus of £8.055m. Delivery of this plan required the Trust to deliver a Cost Improvement Programme (CIP) saving target of £23.368m.

The final outturn equated to a surplus of £3.521m. Achievement of the control total ensured that the Trust received full PSF of £6.462m plus a further £0.376m given to the Trust in 2019/20 which related to the previous financial year. The land sale was deferred following consultation. The Trust has not received any Financial Recovery Fund (FRF) monies.

The Trust negotiated year end settlements with both NHSE, for an additional £4.8m for specialised services, and Dudley CCG for an additional £8.3m to cover the cost of emergency care. In addition, the Trust received £2m to cover the additional COVID- 19 costs incurred in March 2020, from NHSE. Furthermore, a technical adjustment to reduce the control total target of £0.745m was granted for control total assessment purposes linked to the need to include an accrual for annual leave, linked to COVID- 19.

The increased costs incurred in the final quarter (£2m), associated with preparation for, and the treatment of, patients suffering from COVID-19, have been recognised in full. NHSE and NHSI, in line with Government releases, have agreed to meet all reasonable costs associated with COVID-19 and have funded 2019/20 costs accordingly.

Continuity of Service

A number of factors indicate that the Trust will provide continuity of services. In relation to our financial plan for 2020/21:

- Negotiations have been ongoing on an STP-wide basis for the provision of future services prior to the impact of COVID-19. Original plans were submitted on the basis of a settlement in line with CCG growth plus a further £8.3m.
- A CIP target of £10m has been assumed as a realistic figure as part of the plan.
- The net impact of these assumptions has resulted in a deficit plan of £6.416m.
- However, the onset of COVID-19 resulted in the suspension of further negotiations and planning.

Since this submission, however, the NHS landscape has changed dramatically due to CoOVID-19. Financial plans for 2020/21 have been deferred with trusts and CCGs operating in accordance with guidance issued by NHSI in March.

This guidance states that, for an initial period covering 1 April – 31 July 2020:

- NHS providers will receive block contract payments from commissioners, and income from non-NHS sources.
- Where this is not sufficient to cover a provider's underlying cost base, additional central top up payments will be made. Further top up payments will be made to cover reasonable costs of responding to the crisis, net of any cost reductions e.g. for consumables not required.

- The new block/top up arrangements is likely to continue for the remainder of 2020/21.
- For the time-being the focus remains on the restoration and recovery of services together with the ongoing battle against COVID-19.
- April 2021 will see a reset of the NHS. Guidance is awaited on what this means but it is unlikely that planning will return on the same basis as pre-COVID-19.
- There will undoubtedly be a stronger emphasis on collaboration as an STP.

The guidance issued by NHSE and NHSI in relation to block contracts and the correspondence indicating the target for the next four years, coupled with the absolute operational needs associated with the treatment of patients during the current outbreak, provide a clear signal (in the absence of a signed 12 month contract), that the Group and Trust will continue to provide services for the foreseeable future.

Liquidity

The Group and Trust achieved its control total in 2019-20 and were able to maintain liquidity without the need to borrow cash from the Treasury.

NHSI has announced significant changes to the NHS Provider cash regime, effective from 1 April 2020.

- Interim revenue loans at 31 March 2020 are to be extinguished during 2020/21. Providers will be issued Public Dividend Capital (PDC) to effect the repayment of outstanding balances at 31 March 2020.
- For 2020/21, the Financial Recovery Fund (FRF) will be the sole source of financial support for NHS providers and CCGs that are otherwise unable to live within their means.
- Organisations' entitlement to FRF will continue to depend on full-year financial performance and, where financial trajectories are not achieved, any FRF that has been paid but not earnt will be converted to DHSC financing (PDC).
- Future revenue support will be available for exceptional short-term cash flow requirements and longer-term revenue support for providers in financial distress. This support will be provided as PDC (rather than loans) and does not require principal repayment but carries a dividend payable at the current PDC rate (3.5%).

The changes in the cash regime from 1 April 2020, alongside the short term COVID-19 measures, provide a degree of assurance regarding future revenue funding. This in turn provides reassurance over the Group's and Trust's ability to continue as a Going Concern.

In further support of this conclusion, and recognising the heighted 'Going Concern' uncertainty generated by the COVID-19 pandemic, NHSE and NHSI issued a joint statement on 27 May 2020 which incorporates the following paragraph, reaffirming 'continuity of service' and government funding:

"In March 2020 we announced revised arrangements for NHS contracting and payment to apply for part of the 2020/21 year. In May 2020 we issued revised

financial management guidance to CCGs for the corresponding period. We are not yet able to definitively announce the contracting arrangements that will be in place for the rest of 2020/21 and beyond. It remains the case that the Government has issued a mandate to NHS England for the continued provision of services in England in 2020/21 and CCG allocations have been set for the remainder of 2020/21. While these allocations may be subject to minor revision as a result of the COVID-19 financial framework, the guidance has been clarified to inform CCGs that they will be provided with sufficient funding for the year. Providers can therefore continue to expect NHS funding to flow at similar levels to that previously provided where services are reasonably still expected to be commissioned. While mechanisms for contracting and payment are not definitively in place, it is clear that NHS services will continue to be funded, and Government funding is in place for this."

Long term sustainability and planning

The NHS Long Term plan sets out to achieve that all NHS organisations are in financial balance by 2023/24.

The Group and Trust recorded a surplus for 2019/20 but have an underlying deficit. The Group and Trust are forecasting a deficit in 2020/21. The forecast deficit is based on a number of assumptions and there is significant uncertainty in the financial plan for 2020/21 as a result of COVID-19 pandemic and its impact on the Group and Trust. The Group and Trust recognises that the underlying deficit, combined with the assumptions made on likely levels of income and the ability to deliver against the Cost Improvement Programme and Agency Expenditure Ceiling, creates uncertainty over future funding needs. The Group and Trust have assumed financial support will be received from the Department of Health and Social Care during the course of 2020/21 in order to meet ongoing liabilities where required and continue to provide healthcare services. The extent and nature of the financial support from the Department of Health and Social Care, including whether such support will be forthcoming or sufficient, is currently uncertain, as are any terms and conditions associated with the funding.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Trust's ability to continue as a going concern. However, the assurance provided by the immediate continuing provision of healthcare services and improved access to funding through changes in the NHS financing regime significantly mitigates this. The financial statements do not include the adjustments that would result if the Group or the Trust were unable to continue as a going concern.

Financing - Conclusion

The Board of Directors is therefore satisfied and considers it appropriate that the accounts for the year ended 31 March 2020 should be prepared on a Going Concern basis.

Accounting Convention

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

1.1 Consolidation

The Group financial statements consolidate the financial statements of the Trust and all of its subsidiary undertakings made up to 31st March 2020. The income, expenses, assets, liabilities, equity and reserves of the subsidiaries have been consolidated into the Trust's financial statements and Group financial statements have been prepared.

Subsidiaries

Subsidiary entities are those 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 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 then amounts are adjusted during consolidation where the differences are material. Inter-entity balances, transactions and gains/losses are eliminated in full on consolidation. Dudley Clinical Services Limited is a subsidiary of the Trust.

NHS Charitable Fund

The NHS Foundation Trust is the corporate trustee to The Dudley Group NHS Foundation Trust Charity. The Foundation Trust has assessed its relationship to the charitable fund and determined it to be a subsidiary 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 fund and has the ability to affect those returns and other benefits through its power over the fund.

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

- recognise and measure them in accordance with the Foundation Trust's accounting policies; and
- eliminate intra-Group transactions, balances, gains and losses.

1.2 Revenue

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

- As per paragraph 121 of the Standard the Foundation Trust will not disclose information regarding performance obligations part of a contract that has an original expected duration of one year or less,
- The Foundation Trust is to similarly not disclose information where the revenue is recognised in line with the practical expedient offered in paragraph B16 of the Standard where the right to consideration corresponds directly with the value of the performance completed to date.

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

The main source of revenue for the Foundation Trust is contracts with commissioners in respect of healthcare services. Revenue in respect of services provided is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer, and is measured at the amount of the transaction price allocated to that performance obligation. At the year end, the Foundation Trust accrues income relating to performance obligations satisfied in that year. Where a patient care spell is incomplete at the year end, revenue relating to the partially complete spell is accrued in the same manner as other revenue.

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

The Foundation Trust receives income under the NHS 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 a provision for unsuccessful compensation claims and doubtful debts in line with IFRS 9 requirements of measuring expected credit losses over the lifetime of the asset.

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

Other forms of income

Grants and donations

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

Apprenticeship service income

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

1.3 Expenditure on Employee Benefits

Short-term employee benefits

Salaries, wages and employment-related payments, including payments arising from the apprenticeship levy, are recognised in the period in which the service is received from employees including non-consolidated performance pay earned but not yet paid.

The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following period.

Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health 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 actual (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.
c) Scheme provisions
The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:
The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.
With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".
Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the 12 months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI).
Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.
For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.
Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

1.4 Expenditure on Other Goods and Services

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

1.5 Property, Plant and Equipment

Recognition

Property, Plant and Equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential be provided to, the Foundation Trust;
- it is expected to be used for more than one financial year; and
- the cost of the item can be measured reliably and;
- has an individual cost of at least £5,000; or
- the items form a group of assets which 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 the same managerial control; or
- form part of the initial equipping and setting up cost of a new building or refurbishment of a ward or unit, and the items collectively have a cost of at least £5,000.

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.

Measurement Valuation

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

For property assets the frequency of revaluations will be at least every five years. The fair value of land and buildings are determined by valuations carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The valuations are carried out primarily on the basis of depreciated replacement cost, modern equivalent asset basis for specialised operational property and existing use value for non-specialised operational property. Assets held at depreciated replacement cost have been valued on a Modern Equivalent Asset Optimised Alternative Site basis. For the Trust's PFI buildings the valuation does not include any VAT liability as VAT is recoverable on the unitary payments made by the Trust and any re-provision of the existing buildings would be carried out by the PFI provider. The value of land for existing use purposes is assessed at existing use value. For non-operational properties including surplus land, the valuations are carried out at open market value.

Assets under construction are valued at cost and are subsequently revalued by professional valuers when they are brought into use if factors indicate that the value of the asset differs materially from its carrying value. Otherwise, the asset should only be revalued on the next occasion when all assets of that class are revalued.

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

Subsequent expenditure

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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.

The Trust depreciates its non-current assets on a straight line basis over the expected life of the assets after allowing for the residual value. Useful lives are determined on a case by case basis. The typical lives for the following assets are:

Asset Category	Useful Life (years)
Buildings - each component of a building is assigned its own life	5 -90
Engineering Plant & Equipment	5 -15
Medical Equipment	5 - 15
Transport Equipment	7
Information Technology	5 - 10
Furniture & Fittings	5 - 10

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 reclassification.

Assets in the course of construction and residual interests in off-Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

Revaluation gains and losses

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

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

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

Impairments

In accordance with the FT ARM, impairments that arise from a clear consumption of economic benefits or of service potential in the asset are charged to operating

expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment that arises from a clear consumption of economic benefit or of service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss are 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
- the sale must be highly probable i.e.:
- management are committed to a plan to sell the asset;
- an active programme has begun to find a buyer and complete the sale;
- the asset is being actively marketed at a reasonable price;
- the sale is expected to be completed within 12 months of the date of classification as ‘Held for Sale’; and
- the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their ‘fair value less costs to sell’. Depreciation ceases to be charged and the assets are not revalued, except where the ‘fair value less costs to sell’ falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met. Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as ‘Held for Sale’ and instead is retained as an operational asset and the asset’s economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

Donated, Government Grant and other grant funded assets

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

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

Private Finance Initiative (PFI) transactions

PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-Statement of Financial Position' by the Trust. The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. This valuation will exclude VAT. Subsequently the assets are measured at fair value, which is kept up to date in accordance with the Trust's approach for each relevant class of asset in accordance with the principles of IAS 16. An equivalent financial liability is recognised in accordance with IAS 17.

The annual contract payments are apportioned between the repayment of the liability, a lifecycle element, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme. The service charge is recognised in operating expenses and the finance cost is charged to Finance Costs in the Statement of Comprehensive Income.

The lifecycle element is established on the lifecycle plan contained within the financial model. Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Trust's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value. The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively. Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

1.6 Intangible Assets

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. Where internally generated assets are held for service potential, this involves a direct contribution to the delivery of services to the public.

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

not capitalised. Expenditure on development is capitalised only where all of the following can be demonstrated:

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

Software

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

Purchased computer software licences are capitalised as intangible non-current assets where expenditure of at least £5,000 is incurred and amortised over the shorter of the term of the license and their useful 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 measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 of IFRS 5. Intangible assets held for sale are measured at the lower of their carrying amount or 'fair value less costs to sell'.

1.6 Intangible Assets

Amortisation and impairment

Intangible assets are amortised over their expected useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Asset Category	Useful Life (years)
Software Licences	2 - 10

1.7 Government Grants

Government grants are grants from Government bodies other than income from Clinical Commissioning Groups or NHS Trusts for the provision of services. Grants from the Department of Health are accounted for as Government grants as are grants from the Big Lottery Fund. Where the Government grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure. Where the grant is used to fund capital expenditure the grant is credited to income at the same time, unless the grant has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the grant, in which case, the grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

1.8 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the First In, First Out (FIFO) method.

1.9 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 three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Foundation Trust's cash management. Cash, bank and overdraft balances are recorded at current values.

1.10 Financial Instruments and Financial Liabilities Financial assets

Financial assets are recognised when the Foundation Trust becomes party to the contractual provision of the financial instrument or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or when the asset has been transferred and the Foundation Trust has transferred substantially all of the risks and rewards of ownership or has not retained control of the asset.
Financial assets are initially recognised at fair value plus or minus directly attributable transaction costs for financial assets not measured at fair value through profit or loss. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices, where possible, or by valuation techniques.
Financial assets are classified into the following categories: financial assets at amortised cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit and loss. The classification is determined by the cash flow and business model characteristics of the financial assets, as set out in IFRS 9, and is determined at the time of initial recognition.

Financial assets at amortised cost

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

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

Financial assets at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are those held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and where cash flows are solely payments of principal and interest. This category also includes investments in equity instruments where the Group has opted to classify them here.

Financial assets at fair value through profit and loss

Financial assets measured at fair value through profit or loss are those that are not otherwise measured at amortised cost or fair value through other comprehensive income. This includes derivatives and financial assets acquired principally for the purpose of selling in the short term.

Impairment

For all financial assets measured at amortised cost or at fair value through other comprehensive income (except equity instruments designated at fair value through other comprehensive income), lease receivables and contract assets, the Foundation Trust recognises a loss allowance representing expected credit losses on the financial instrument.

The Foundation Trust adopts the simplified approach to impairment, in accordance with IFRS 9, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition (stage 2), and otherwise at an amount equal to 12-month expected credit losses (stage 1).

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 Foundation Trust therefore does not recognise 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 arm's length bodies and NHS bodies (excluding NHS charities), and the Foundation Trust does not recognise loss allowances 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 profit or loss as an impairment gain or loss.

Financial liabilities

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

Financial liabilities at fair value through profit and loss

Derivatives that are liabilities are subsequently measured at fair value through profit or loss, Embedded derivatives that are not part of a hybrid contract containing a host that is an asset within the scope of IFRS 9 are separately accounted for as derivatives only if their economic characteristics and risks are not closely related to those of their host contracts, a separate instrument with the same terms would meet the definition of a derivative, and the hybrid contract is not itself measured at fair value through profit or loss.

Other Financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the amortised cost of the financial liability. In the case of DHSC loans that would be the nominal rate charged on the loan.

1.11 Leases

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

The Trust as a lessee Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Foundation Trust, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability. The asset and liability are recognised at the 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 so as to achieve a constant rate of finance over the life of the lease.

The annual finance cost is charged to finance costs in the Statement of Comprehensive Income.

Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately. Leased land is treated as an operating lease.

The Trust as a lessor Finance leases

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Trust's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the trust's net investment outstanding in respect of the leases.

Operating leases

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

1.12 Provisions

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

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

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

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

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

Clinical negligence costs
NHS Resolution (the trading name of the NHS Litigation Authority NHSLA) operates a risk pooling scheme under which the NHS Foundation Trust pays an annual contribution to the NHS Resolution, which, in return, settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the NHS Foundation Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the NHS Foundation Trust is disclosed at note 20, but is not recognised in the Trust accounts.
Non-clinical risk pooling
The NHS Foundation Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the Trust pays an annual contribution to the NHS Resolution and in return receives assistance with the costs of claims arising. The annual membership contributions, and any 'excesses' payable in respect of particular claims are charged to operating expenses when the liability arises.

1.13 Contingencies
Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 24 where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in note 24, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the 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.

1.14 Public Dividend Capital
Public dividend capital is a type of public sector equity finance, which represents the Department of Health and Social Care's investment in the Trust. HM Treasury has determined that, being issued under statutory authority rather than under contract, PDC is not a financial instrument within the meaning of IAS 32.
At any time, the Secretary of State can issue new PDC to, and require repayments of PDC from, the trust. PDC is recorded at the value received.
An annual charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health and Social Care as PDC dividend. The charge is calculated at the real rate set by the Secretary of State with the consent of HM Treasury (currently 3.5%) on the average relevant net assets of the trust. Relevant net assets are calculated as the value of all assets less all liabilities, except for:

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

The average relevant net assets is calculated as a simple average of opening and closing relevant net assets. In accordance with the requirements laid down by the Department of Health and Social Care, the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre-audit" version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts. The PDC dividend calculation is based upon the trust's group accounts (i.e. including subsidiaries), but excluding consolidated charitable funds.

1.15 Value Added Tax

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

1.16 Foreign Exchange

The functional and presentational currencies of the Trust 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 Trust has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

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

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

1.17 Third Party Assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS Foundation Trust has no beneficial

interest in them. However, they are disclosed in note 28 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

1.18 Corporation Tax

The Trust is a Health Service Body within the meaning of S519A ICTA 1988 and accordingly is exempt from taxation in respect of income and capital gains within categories covered by this. There is a power for the Treasury to remove the exemption in relation to specified activities of a Foundation Trust (s519A (3) to (8) ICTA 1988). Accordingly, the Trust is potentially within the future scope of income tax in respect of activities where income is received from a non-public sector source. The Charity is also exempt from corporation tax.

The tax expense on the Statement of Comprehensive Income comprises current and deferred tax due to the Trust's trading commercial subsidiary. Current tax is the expected tax payable for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on taxable temporary differences arising on the initial recognition of goodwill or for temporary differences arising from the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.

Deferred taxation is calculated using rates that are expected to apply when the related deferred asset is realised or the deferred taxation liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised.

1.19 Critical accounting judgements and key sources of estimation and uncertainty

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

Critical judgements in applying accounting policies

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

- Accounting for PFI
- Application of IFRIC 4 Determining whether an Arrangement contains a Lease
- Application of IFRIC12 Service Concession Arrangements

Russells Hall Hospital, Guest Ambulatory Centre and Corbett Ambulatory Centre are owned by Summit Healthcare (Dudley) Limited and provided to the Trust under a Private Finance Initiative (PFI) contract. The accounting judgement is around the classification of the transaction under IFRIC 4 and IFRIC 12.

Management have reviewed the service concession of the PFI scheme and has confirmed it is within the scope of IFRIC 12. The PFI scheme is 'on-balance sheet' meaning that the buildings and equipment are recognised in the Trust's balance sheet along with a finance lease creditor for the amount owed by the Trust over the PFI contract term.

Key sources of estimation uncertainty

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

- Valuation of Non-Current Assets

Modern equivalent asset valuation of property

As detailed in accountancy policy note 1.5 'Property, plant and equipment' The District Valuer provided the Trust with a valuation of the land and building assets (estimated fair value and remaining useful life). The significant estimation being the specialised building - depreciation replacement value, using modern equivalent asset optimised alternative site methodology, of the hospital sites (Russells Hall, Corbett and Guest). The result of this valuation, based on estimates provided by a suitably qualified professional in accordance with HM Treasury guidance, is disclosed in note 13 to the financial statements on page 166. Future revaluations of the Trust's property may result in further material changes to the carrying value of non-current assets.

In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the District Valuer has referred to the uncertainties in markets caused by COVID-19 in their valuation. The District Valuer has advised that: "The duration of the impact and understanding of likely short, medium to long term effects are hard to predict currently. As further market evidence comes available then the full extent of the COVID-19 impact will become clearer. We therefore strongly recommend that a future impairment review is also undertaken."

The values in the District Valuer's report have been used to inform the measurement of property assets as at 31 March 2020 in these financial statements. The valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust.

Asset Lives

The Trusts' buildings and equipment are depreciated over their remaining useful economic lives as described in note 1.5. Management assesses the useful economic

life of an asset when it is brought into use and periodically reviews for reasonableness. Lives are based on physical lives of similar class of asset as calculated by the District Valuer and updated by management to make a best estimate of the useful economic life which can result in an extension to the lives of these assets.

Provisions

The Trust recognises a provision in the accounts to cover a future liability which at the time of the accounts is probable but uncertain. The Trust therefore makes a judgement in terms of both the value of the liability and the probability of it happening in arriving at the amount of the provision in the accounts. Provisions are analysed in note 20 to the accounts on page 175.

Settlement of Over Performance with Healthcare Purchasers

Where possible the Trust will agree a final contractual position with CCG's in relation to Healthcare contracts for the financial year. Where this is not possible the Trust and the CCG agree an estimate based on year to date activity and predicted final activity to arrive at an income figure that is included in the accounts. Contract performance is analysed in notes 3.1 to 3.6 on pages 158 to 159.

1.20 Accounting Standards that have been issued but have not yet been adopted

The DHSC GAM does not require the following IFRS Standards and Interpretations to be applied in 2019-20. These Standards are still subject to HM Treasury FReM adoption, with IFRS 16 being for implementation in 2020-21, and the government implementation date for IFRS 17 still subject to HM Treasury consideration. The Standards are as follows:

IFRS 16 Leases

IFRS 16 Leases will replace IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease and other interpretations and is applicable in the public sector for periods beginning 1 April 2021. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the statement of financial position the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4. The Trust will apply this definition to new leases only and will grandfather its assessments made under the old standards of whether existing contracts contain a lease.

On transition to IFRS 16 on 1 April 2021, the Trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value

of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the trust's incremental borrowing rate. The trust's incremental borrowing rate will be a rate defined by HM Treasury. Currently this rate is 1.27% but this may change between now and adoption of the standard. The related right of use asset will be measured equal to the lease 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 2020 for existing finance leases. For leases commencing in 2021/22, the Trust will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.
The Trust has estimated the impact of applying IFRS 16 in 2021/22 and this is deemed not material.

IFRS 17 Insurance Contracts

Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted. The application of this standard will be immaterial.

1.21 Losses and special payments

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

1.22 Transfers of functions to/from other NHS/Local Government Bodies

For functions that have been transferred to the Trust from another NHS Body, the assets and liabilities transferred are recognised in the accounts as at the date of transfer. The assets and liabilities are not adjusted to their fair value prior to recognition. The net gain/loss corresponding to the net assets/liabilities transferred is recognised within income/expenses, but not within operating activities.

For property plant and equipment assets and intangible assets, the Cost and Accumulated Depreciation/Amortisation balances from the transferring entity's accounts are preserved on recognition in the Trust's accounts. Where the transferring body recognised revaluation reserve balances attributable to the assets, the Trust makes a transfer from its income and expenditure reserve to its revaluation reserve to maintain transparency within public sector accounts.

For functions that the Trust has transferred to another NHS/Local Government Body, the assets and liabilities are de- recognised from the accounts as at the date of transfer. The net loss/gain corresponding to the net assets/liabilities transferred is recognised within expenses/income, but not within operating activities. Any revaluation reserve balances attributable to assets de-recognised are transferred to the income and expenditure reserve. Adjustments to align the acquired function to the Foundation Trust's policies are applied after initial recognition and are adjusted directly in taxpayers' equity.

There were no transfers to/from other NHS/Local Government bodies during 2019/20.

1.23 Provider Transformation Fund

The Trust has recognised £6.838m of the Provider Sustainability (PSF) Income in 2019-20. £6.462m related to a core element of the fund which the Trust received for achieving its financial targets for the year. The remaining £0.376m related to bonus paid in relation to the 2018-19 financial year.

The £6.838m is recognised in other operating income within the statement of comprehensive income. The Trust was paid £4.576m during 2019/20 with the remaining £2.262m stated as accrued income within trade and other receivables on the statement of financial position.

While in 2018/19 the Trust recognised £7.797m of the Provider Sustainability (PSF) Income. £4.115m of this amount related to a core element of the fund which the Trust received for achieving its financial targets in quarter 1 to quarter 3 of the year. In addition the Trust received £3.682m incentive general distribution PSF based on the balance of unearned PSF after the core, incentive and bonus scheme payments, which was available to all providers that signed up to a control total in 2018/19. This was on a sliding scale based on distance from the control total weighted by initial PSF allocations set by NHSI.

The £7.797m was recognised in other operating income within the statement of comprehensive income. The Trust was paid £4.115m during 2018/19 with the remaining £3.682m stated as accrued income within trade and other receivables on the statement of financial position.

2. Segmental Analysis

The analysis by business segment is presented in accordance with IFRS 8 Operating Segments, on the basis of those segments whose operating results are regularly reviewed by the Board (the Chief Operating Decision Maker as defined by IFRS 8) as follows:

Healthcare Services

The Board as 'Chief Operating Decision Maker' has determined that Healthcare Services operate in a single operating segment, which is the provision of healthcare services. The segmental reporting format reflects the Trust's management and internal reporting structure.

The Trust has identified segments in line with the thresholds in IFRS 8, applying the requirement of the DH GAM to consider expenditure instead of income as income is not analysed between segments in our monthly finance report to the Trust Board. Following a significance test of the expenditure segments the Trust found that there were three significant operating segments subject to the external reporting requirements of IFRS 8. Applying the aggregation criteria to the Trust's three significant operating segments found that in all cases the segments had similar economic characteristics, the nature of the services are similar, the nature of the production process are similar, the type or class of customer for the services are similar, the methods used to provide the services are similar and the nature of the regulatory environment is similar.

The Trust's significant operating segments satisfy all of the criteria listed for an aggregation to be deemed appropriate. The three significant operating segments of the Trust are all active in the same business – the provision of healthcare, and all operate within the same economic environment – the United Kingdom. Given that the purpose of disclosing segmental information is to enable users of the financial statements to evaluate the nature and financial effects of business activities and economic environments, reporting a single segment of "Healthcare" would be consistent with the core principle of IFRS 8, as it would show the singular nature of both the business activity and the economic environment of the Trust.

Income from activities (medical treatment of patients) is analysed by customer type in note 3 to the accounts on page 159. Other operating income is analysed in note 4 to the accounts on page 159 and materially consists of revenues from healthcare, research and development, medical education, and the provision of services to other NHS bodies. Total income by individual customers within the whole of HM Government and considered material, is disclosed in the related parties transactions note 25 to the accounts on page 178.

Dudley Clinical Services Limited

The company is a wholly owned subsidiary of the Trust and provides an Outpatient Dispensing service. As a trading company, subject to an additional legal and regulatory regime (over and above that of the Trust), this activity is considered to be

a separate business segment whose individual operating results are reviewed by the Trust Board (the Chief Operating Decision Maker).
A significant proportion of the company's revenue is inter segment trading with the Trust which is eliminated upon the consolidation of these group financial statements. The quarterly performance report to the Chief Operating Decision Maker reports financial summary information in the format of the table on page 159.

Dudley Group NHS Charity
The Trust Board is corporate trustee for Dudley Group NHS Charity. Following Treasury's agreement to apply IFRS 10 to NHS Charities from 1st April 2013, the Trust has established that as the Trust is the corporate trustee of the linked NHS Charity, it effectively has the power to exercise control so as to obtain economic benefits. The charity is therefore treated as a group entity and is consolidated. The consolidation is for reporting purposes only and does not affect the charities' legal and regulatory independence and day to day operations. Some of the charity's expenditure is inter segment trading with the Trust which is eliminated upon the consolidation of these group financial statements. The quarterly performance report to the Chief Operating Decision Maker reports financial summary information in the format of the table on page 159.

Segmental analysis (continued)

Year ended 31 March 2020	Healthcare Services £000	Dudley Clinical Services Limited £000	Dudley Group NHS Charity £000	Inter Group Eliminations £000	Total £000
Total segment revenue	412,179	5,858	307	(6,179)	412,165
Total segment expenditure	(395,434)	(5,605)	(487)	6,179	(395,347)
Operating Surplus/(Deficit)	16,745	253	(180)	0	16,818
Net Financing	(11,611)	1	42	0	(11,568)
PDC Dividends Payable	(1,819)	0	0	0	(1,819)
Taxation	0	(48)	0	0	(48)
Retained surplus/(deficit) - before non-recurring items	3,315	206	(138)	0	3,383
Non-recurring items	0	0	0	0	0
Retained surplus/(deficit)	3,315	206	(138)	0	3,383
Reportable Segment assets	231,154	1,376	1,939	0	234,469
Eliminations	0	0	0	(282)	(282)
Total assets	231,154	1,376	1,939	(282)	234,187
Reportable Segment liabilities	(155,909)	(491)	(63)	0	(156,463)
Eliminations	0	0	0	282	282
Total liabilities	(155,909)	(491)	(63)	282	(156,181)
Net assets/liabilities	75,245	885	1,876	0	78,006

Year ended 31 March 2019	Healthcare Services £000	Dudley Clinical Services Limited £000	Dudley Group NHS Charity £000	Inter Group Eliminations £000	Total £000
Total segment revenue	372,985	5,101	616	(5,423)	373,279
Total segment expenditure	(360,700)	(4,908)	(527)	5,423	(360,712)
Operating Surplus/(Deficit)	12,285	193	89	0	12,567
Net Financing	(11,609)	1	50	0	(11,558)
PDC Dividends Payable	(1,981)	0	0	0	(1,981)
Taxation	0	(37)	0	0	(37)
Retained surplus/(deficit) - before non-recurring items	(1,305)	157	139	0	(1,009)
Non-recurring items	0	0	0	0	0
Retained surplus/(deficit)	(1,305)	157	139	0	(1,009)
Reportable Segment assets	228,114	1,042	2,220	0	231,376
Eliminations	0	0	0	(47)	(47)
Total assets	228,114	1,042	2,220	(47)	231,329
Reportable Segment liabilities	(154,638)	(363)	(32)	0	(155,033)
Eliminations	0	0	0	47	47
Total liabilities	(154,638)	(363)	(32)	47	(154,986)
Net assets/liabilities	73,476	679	2,188	0	76,343

3 Operating income from patient care activities

3.1 By Commissioner

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
NHS England	59,738	41,961
Clinical Commissioning Groups	313,331	289,725
NHS Foundation Trusts	19	12
NHS Trusts	3,336	2,978
Local Authorities	2,386	1,753
Department of Health & Social Care	0	3,016
NHS Other	411	212
Non NHS: Private patients	26	19
Non-NHS: Overseas patients (chargeable to patient)	121	108
NHS injury scheme (was RTA)	951	1,005
Non NHS: Other	58	68
Total income from activities	**380,377**	**340,857**

3.2 By Nature

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Acute Services		
Elective income	49,256	48,435
Non-Elective income	102,926	95,797
First Outpatient income	34,205	31,603
Follow-up outpatient income	27,216	26,221
A&E income	16,725	14,766
High cost drugs income from Commissioners	31,391	28,251
Other NHS Clinical Income	77,955	69,001
Community Services		
Income from CCG's and NHS England	24,146	22,188
Income from other sources (e.g. local authorities)	675	607
Income at Tariff	**364,495**	**336,869**
Private Patients	26	19
Agenda for change pay award central funding (comparative only)*	0	3,016
Additional pension contribution central funding **	8,886	0
Other clinical income	6,970	953
Total income from activities	**380,377**	**340,857**

* Additional costs of the Agenda for Change pay reform in 2018/19 received central funding. From 2019/20 this funding is incorporated into tariff for individual services.

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

3.3 Income from Commissioner Requested Services and Non-Commissioner Requested Services

Under the terms of its Provider Licence, the Trust is required to analyse the level of income from activities that has arisen from commissioner requested and non-commissioner requested services. Commissioner requested services are defined in the provider licence and are services that commissioners believe would need to be protected in the event of provider failure. This information is provided in the table below:

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Income from Commissioner Requested Services	339,674	314,074
Income from Non Commissioner Requested Services	24,821	22,795
Income from Activities	364,495	336,869
Other Clinical Income	6,996	972
Agenda for change pay award central funding (comparative only)	0	3,016
Additional pension contribution central funding	8,886	0
Total Income	380,377	340,857

Other NHS Clinical Income comprises the following services pathology; rehabilitation; community support services; radiology; renal services; patient transport services; and appliances.

3 Revenue from Activities (continued)

3.4 Additional information on contract revenue (IFRS 15) recognised in the period

	2019/20 £000	2018/19 £000
Revenue recognised in the reporting period that was included within contract liabilities at the previous period end	115	142
Revenue recognised from performance obligations satisfied (or partially satisfied) in previous periods	307	1,603

3.5 Transaction price allocated to remaining performance obligations

	2019/20 £000	2018/19 £000
Revenue from existing contracts allocated to remaining performance obligations is expected to be recognised:		
- within one year	2,689	2,535
- after one year not later than five years	0	0
- after five years	0	0
	2,689	2,535

3.6 Overseas Visitors

	Year Ended 31 March 2020 £'000	Year Ended 31 March 2019 £'000
Income recognised this year	121	108
Cash payments received in-year	50	52
Amounts added to provision for impairment of receivables	99	86
Amounts written off in-year	36	30

4 Other Operating Income

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Recognised in IFRS15:		
Research and development	1,153	1,357
Education and training	11,578	11,432
Non-patient care services to other bodies	6,559	5,696
Provider Sustainability Fund (PSF) Income	6,838	7,797
Income in respect of employee benefits accounted for on a gross basis	2,806	2,697
Other *	1,537	2,090
Recognised in accordance with other standards:		
Research and development	0	0
Education and training - apprenticeship fund	591	279
Charitable asset donations	60	99
Charitable contributions to expenditure	0	0
Rental revenue from Operating Leases - contingent rent	359	359
NHS Charitable Funds incoming resources excluding investment income	307	616
Other (recognised in accordance with standards other than IFRS15)	0	0
Total other operating income	**31,788**	**32,422**

* Other income is derived from Pharmacy Drugs £574,000 (2018/19 £758,000); and numerous other small amounts.

5 Operating Expenses of continuing operations

5.1 Operating Expenses

	Year ended 31 March 2020	Year ended 31 March 2019
	£'000	£'000
Purchase of healthcare from NHS and DHSC bodies	10,101	6,351
Purchase of healthcare from non-NHS and non-DHSC bodies	1,714	1,371
Staff and executive directors costs	248,602	226,972
Non-executive directors	186	157
Supplies and services - clinical (excluding drug costs)	27,575	26,933
Supplies and services - general	4,540	1,405
Drug costs (inventory consumed and purchase of non-inventory drugs)	37,021	34,568
Drugs Inventories written down	0	0
Consultancy costs	1,880	2,387
Establishment	2,223	1,993
Premises - Business Rates	1,424	1,399
Premises - Other	4,515	4,336
Transport - Business Travel	674	708
Transport - Other	87	97
Depreciation on property, plant and equipment	8,028	6,214
Amortisation on intangible assets	890	729
Impairments net of (reversals)	28	154
Movement in credit loss allowance: contract receivables/assets	61	22
Movement in credit loss allowance: all other receivables and investments	0	0
Audit fees payable to the external auditor:		
Audit services	103	76
Other Auditor Remuneration	8	4
NHS Charitable Fund Accounts	0	0
Internal audit	143	130
Clinical negligence	12,247	12,403
Legal Fees	340	224
Insurance	169	185
Research and development - staff costs	1,350	1,240
Research and development - non staff	37	42
Education and training - staff costs	0	0
Education and training - non staff	681	493
Education and training - apprenticeship fund	591	279
Operating lease expenditure	3,243	3,027
Redundancy	24	0
Charges to operating expenditure for on-SOFP IFRIC 12 schemes e.g. PFI	23,779	22,284
Car Parking and security	15	18
Hospitality	58	78
Other losses and special payments	5	27
Other NHS Charitable funds resources expended	392	440
Other	2,613	3,966
TOTAL	**395,347**	**360,712**

Other expenditure includes numerous small amounts.

5.2 The Late Payment of Commercial Debts (interest) Act 1998

During the year 2019/20 the Trust paid £nil (2018/19 £1,000) for interest for the late payment of commercial debts.

6 Employee Expenses and Numbers

6.1 Employee Benefits

	Year Ended 31 March 2020			Year Ended 31 March 2019		
	Total	Permanent	Other	Total	Permanent	Other
	£'000	£'000	£'000	£'000	£'000	£'000
Salaries and wages	188,418	186,494	1,924	177,402	175,114	2,288
Social security costs	17,627	17,627	0	16,809	16,809	0
Apprenticeship Levy	933	933	0	866	866	0
Employer's contributions to NHS Pensions	20,478	20,478	0	19,386	19,386	0
Pension cost - employer contributions paid by NHSE on provider's behalf (6.3%)	8,886	8,886	0	0	0	0
Pension Cost - other	70	70	0	48	48	0
Termination Benefits	0	0	0	0	0	0
Temporary Staff (including agency)	13,511	0	13,511	13,655	0	13,655
NHS Charitable funds staff	53	53	0	46	46	0
Total	249,976	234,541	15,435	228,212	212,269	15,943

6.2 Average Number of Persons Employed

This information can now be found in the staff report section of the accountabiliy report within the annual report and accounts.

6.3 Employee Benefits

Employees benefits include payment of salaries/wages and pension contributions. There were no other employee benefits paid in 2019/20 (2018/19 £ nil).

6.4 Retirements due to Ill-health

During the year 2019/20 there were 2 (in 2018/19 there were 2) early retirements from the Trust on the grounds of ill-health.

The estimated additional pension liabilities of these ill-health retirements will be £132,352 (2018/19 £88,122).

The cost of these ill-health retirements is borne by the NHS Business Services Authority - Pensions Division, and therefore there is no liability or provision in the Trust annual report and accounts.

6.5 Sickness Absence

Foundation Trusts are not required to report information for 2019 in this year's accounts.
Sickness absence data for 2019/20 is published by NHS Digitaland and is available at:
https://digital.nhs.uk/data-and-information/publications/statistical/nhs-sickness-absence-rates

The detail of staff sickness / absence from work for the year are:

	For the year 2019	For the year 2018
Total Days Lost	0	45,354
Total Staff Years	0	4,345
Average Working Days Lost Per WTE	0	10

This sickness absence data represents the calendar year ended 31 December not the financial year.

6.6 Other Compensation Schemes and Exit Packages

This information can now be found in the staff report section of the annual report and accounts.

7 Directors' Remuneration and other benefits

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Salary	1,029	1,035
Taxable Benefits	4	5
Performance Related Bonuses	0	0
Employer contributions to a pension scheme	56	113
	1,089	1,153

Further details of directors' remuneration can be found in the remuneration report.

8 Operating Leases

8.1 Payments and future commitments

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Operating Lease Expense		
Minimum lease payments	3,243	3,027
	3,243	3,027
Total future minimum lease payments		
Payable:		
Not more than one year	1,892	2,614
Between one and five years	613	229
After 5 years	42	61
Total	2,547	2,904

8.2 Income and future receipts

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Contingent rent	359	359
	359	359
Total future minimum lease income		
Receivable:		
Not more than one year	355	359
Between one and five years	26	29
After 5 years	33	39
Total	414	427

9 Finance Income

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest on bank accounts	133	188
NHS Charitable funds: investment income	42	50
	175	238

10 Finance Expense - Financial Liabilities	Year ended 31 March 2020	Year ended 31 March 2019
Interest Expense:	£'000	£'000
Other	0	0
Finance Costs in PFI obligations		
Main Finance Costs	4,833	4,996
Contingent Finance Costs	6,939	6,800
	11,772	11,796

11 Corporation tax expense

The activities of the subsidiary company Dudley Clinical Services Limited have given rise to a corporation tax liability recognised in the Statement of Comprehensive Income of £48,000 (2018/19 £37,000). The activities of the Trust and the Charity do not incur corporation tax.

UK Corporation Tax Expense	Year ended 31 March 2020	Year ended 31 March 2019
Current tax expense	£'000	£'000
Current year	48	37
Adjustments in respect of prior years	0	0
Total income tax expense in Statement of Comprehensive Income	48	37

Reconciliation of effective tax rate	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Effective tax charge percentage	19.00%	19.00%
Tax if effective tax rate charged on surpluses before tax	652	(884)
Effect of:		
Surpluses not subject to tax	(604)	921
Total income tax charge for the year	48	37

The subsidiary company falls under the 'small profits' rate for corporation tax and tax rates are not planned to change from 19% for future financial years.

12 Intangible Assets

2019/20	Group and Foundation Trust		
	Computer Software	Asset Under Construction	Total
	£'000	£'000	£'000
Gross Cost as at 1 April 2019	9,174	4,529	13,703
Prior period Adjustments	0	0	0
Gross Cost as at 1 April 2019 restated	9,174	4,529	13,703
Additions Purchased	1,321	825	2,146
Additions Donated	0	0	0
Reclassification	2,418	(2,418)	0
Impairments	0	0	0
Disposals	(222)	0	(222)
Gross Cost as at 31 March 2020	12,691	2,936	15,627
Accumulated Amortisation as at 1 April 2019	5,258	0	5,258
Prior period Adjustments	0	0	0
Amortisation as at 1 April 2019 restated	5,258	0	5,258
Provided during the Year	890	0	890
Disposals	(222)	0	(222)
Accumulated Amortisation as at 31 March 2020	5,926	0	5,926
Net Book Value			
Purchased at 31 March 2019	3,902	4,529	8,431
Donated at 31 March 2019	14	0	14
Total at 31 March 2019	3,916	4,529	8,445
Net Book Value			
Purchased at 31 March 2020	6,751	2,936	9,687
Donated at 31 March 2020	14	0	14
Total at 31 March 2020	6,765	2,936	9,701

2018/19	Group and Foundation Trust		
	Computer Software	Asset Under Construction	Total
	£'000	£'000	£'000
Gross Cost as at 1 April 2018	8,194	0	8,194
Prior period Adjustments	0	0	0
Gross Cost as at 1 April 2018 restated	8,194	0	8,194
Additions Purchased	169	1,809	1,978
Additions Donated	0	0	0
Reclassification*	1,184	2,720	3,904
Impairments	0	0	0
Disposals	(373)	0	(373)
Gross Cost as at 31 March 2019	9,174	4,529	13,703
Accumulated Amortisation as at 1 April 2018	4,902	0	4,902
Prior period Adjustments	0	0	0
Amortisation as at 1 April 2018 restated	4,902	0	4,902
Provided during the Year	729	0	729
Disposals	(373)	0	(373)
Accumulated Amortisation as at 31 March 2019	5,258	0	5,258
Net Book Value			
Purchased at 31 March 2018	3,270	0	3,270
Donated at 31 March 2018	22	0	22
Total at 31 March 2018	3,292	0	3,292
Net Book Value			
Purchased at 31 March 2019	3,902	4,529	8,431
Donated at 31 March 2019	14	0	14
Total at 31 March 2019	3,916	4,529	8,445

* Reclassification of £3,904,000 from assets under construction property, plant and equipment, see note 13.

A separate schedule for the Trust intangible assets has not been produced as the NHS Charity intangible assets represent just £nil (31 March 2019 £nil) of the net book value held by the Group and the subsidiary does not have any intangible assets.

13 Property, Plant and Equipment

13.1 2019/20

Group and Foundation Trust

	Total	Land	Buildings excluding dwellings	Dwellings	Assets under Construction & POA	Plant & Machinery	Transport Equipment	Information Technology	Furniture & Fittings
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost at 1 April 2019	214,021	11,415	156,724	0	3	33,151	152	11,660	916
Additions - purchased	5,694	0	2,731	0	674	1,096	0	1,186	7
Additions - leased	810	0	0	0	0	810	0	0	0
Additions - donated	60	0	38	0	0	12	0	10	0
Impairments charged to operating expenses	(82)	0	(82)	0	0	0	0	0	0
Impairments charged to the revaluation reserve	(8,312)	0	(8,312)	0	0	0	0	0	0
Reclassifications	0	0	0	0	(3)	0	0	3	0
Revaluations	35	35	0	0	0	0	0	0	0
Disposals	(2,593)	0	0	0	0	(1,827)	(110)	(656)	0
Cost at 31 March 2020	209,633	11,450	151,099	0	674	33,242	42	12,203	923
Accumulated depreciation at 1 April 2019	32,545	0	0	0	0	24,214	133	7,502	696
Provided during the year	8,028	0	4,562	0	0	2,143	9	1,260	54
Impairments charged to operating expenses	(54)	0	(54)	0	0	0	0	0	0
Impairments charged to the revaluation reserve	(4,507)	0	(4,507)	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Disposals	(2,593)	0	0	0	0	(1,827)	(110)	(656)	0
Accumulated depreciation at 31 March 2020	33,419	0	1	0	0	24,530	32	8,106	750
Net book value									
NBV - Owned at 31 March 2019	38,680	11,415	18,345	0	3	4,588	19	4,103	207
NBV - PFI at 31 March 2019	142,509	0	138,379	0	0	4,130	0	0	0
NBV - Donated at 31 March 2019	287	0	0	0	0	219	0	55	13
NBV total at 1 April 2019	181,476	11,415	156,724	0	3	8,937	19	4,158	220
NBV - Owned at 31 March 2020	38,567	11,450	17,829	0	674	4,384	10	4,047	173
NBV - PFI at 31 March 2020	137,434	0	133,269	0	0	4,165	0	0	0
NBV - Donated at 31 March 2020	213	0	0	0	0	163	0	50	0
NBV total at 31 March 2020	176,214	11,450	151,098	0	674	8,712	10	4,097	173

A separate schedule for the Trust tangible assets has not been produced as neither the NHS Charity or the subsidiary Dudley Clinical Services Limited have any tangible assets.

13 Property, Plant and Equipment (continued)

13.2 2018/19

Group and Foundation Trust

	Total	Land	Buildings excluding dwellings	Dwellings	Assets under Construction & POA	Plant & Machinery	Transport Equipment	Information Technology	Furniture & Fittings
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost at 1 April 2018	271,715	25,150	195,401	0	4,575	34,707	145	10,822	915
Additions - purchased	7,002	0	4,069	0	3	1,699	7	1,186	38
Additions - leased	1,999	0	0	0	0	1,999	0	0	0
Additions - donated	99	0	0	0	0	77	0	22	0
Impairments charged to operating expenses	(185)	0	(185)	0	0	0	0	0	0
Impairments charged to the revaluation reserve	(42,569)	0	(42,569)	0	0	0	0	0	0
Reclassifications *	(3,904)	0	8	0	(4,575)	5	0	658	0
Revaluations	(13,735)	(13,735)	0	0	0	0	0	0	0
Disposals	(6,401)	0	0	0	0	(5,336)	0	(1,028)	(37)
Cost at 31 March 2019	214,021	11,415	156,724	0	3	33,151	152	11,660	916
Accumulated depreciation at 1 April 2018	35,342	0	0	0	0	27,160	118	7,412	652
Provided during the year	6,214	0	2,610	0	0	2,390	15	1,118	81
Impairments charged to operating expenses	(31)	0	(31)	0	0	0	0	0	0
Impairments charged to the revaluation reserve	(2,579)	0	(2,579)	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Disposals	(6,401)	0	0	0	0	(5,336)	0	(1,028)	(37)
Accumulated depreciation at 31 March 2019	32,545	0	0	0	0	24,214	133	7,502	696
Net book value									
NBV - Owned at 31 March 2018	57,879	25,150	20,062	0	4,575	4,437	27	3,365	263
NBV - PFI at 31 March 2018	178,227	0	175,339	0	0	2,888	0	0	0
NBV - Donated at 31 March 2018	267	0	0	0	0	222	0	45	0
NBV total at 1 April 2018	236,373	25,150	195,401	0	4,575	7,547	27	3,410	263
NBV - Owned at 31 March 2019	38,680	11,415	18,345	0	3	4,588	19	4,103	207
NBV - PFI at 31 March 2019	142,509	0	138,379	0	0	4,130	0	0	0
NBV - Donated at 31 March 2019	287	0	0	0	0	219	0	55	13
NBV total at 31 March 2019	181,476	11,415	156,724	0	3	8,937	19	4,158	220

* Reclassification of £3,904,000 from assets under construction to intangible assets under construction, see note 12.

A separate schedule for the Trust tangible assets has not been produced as neither the NHS Charity or the subsidiary Dudley Clinical Services Limited have any tangible assets.

13 Property, Plant and Equipment (continued)

13.3 Financing of Property, Plant and Equipment

	Group and Foundation Trust								
	Total	Land	Buildings excluding dwellings	Dwellings	Assets under Construction & POA	Plant & Machinery	Transport Equipment	Information Technology	Furniture & Fittings
Net Book Value	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2020									
Owned	38,567	11,450	17,829	0	674	4,384	10	4,047	173
On Statement of Financial Position PFI contracts and other service concession arrangements	137,434	0	133,269	0	0	4,165	0	0	0
Donated	213	0	0	0	0	163	0	50	0
	176,214	11,450	151,098	0	674	8,712	10	4,097	173
At 31 March 2019									
Owned	38,680	11,415	18,345	0	3	4,588	19	4,103	207
On Statement of Financial Position PFI contracts and other service concession arrangements	142,509	0	138,379	0	0	4,130	0	0	0
Donated	287	0	0	0	0	219	0	55	13
	181,476	11,415	156,724	0	3	8,937	19	4,158	220

A separate schedule for the Trust tangible assets has not been produced as neither the NHS Charity or the subsidiary Dudley Clinical Services Limited have any tangible assets.

13.4 Analysis of Property, Plant and Equipment

	Group and Foundation Trust								
	Total	Land	Buildings excluding dwellings	Dwellings	Assets under Construction & POA	Plant & Machinery	Transport Equipment	Information Technology	Furniture & Fittings
Net Book Value at 31 March 2020	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Commissioner Requested Assets	153,493	11,450	142,043	0	0	0	0	0	0
Non Commissioner Requested Assets	22,721	0	9,055	0	674	8,712	10	4,097	173
	176,214	11,450	151,098	0	674	8,712	10	4,097	173
Net Book Value at 31 March 2019									
Commissioner Requested Assets	158,772	11,415	147,357	0	0	0	0	0	0
Non Commissioner Requested Assets	22,704	0	9,367	0	3	8,937	19	4,158	220
	181,476	11,415	156,724	0	3	8,937	19	4,158	220

Commissioner Requested assets are land and buildings owned or leased by the Foundation Trust, the disposal of which may affect the Trust's ability to provide these requested goods and services.

13 Property, Plant and Equipment (continued)

13.5 Economic Life of Assets

The estimated useful economic lives of the Group's intangible and tangible assets are as follows with each asset being depreciated over this year, as described in accounting policy notes 1.5 and 1.6

	Minimum life years	Maximum life years
Intangible		
Software Licences	2	10
Tangible		
Buildings excluding dwellings	5	90
Dwellings	0	0
Assets under Construction & POA	0	0
Plant & Machinery	5	15
Transport Equipment	7	7
Information Technology	5	10
Furniture & Fittings	5	10

Land does not depreciate.

The Trust applied extended asset lives to operational buildings in 2018-19. The District Valuer provided management with an assessment of the physical lives based on a similar class of assets. Trust management then depreciated the buildings based on the extended life provided. In January 2019 The Royal Institute of Chartered Surveyors issued guidance clarifying that where a large asset includes a number of components with significantly different asset lives, then these components must be treated as separate assets and depreciated over their own useful lives. The Trust's asset valuation, undertaken as at 31 March 2019, took account of this clarification and has resulted in an increased depreciation charge in 2019/20.

13.6 Impairment Losses

The Trust carried out an impairment review of its non-current assets in March 2020 . For land and buildings the Trust received a valuation report from the District Valuer prepared on a Modern Equivalent Asset (MEA) basis. The valuation report was prepared in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards, 6th Edition, insofar as the terms are consistent with the requirements of HM Treasury, the National Health Service and NHSI. On application there was an increase in the value of land (£0.035m) and a general decrease in value of buildings (£3.833m) compared to the carrying value following the March 2019 valuation. In line with IFRS the Trust took the decrease in value of the buildings directly to the revaluation reserve. The valuation for the Guest Ambulatory Centre resulted in an impairment of £0.028m.
In addition the Trust undertook an impairment review of equipment and intangible assets. The carrying value of equipment and intangible assets was deemed to fairly reflect the value of the assets.

Impairment of Assets	31 March 2020 £'000	31 March 2019 £'000
Changes in market price	28	154
Unforeseen Obsolescence	0	0
Net impairments charged to the revaluation reserve	3,805	39,990
TOTAL IMPAIRMENTS	3,833	40,144

13.7 Asset Valuations

A Modern Equivalent Asset Optimised Alternative Site valuation was undertaken as at 1st April 2018 by the District Valuer. The underlying principal is that the valuation of land and buildings should reflect a modern configuration of the estate required for the provision of the same services as already provided by the existing estate. With service delivery requirements evolving, this requires the Trust to consider whether the existing buildings and sites are optimal in terms of number and size. If the Trust were starting with a 'clean sheet', the Modern Equivalent Asset aligned to service delivery would be very different to the current layout in terms of building configuration and the size of the land. The net book value of the Trust's land and buildings decreased by £52,412,000 between 31 March 2018 and 31 March 2019, of which £41,768,000 was the result of using an optimised alternative site valuation.
A further valuation has been undertaken as at 31 March 2020 to update the costs assumptions within the valuation. Details of this are included in note 13.6 above.
As part of the valuation undertaken as at 31 March, in applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuer has concluded on the basis of uncertainties in markets caused by COVID-19 that:
"The duration of the impact and understanding of likely short, medium to long term effects are hard to predict currently. As further market evidence comes available then the full extent of the COVID-19 impact will become clearer. We therefore strongly recommend that a future impairment review is also undertaken."
This is not meant to suggest that the valuation cannot be relied upon; rather, it is used in order to be clear and transparent with all parties, in a professional manner that in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case.
There has been no diminution identified in the Trust's ongoing requirement for these operational assets nor reduction in their ongoing remaining economic service potential as a result of the incidence of COVID-19.
The valuer uses BCIS cost indices in arriving at their valuation. BCIS have stated that they consider new construction output is likely to fall in 2020 as a result of the Covid-19 outbreak, as it affects labour availability on sites and delays or leads to cancellation of projects in the pipeline. However, at the present time, BCIS have

advised that it is too early for COVID-19 related issues to impact on BCIS indices published and adopted in the valuations. The values in the report have been used to inform the measurement of property assets at valuation in these financial statements.
The valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust.

13.8 Non Current Assets Held For Sale

During the year 2019/20 there were no Non Current Assets held for sale (2018/19 £ nil).

13.9 Capital Commitments

Commitments under capital expenditure contracts at the end of the year, not otherwise included in the annual report and accounts were £964,000 (2018/19 £1,025,000). The amount relating to property, plant and equipment is £508,000 (2018/19 £207,000) and intangible assets £456,000 (2018/19 £817,000).

13.10 Gains/losses on disposal /derecognition of assets

	31 March 2020 £'000	31 March 2019 £'000
Gains on disposal/derecognition of other property, plant and equipment	29	0
Losses on disposal/derecognition of other property, plant and equipment	0	0
	29	0

14 Other Investments / financial assets

14.1 Investments

	Group	
	2019/20	2018/19
Current	£'000	£'000
NHS Charitable funds: investments/financial assets	500	500
Non Current		
NHS Charitable funds: investments/financial assets	1,186	1,360
Total	1,686	1,860

Current funds are cash funds held by The Dudley Group NHS Foundation Trust Charity which are deposited in a fixed term deposit account.

Non current funds are investments in stocks and shares which are only held by The Dudley Group NHS Foundation Trust Cha

Movements in Non current Investments

	2019/20	2018/19
	£'000	£'000
Carrying Value at 1 April	1,360	1,316
Prior period adjustment	0	0
Carrying Value at 1 April restated	1,360	1,316
Fair value movements taken to OCI (for equity instruments designated as FV through OCI)	(174)	44
Carrying Value at 31 March	1,186	1,360

A separate schedule for the Trust investments or financial assets has not been produced as the Trust does not have any investments or financial assets(2018/19 £nil).

14.2 Subsidiaries

The Trust wholly owns the subsidiary company Dudley Clinical Services Limited with a share of £1. Dudley Clinical Services Limited, was registered in the UK company number 8245934 ,and commenced trading on 9 October 2012.

The registered address for the Trust, Charity and Subsidiary is Russells Hall Hospital, Dudley, DY1 2HQ.

15 Inventories

	Group		Foundation Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£'000	£'000	£'000	£'000
Drugs	1,996	2,301	1,802	2,129
Consumables	1,426	1,346	1,426	1,346
Energy	24	11	24	11
Other	36	39	36	39
TOTAL Inventories	3,482	3,697	3,288	3,525

The Trust expensed £32,193,000 of inventories during the year (2018/19 £31,391,000).

The Trust charged £nil to operating expenses in the year due to write-downs of obsolete inventories (2018/19 £nil)

16 Receivables

16.1 Trade and Other Receivables

	Group		Foundation Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Current	£'000	£'000	£'000	£'000
Contract receivables (IFRS15): invoiced	14,016	5,525	14,016	5,525
Contract receivables (IFRS15): not yet invoiced/non-invoiced	7,341	6,477	7,341	6,477
Contract assets (IFRS15)	941	930	950	930
Allowance for impaired contract receivables/assets	(345)	(389)	(345)	(389)
Allowance for other receivables	0	0	0	0
Deposits and Advances	9	7	9	7
Prepayments(revenue) non PFI	1,977	2,010	1,973	2,006
Interest Receivable	11	12	11	12
PDC dividend receivable	81	0	81	0
VAT Receivable	1,459	1,277	1,260	1,117
Corporation and other taxes receivable	0	0	0	0
Clinician pension tax provision reimbursement funding from NHSE	0	0	0	0
Other receivables	0	0	0	0
NHS Charitable funds: receivables	11	10	0	0
TOTAL CURRENT RECEIVABLES	25,501	15,859	25,296	15,685

	Group		Foundation Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Non Current	£'000	£'000	£'000	£'000
Contract assets (IFRS15)	1,247	1,251	1,247	1,251
Allowance for impaired contract receivables/assets	(272)	(274)	(272)	(274)
Prepayments(revenue) non PFI	1,740	1,828	1,740	1,828
PFI Lifecycle prepayments (revenue)	8,997	7,909	8,997	7,909
Clinician pension tax provision reimbursement funding from NHSE	753	0	753	0
Other Receivables	0	0	0	0
NHS Charitable funds: receivables	1	2	0	0
TOTAL NON-CURRENT RECEIVABLES	12,466	10,716	12,465	10,714
Of which receivable from NHS and DHSC group bodies:				
Current	20,441	10,604	20,441	10,604
Non-current	753	0	0	0

Current and non current contract assets include the NHS Injury Scheme (was RTA).

Included within trade and other receivables of both Group and Trust are balances with a carrying amount of £9,308,000 (31 March 2019 £2,367,000) which are past due at the reporting date but for which no specific provision has been made as they are considered to be recoverable based on previous trading history.

16.2 Allowances for credit losses (doubtful debts)

	Group and Foundation Trust		
	Total	Contract Receivables/ Contract Assets	All Other Receivables
	£'000	£'000	£'000
Allowances at 1 April 2019	663	663	0
Changes in existing allowances	497	497	0
Reversals of allowances (where receivable is collected in year)	(436)	(436)	0
Utilisation of allowances (where allowance is written off)	(107)	(107)	0
Allowances as at 31 March 2020	617	617	0

Loss/(gain) recognised in expenditure note 5. 61

16 Receivables (continued)

16.2 Allowances for credit losses (doubtful debts)(continued)

	Group and Foundation Trust		
	Total	Contract Receivables/ Contract Assets	All Other Receivables
	£'000	£'000	£'000
Allowances at 1 April 2018	854	0	854
Impact of implementing IFRS9 and (IFRS15)	0	854	(854)
New allowances arising	0		0
Changes in existing allowances	478	478	0
Reversals of allowances (where receivable is collected in year)	(456)	(456)	0
Utilisation of allowances (where allowance is written off)	(213)	(213)	0
Allowances as at 31 March 2019	663	663	0
Loss/(gain) recognised in expenditure note 5.	22		

16.3 Analysis of receivables with credit loss assessment

	Group and Foundation Trust			
	31 March 2020		31 March 2019	
	Contract Receivables and Contract Assets	Other Receivables	Contract Receivables and Contract Assets	Other Receivables
Ageing Analysis	£'000	£'000	£'000	£'000
0 - 30 Days	10	0	36	0
30 - 60 Days	13	0	45	0
60 - 90 Days	60	0	38	0
90 - 180 Days	81	0	78	0
over 180 Days (over 6 months)	453	0	466	0
Total	617	0	663	0

16.4 Analysis of receivables without credit loss assessment

	Group and Foundation Trust			
	31 March 2020		31 March 2019	
	Contract Receivables and Contract Assets	Other Receivables	Contract Receivables and Contract Assets	Other Receivables
Ageing Analysis	£'000	£'000	£'000	£'000
0 - 30 Days	1,654	0	1,476	0
30 - 60 Days	4,948	0	361	0
60 - 90 Days	294	0	152	0
90 - 180 Days	695	0	456	0
over 180 Days (over 6 months)	1,715	0	1,398	0
Total	9,306	0	3,843	0

Separate schedules for the Trust analysis of receivables have not been produced as the NHS Charity receivables are without credit loss assessment and represent just £11,000 (31 March 2019 £12,000) of the value shown by the Group in the 0-30 days category and the subsidiary did not have any receivables outstanding .

Credit loss impairments are not recognised against NHS receivables, in accordance with the DHSC Group Accounting Manual.

17 Cash and Cash Equivalents

	Group		Foundation Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£'000	£'000	£'000	£'000
At 1 April	9,276	14,113	8,269	13,496
Transfers By Absorption	0	0	0	0
Net change in year	(4,139)	(4,837)	(4,079)	(5,227)
At 31 March	5,137	9,276	4,190	8,269
Analysed as follows:				
Cash at commercial banks and in hand	708	661	2	2
Cash with the Government Banking Service	4,429	8,615	4,188	8,267
Other current investments	0	0	0	0
Cash and cash equivalents as in Statement of Financial Position	5,137	9,276	4,190	8,269
Bank overdraft	0	0	0	0
Cash and cash equivalents as in Statement of Cash Flows	5,137	9,276	4,190	8,269

18 Trade and Other Payables

	Group		Foundation Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Current	£'000	£'000	£'000	£'000
Trade payables	6,459	5,075	6,457	4,833
Capital payables	1,452	1,715	1,452	1,715
Accruals	4,862	1,808	4,703	1,773
Vat payable	111	126	111	126
Taxes payable	5,008	7,527	4,960	7,488
PDC dividend payable	0	392	0	392
Other payables	15,205	12,202	15,205	12,202
NHS Charitable Funds trade and other payables	63	32	0	0
TOTAL CURRENT TRADE & OTHER PAYABLES	33,160	28,877	32,888	28,529
Non Current				
Trade payables	0	0	0	0
TOTAL NON CURRENT TRADE & OTHER PAYABLES	0	0	0	0
Of which payables from NHS and DHSC group bodies:				
Current:	6,025	5,279	6,025	5,279
Non-current:-	0	0	0	0

Taxes payable consists of employment taxation only (Pay As You Earn and National Insurance contributions), owed to HM Revenue and Customs at the year end, and Corporation Tax payable by the subsidiary Dudley Clinical Services Limited.

Non-current liabilities are £nil (31 March 2019 £nil).

19 Borrowings

	Group and Foundation Trust	
	As at 31 March 2020	As at 31 March 2019
Current	£'000	£'000
Obligations under Private Finance Initiative contracts (excl lifecycle)	5,510	5,454
Total Current borrowings	5,510	5,454
Non Current		
Obligations under Private Finance Initiative contracts	113,999	118,731
Total Other non Current Liabilities	113,999	118,731

A separate schedule for the Trust borrowings has not been produced as neither the NHS Charity or the subsidiary Dudley Clinical Services Limited have any borrowings.

20 Provisions

	Group and Foundation Trust Current		Group and Foundation Trust Non Current	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£'000	£'000	£'000	£'000
Other legal claims	241	180	0	0
Restructuring	0	0	0	0
Redundancy	0	0	0	0
Clinical pension tax reimbursement	0	0	753	0
Other	0	0	0	0
Total	241	180	753	0

	Total	Other legal claims	Restructuring	Redundancy	Clinical pension tax reimbursement	Other
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2019	180	180	0	0	0	0
Arising during the year	981	228	0	0	753	0
Utilised during the year - accruals	0	0	0	0	0	0
Utilised during the year - cash	(67)	(67)	0	0	0	0
Reversed unused	(100)	(100)	0	0	0	0
At 31 March 2020	994	241	0	0	753	0
Expected timing of cashflows:						
- not later than one year;	241	241	0	0	0	0
- later than one year and not later than five years;	0	0	0	0	0	0
- later than five years.	753	0	0	0	753	0
TOTAL	994	241	0	0	753	0

Other Legal Claims include claims under Employers' and Public Liability.

Clinicians pension tax reimbursement relates to costs associated with the pension tax scheme. Clinicians who are members of the NHS Pension Scheme and who as a result of work undertaken in this tax year (2019/20) face a tax charge in respect of the growth of their NHS pension benefits above their pension savings annual allowance threshold will be able to have this charge paid by the NHS Pension Scheme. Individual Trusts have been instructed to reflect this future estimated liability within the provisions note and include a corresponding amount as owing from NHS England within the receivables note.

The NHS Litigation Authority has included in its provisions at 31 March 2020 £229,632,000 (2018/19 £212,637,000) in respect of clinical negligence liabilities for the Trust.

21 Other Liabilities

Current	Group 31 March 2020 £'000	Group 31 March 2019 £'000	Foundation Trust 31 March 2020 £'000	Foundation Trust 31 March 2019 £'000
Deferred Income	2,518	1,744	2,518	1,744
TOTAL OTHER CURRENT LIABILITIES	2,518	1,744	2,518	1,744

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

22 Deferred Tax

Liability for corporation tax only arises from the activity of the commercial subsidiary, the activities of the Trust do not incur corporation tax, see accounting policy note 1.18 for detailed explanation.

The subsidiary did not have any deferred tax in 2019/20 (2018/19 £nil).

23 Events after the reporting year

The impact of COVID-19 was felt by Trusts at the very end of 2019/20 financial year, with significant impact continuing during 2020/21.

DHSC has initiated changes to provide stability and support to the wider NHS through additional revenue and capital funding in 2019/20 which will continue in to 2020/21.

Aligned to this is the temporary suspension of the Payment by Results mechanism and for an initial period covering 1 April 2020 - 31 July 2020, the introduction of block contract payments from commissioners along with a central 'top-up' payment from NHSE/I.

24 Contingencies

Neither the Group nor the Trust have any contingent assets or liabilities in 2019/20 (2018/19 £nil).

25 Related Party Transactions

The Dudley Group NHS Foundation Trust is a public benefit corporation which was established under the granting of authority by Monitor, the Independent regulator for Foundation Trusts. The Trust has taken advantage of the partial exemption provided by IAS 24 'Related Party Disclosures', where the Government of the United Kingdom is considered to have ultimate control over the Trust and all other related party entities in the public sector.

The Trust considers other NHS Foundation Trusts to be related parties, as they and the Trust are under the common performance management of NHS Improvement - part of the NHS in England. During the year the Trust contracted with certain other Foundation Trusts for the provision of clinical and non clinical support services. The Department of Health is also regarded as a related party. During the 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 organisation.

The Trust has had a number of material transactions with other Government Departments and Local Government Bodies. These related parties are summarised below by Government Department, with disclosure of the total balances owed and owing as at the reporting date and the total transactions for the reporting year with the Trust.

Group	Year ended 31 March 2020				Year ended 31 March 2019			
	Income	Expenditure	Receivable	Payable	Income	Expenditure	Receivable	Payable
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Birmingham Women's and Children's Foundation Trust	10	558	2	219	7	744	2	270
Black Country Partnership Foundation Trust	206	481	36	142	191	477	24	76
University Hospitals Birmingham Foundation Trust	332	230	145	212	128	461	50	230
Dudley & Walsall Mental Health Trust	2,601	0	0	0	2,356	7	63	0
The Royal Wolverhampton Trust	2,436	13,022	541	2,886	2,698	5,630	459	525
Sandwell & West Birmingham Trust	2,315	863	374	381	1,885	1,001	15	386
Worcestershire Acute Hospitals Trust	342	1,282	155	411	321	1,263	51	639
Birmingham & Solihull CCG	1,884	0	8	0	1,800	0	43	4
Cannock Chase CCG	930	0	0	17	656	0	88	0
Dudley CCG	243,751	76	6,947	1,626	223,609	11	3,082	1,537
Redditch & Bromsgrove CCG	938	0	30	5	879	0	32	1
Sandwell & West Birmingham CCG	40,437	61	647	75	38,659	23	1,242	74
Shropshire CCG	1,105	0	94	0	874	0	92	0
South East Staffs & Seisdon Peninsular CCG	11,363	0	111	33	11,063	0	585	28
Walsall CCG	2,873	0	251	504	2,411	0	0	51
Wolverhampton CCG	5,546	0	357	97	4,753	0	0	230
Wyre Forest CCG	5,652	0	219	11	5,258	0	5	22
NHS England	58,055	197	7,297	157	46,597	100	534	194
Health Education England	11,217	0	1	13	10,970	0	4	18
NHS Resolution	0	12,375	0	0	0	12,572	0	1
Other related parties - Whole of Government Accounts								
Dudley Metropolitan Borough Council	2,224	0	66	63	2,294	4	232	7
HMRC	0	18,608	1,459	5,119	0	17,712	1,277	7,527
NHS Pensions	0	29,364	0	0	0	19,386	0	0
NHS Blood & Transplant	15	1,577	0	407	11	1,510	1	290

25 Related Party Transactions (continued)

Key management personnel, namely the Trust Board Directors, are those persons having authority and responsibility for planning, directing and controlling the activities of the Trust. During the year none of the key management personnel have parties related to them that have undertaken any material transactions with The Dudley Group NHS Foundation Trust.

The table below details, on an aggregate basis, key management personnel compensation:

	31 March 2020	31 March 2019
Compensation	£'000	£'000
Salaries and short-term benefits	1025	1,035
Post-employment benefits	280	395
	1,305	1,430

The following members of the Trust Board hold positions in the organisations stated below. However, the value of transactions between the Trust and these organisations is minimal unless disclosed in the table on page 174.

	Trust position	Other Body	Position held
Yve Buckland	Chairperson	The Royal Orthopaedic Hospital NHS Foundation Trust	Chairperson
Gary Crowe	Non Executive Director	University Hospital of North Staffordshire NHS Trust	Non Executive Director
Elizabeth Hughes	Non Executive Director	Health Education England	Deputy Medical Director
Vijith Randeniya	Associate Non Executive Director	Birmingham Women's and Children's Foundation Trust	Vice Chairman

The annual report and accounts of the parent (the Trust) are presented together with the consolidated annual report and accounts and any transactions or balances between Group entities have been eliminated on consolidation. The Dudley Group NHS Foundation Trust Charity has a Corporate Trustee who are the Board members of the Trust. The Board members of Dudley Clinical Services Limited include the following Non Executive Directors from the Trust: Richard Miner as Chairman and Jonathan Hodgkin as a Director.

Dudley Clinical Services Limited does not have any transactions with any NHS or Government entity except those with its parent, the Trust and HMRC. The Group receivables includes £203,000 owed to the subsidiary (£211,000 2018/19) and £11,000 owed to The Dudley Group NHS Foundation Charity (£12,000 2018/19), and the Group payables includes £482,000 (£363,000 2018/19) owed by the subsidiary and £63,000 (£32,000 2018/19) owed by The Dudley Group NHS Foundation Charity.

26 Private Finance Initiatives

26.1 PFI schemes on the Statement of Financial Position

The Dudley PFI project provided for the refurbishment and new building of major inpatient facilities at Russells Hall Hospital, the building of new facilities at Guest Hospital and Corbett Hospital. The Capital value of the scheme was £160,200,000. The Project agreement runs for 40 years from May 2001. The Dudley PFI is a combination of buildings (including hard Facilities Managed (FM) services) and a significant range of allied and clinical support services.

The standard Unitary Payment changes periodically as a consequence of:

- Inflation (based on RPI and reviewed annually)
- Deductions for poor performance (Deficiency points and financial penalties for poor performance or non-compliant incidents).
- Variations to the Project Agreement (PA) (agreed under Variations procedure in the PA)
- 50% of market testing or refinancing impact
- Energy tariff adjuster (the difference between actual energy tariff changes and the uplift that comes through RPI)
- Volume adjuster (computed by comparing actual in patient days against that in the schedule, with a tolerance of plus or minus 3%)

The Trust has the rights to use the specified assets for the length of the Project Agreement and has the rights to expect provision of the range of allied and clinical support services. At the end of the Project Agreement the assets will transfer back to the Trust's ownership.

The PFI transaction meets the IFRIC 12 definition of a service concession, as interpreted in the Annual Reporting Manual (ARM) issued by Monitor, and therefore the Trust is required to account for the PFI scheme 'on-balance sheet' and this means that the Trust treats the asset as if it were an asset of the Trust and the substance of the contract is that the Trust has a finance lease and payments comprise two elements, an imputed finance lease charge and service charges.

26 Private Finance Initiatives (continued)

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Gross PFI Liabilities	131,481	135,989
of which liabilities are due		
- not later than one year;	17,482	17,258
- later than one year and not later than five years;	22,040	21,816
- later than five years.	91,959	96,915
Finance charges allocated to future periods	(11,972)	(11,804)
Net PFI liabilities	**119,509**	**124,185**
- not later than one year;	5,510	5,454
- later than one year and not later than five years;	22,040	21,816
- later than five years.	91,959	96,915

The Trust is committed to make the following payments for on-SoFP PFIs obligations during the next year in which the commitment expires:

	31 March 2020 £'000	31 March 2019 £'000
- not later than one year;	41,992	44,198
- later than one year and not later than five years;	167,968	176,794
- later than five years.	671,870	751,373
Total	**881,830**	**972,365**

Analysis of amounts payable to the service concession operator:

	31 March 2020 £'000	31 March 2019 £'000
Unitary payment payable to the concession operator	**40,938**	**39,660**
Consisting of:		
- Interest charge	4,833	4,996
- Repayment of finance lease liability	5,006	5,911
- Service element	21,160	20,499
- Capital lifecycle maintenance	2,586	1,454
- Contingent rent	6,939	6,800
- Addition to lifecycle prepayment	414	0
Total amount paid to concession operator	40,938	39,660

Other amounts paid to the service concession operator but not part of the unitary payment

	31 March 2020 £'000	31 March 2019 £'000
Amounts charges to revenue	2,619	1,785
Amounts capitalised	1,022	1,934
Total amount paid to the service concession operator	44,579	43,379

Total length of the project (years)	40
Number of years to the end of the project	21

26.2 PFI schemes off the Statement of Financial Position

The Trust does not have any PFI schemes which are deemed to be off-statement of financial position.

27 Financial Instruments and Related Disclosures

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. The nature of the Trust's activities means that exposure to risk, although not eliminated, is substantially reduced.

The key risks that the Trust has identified are as follows:

27.1 Financial Risk

Because of the continuing service provider relationship that the Trust has with Clinical Commissioning Groups (CCGs) and the way those CCGs are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's standing financial instructions and policies agreed by the Board of Directors. Trust treasury activity is subject to review by the Finance and Performance Committee.

27.2 Currency Risk

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

27.3 Market (Interest Rate) Risk

All of the Trust financial assets and all of its financial liabilities carry nil or fixed rates of interest. The Trust is not therefore, exposed to significant interest rate risk.

27.4 Credit Risk

The majority of the Trust's income comes from contracts with other public sector bodies, resulting in low exposure to credit risk. The maximum exposures as at 31 March 2020 are in receivables from customers, as disclosed in note 17 to the annual report and accounts. The Trust mitigates its exposure to credit risk through regular review of debtor balances and by calculating a bad debt provision at the end of the year.

27.5 Liquidity Risk

The Trust’s net operating costs are incurred under annual service agreements with Clinical Commissioning Groups and NHS England, which are financed from resources voted annually by Parliament. The Trust ensures that it has sufficient cash to meet all its commitments when they fall due. This is regulated by the Trust’s compliance with the ‘Financial Sustainability Risk Rating’ system created by Monitor, the Independent Regulator of NHS Foundation Trusts. In addition should the Trust identify a shortfall on cash it has the ability to borrow from the FT financing facility. The Board continues to monitor its monthly and future cash position and has

governance arrangements in place to manage cash requirements throughout the year. The Trust is not, therefore, exposed to significant liquidity risks.

27.6 Fair Values

All of the financial assets and all of the financial liabilities of the Trust are measured at fair value on recognition and subsequently amortised cost.

27 Financial Instruments and Related Disclosures (continued)

27.7 Financial Assets and Liabilities By Category

The following tables show by category the financial assets and financial liabilities at 31 March 2020. The values are shown at amortised cost which is representative of the carrying value.

	Group			Foundation Trust	
Financial Assets as at 31 March 2020	Total	Valued at amortised cost	Investments in equity instruments designated at fair value through OCI	Total	Valued at amortised cost
	£'000	£'000	£'000	£'000	£'000
Receivables (excluding non financial assets) with NHS and DH bodies	21,113	21,113	0	21,113	21,113
Receivables (excluding non financial assets) with other bodies	2,579	2,579	0	2,376	2,376
Other investments and Financial Assets	0	0	0	0	0
Cash and cash equivalents	4,896	4,896	0	4,190	4,190
Consolidated NHS Charitable fund financial assets	1,939	753	1,186	0	0
	30,527	29,341	1,186	27,679	27,679

A financial asset is measured at fair value through other comprehensive income where business model objectives are met by both collecting contractual cash flows and selling financial assets and where the cash flows are solely payments of principal and interest. Movements in the fair value of financial assets in this category are recognised as gains or losses in other comprehensive income except for impairment losses. On derecognition, cumulative gains and losses previously recognised in other comprehensive income are reclassified from equity to income and expenditure, except where the Trust elected to measure an equity instrument in this category on initial recognition. The Trust has irrevocably elected to measure the charity equity instruments at fair value through other comprehensive income.

	Group		Foundation Trust	
Financial Liabilities as at 31 March 2020				
	£'000	£'000	£'000	£'000
Obligations under Private Finance Initiative contracts	119,509	119,509	119,509	119,509
Trade and other payables (excluding non financial liabilities) with NHS and DH bodies	5,527	5,527	5,527	5,527
Trade and other payables (excluding non financial liabilities) with other bodies	17,589	17,589	17,430	17,430
Provisions under contract	994	994	994	994
Consolidated NHS Charitable Fund financial liabilities	63	63	0	0
	143,682	143,682	143,460	143,460

27 Financial Instruments and Related Disclosures (continued)

27.8 Financial Assets and Liabilities By Category (continued)

The following tables show by category the financial assets and financial liabilities at 31 March 2019. The values are shown at amortised cost which is representative of the carrying value.

	Group			Foundation Trust	
Financial Assets as at 31 March 2019	Total	Valued at amortised cost	Investments in equity instruments designated at fair value through OCI	Total	Valued at amortised cost
	£'000	£'000	£'000	£'000	£'000
Receivables (excluding non financial assets) with NHS and DH bodies	10,603	10,603	0	10,603	10,603
Receivables (excluding non financial assets) with other bodies	2,929	2,929	0	2,882	2,882
Other investments and Financial Assets	0	0	0	0	0
Cash and cash equivalents	8,928	8,928	0	8,928	8,928
Consolidated NHS Charitable fund financial assets	2,220	860	1,360	0	0
	24,680	23,320	1,360	22,413	22,413

	Group		Foundation Trust	
Financial Liabilities as at 31 March 2019				
	£'000	£'000	£'000	£'000
Obligations under Private Finance Initiative contracts	124,185	124,185	124,185	124,185
Trade and other payables (excluding non financial liabilities) with NHS and DH bodies	4,465	4,465	4,465	4,465
Trade and other payables (excluding non financial liabilities) with other bodies	14,629	14,629	14,266	14,266
Provisions under contract	180	180	180	180
Consolidated NHS Charitable Fund financial liabilities	32	32	0	0
	143,491	143,491	143,096	143,096

27 Financial Instruments and Related Disclosures (continued)

27.9 Maturity of Financial Liabilities	Group		Foundation Trust	
	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019
	£000	£000	£000	£000
In One Year or Less	28,930	24,760	28,708	24,002
In more than one year but not more than two years	5,510	5,454	5,510	5,454
In more than two years but not more than five years	16,530	16,362	16,530	16,362
In more than five years	92,712	96,915	92,712	96,915
Total	143,682	143,491	143,460	142,733

28 Third Party Assets

The Trust held £2,000 as cash at bank or in hand at 31 March 2020 (31 March 2019 £2,000) which related to monies held by the Trust on behalf of patients. These balances are excluded from cash at bank and in hand figures reported in the annual report and accounts note 18 on page 174.

29 Losses and Special Payments

NHS Foundation Trusts are required to record payments and other adjustments that arise as a result of losses and special payments on an accruals basis, excluding provisions for future losses.

	2019/20		2018/19	
	Number	Value £000	Number	Value £000
Loss of Cash	2	6	0	0
Fruitless payments	0	0	1	7
Bad debts and claims abandoned	54	50	95	469
Damage to Buildings, property etc. due to:				
Theft	0	0	2	0
Stores losses	3	102	1	1
Total Losses	59	158	99	477
Ex gratia payments	25	35	26	34
Total Special Payments	25	35	26	34
Total Losses and Special Payments	84	193	125	511

There were no (2018/19 £nil) clinical negligence, fraud, personal injury, compensation under legal obligations or fruitless payment cases where the net payment for the individual case exceeded £300,000

30 Auditors' Liability

In accordance with the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008, the liability of the Trust Auditor, PricewaterhouseCoopers LLP is restricted to £1,000,000 in respect of liability to pay damages for losses arising as a direct result of breach of contract or negligence in respect of services provided in connection with or arising from their letter of engagement dated 28 February 2020.