

The Newcastle upon Tyne Hospitals NHS
Foundation Trust and Group

Annual Report and Accounts

2019/20

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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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CHAIR AND CHIEF EXECUTIVE INTRODUCTION

Our annual report this year is written as we begin to emerge from the height of the COVID-19 pandemic and what has been one of the most challenging periods in the NHS's history.

On 31 January 2020, our High Consequence Infectious Disease Unit received the first patients in the UK who were confirmed to have the virus, which had been first identified in China during late 2019.

Our teams responded magnificently to support these patients and set the standard for the outstanding clinical response which has continued throughout recent months. The whole Trust, city and the wider NHS has been focussed on the pandemic throughout 2020. The local and national outpouring of support for the NHS through the '#ClapforCarers' has been warmly welcomed by staff across the organisation.

Following national guidance, the annual reporting arrangements for Trusts have been streamlined; however we hope this report still provides a flavour of our outstanding achievements over an exciting year.

Most notably we were very proud to be awarded our second 'Outstanding' rating by the Care Quality Commission (CQC) in May 2019, reaffirming our position as one of the UK's top hospitals. The quality of care that we provide for patients has always been, and will continue to be, our driving force each day. Our new Trust strategy which we launched in 2019 highlights how we will continue to ensure that people are at the heart of what we do, and the ambitions we have for the future.

This year, we became the first NHS Trust and the first health organisation in the world to declare a Climate Emergency, committing us to taking clear action to achieve net zero carbon. The significant impact of climate change on the health of the population makes it vitally important for us to take positive action to preserve the planet. We are now working hard to achieve this, and to support and encourage other NHS bodies to follow our lead.

Equality is very important to us in Newcastle, so it was with great pride that we achieved top 100 ranking on the Stonewall index for 2020 and also that we held our first British, Asian and Minority Ethnic (BAME) conference.

As we look ahead to 2020/21, we are restarting and rebuilding the NHS to respond to a world with COVID-19. None of us yet know what this will mean in the medium or long term, so we need to remain alert to the changing outlook. We need to support staff to recover from the personal and professional impact of the pandemic, and to think creatively about new ways of working.

What is clear is that Newcastle Hospitals will continue to provide excellent services which save and improve lives and which increasingly tackle health inequalities.

Thank you to everyone who supports us, our staff, our patients and the local community.



Dame Jackie Daniel
Chief Executive

24 June 2020



Professor Sir John Burn
Chair

OUR TRUST STRATEGY, VISION AND VALUES

Our vision, values, ambitions and strategic framework was agreed by our Board of Directors and launched at our Annual Members Meeting in 2019 following a period of discussion and engagement with a wide range of staff and stakeholders.

Our vision expresses our collective aspiration and purpose. It summarises our desire to achieve the highest standards in service delivery, improve health for local people and capitalise on our world class expertise and research capability. It builds on our history of proud and caring staff, delivering excellent healthcare and outstanding performance.

Our vision is:

'Newcastle Hospitals – Achieving local excellence and global reach through compassionate and innovative healthcare, education and research'

Our values, which were developed wholly by our staff and guide everything that we do as we grow to achieve our vision, are:

- **We care and are kind** - We care for our patients and their families, and we care for each other as colleagues.
- **We have high standards** - We work hard to make sure that we deliver the very best standards of care in the NHS. We are constantly seeking to improve.
- **We are inclusive** - Everyone is welcome here. We value and celebrate diversity, challenge discrimination and support equality. We actively listen to different voices.
- **We are innovative** - We value research, we seek to learn and to create and apply new knowledge.
- **We are proud** - We take huge pride in working here and we all contribute to our ongoing success.

These form part of the Trust's five-year strategy (2019 to 2024) which was developed within the organisation with clinical and managerial leaders and practitioners to ensure the clinical voice and expertise was at the heart of all of our developments.

Our challenge is not only to maintain and develop our own organisation, but also play a broader leadership role in improving the health and wellbeing of the city and system. It has been written in the context of system working, respecting the evolving architecture of the NHS as it develops Integrated Care Systems (ICS) and Integrated Care Partnerships (ICP).

Our strategy also sets out our specific ambitions and can be accessed on our website http://www.newcastle-hospitals.org.uk/downloads/About%20us%20pages/FINAL_NHS_Strategy.pdf.

SERVICE DEVELOPMENTS AND ACHIEVEMENTS

Each year our staff - with the support of commissioners and partners - set up and develop new and existing services and treatments. Here is just a snapshot of some of those developments, along with our achievements, over the last year:

Second ‘Outstanding’ rating by the Care Quality Commission (CQC)

In May, the Trust was rated ‘outstanding’ for the second time in a row by the CQC – just one of five in the country and the largest NHS organisation – to receive the accolade twice.

It followed a series of inspections by the independent health and social care regulator at the beginning of 2019, with further ‘unannounced’ visits taking place.

The report from the Chief Inspector of Hospitals, Professor Ted Baker, was the highest accolade possible for an NHS organisation and matched the rating the Trust received in 2016, although further improvements had been made since our last inspection.

In total, six of the nine key service areas – urgent and emergency services, surgery, critical care, maternity, end of life care and services for children and young people – were rated outstanding (two more than at the last inspection).

The Trust’s biggest hospitals – the Royal Victoria Infirmary (RVI) and the Freeman – along with the Dental Hospital also received the top rating and departments which had the highest level of scrutiny from the CQC – emergency care, end of life care and diagnostic imaging – all received incredibly positive reports.

It was also the first time inspectors looked at management and leadership to determine whether the Trust was ‘well-led’ and inspectors said:

‘Leaders had an inspiring shared purpose, which encouraged compassionate, inclusive and supportive relationships among staff so that they felt respected, valued and supported. All staff we spoke with told us and demonstrated the trust core value of “Putting patients at the heart of everything we do.”’

The recognition is a testimony to all our staff working across our hospitals and community settings and reflects our culture of continuous improvement, reaffirming our position as one of the UK’s top hospital trusts.

Newcastle teams first in UK to successfully use ‘ECMO’ machine as bridge to life-saving double lung transplant

Doctors successfully used the ‘ECMO’ machine as a bridge to a life-saving double lung transplant for five-year-old Joseph Nicholson. Joseph developed what initially appeared to be a mild pneumonia but his condition deteriorated rapidly and progressed to profound lung failure.

After receiving aggressive and extensive treatment over several months, his clinical team and family were faced with a critical dilemma – either Joseph received an urgent lung transplant or died from his condition.

In order to support and keep him alive while he waited for a potential donor; doctors used a specially configured ECMO arrangement which, essentially, kept him continuously on a heart-lung bypass machine.

ECMO - or Extra Corporeal Membrane Oxygenation - uses a pump to circulate blood through an artificial lung that oxygenates the blood and while it is used by a handful of centres in the UK for babies and children with severe heart or lung (respiratory) failure, it is much less common to be used as a bridge to lung transplantation.

This was an approach which had never successfully been tried before in the UK, and doctors at the Freeman and the RVI collaborated with colleagues from the United States to support Joseph and - after a number of weeks - he successfully underwent his transplant, receiving his new lungs from a donor in Europe. Joseph finally went home in May 2020 after spending nine months in hospital.

First to provide sight-saving stem cell breakthrough treatment to NHS patients

Sight-saving stem cell treatment was given to a young man whose left eye had been damaged by chemical or thermal eye burns - known as limbal stem cell deficiency (LSCD).

The procedure involves first taking a stem cell biopsy of the right good contra-lateral eye, which needs at least 1 to 2mm² of normal healthy tissue, before stem cells are cultured to create a new layer of healthy tissue which is then implanted back into the damaged eye by the surgeon, helping it to heal and repair the damaged corneal surface, restoring the patient's sight.

This operation was the first of a series that may benefit a number of blind patients over the next few years, not only from Newcastle but from across the whole of the UK, helping to restore their sight and comfort.

Pioneering technique to identify bone and soft tissue tumours

Surgeons became the first in Europe to use a pioneering technique to help identify sarcomas during surgery.

Sarcomas are cancers affecting any part of the body, including the muscle, bone, tendons, blood vessels and fatty tissues. Most commonly they affect the arms, legs and trunk and they account for around 1% of all cancers.

Surgery to remove a bone or soft tissue tumour involves removing the tumour and some of the surrounding healthy tissue; this is to allow any cancer cells that are not visible to the naked eye to be removed with the tumour, which can reduce the chance of the tumour coming back.

In an effort to reduce the amount of healthy tissue that needs to be removed a team based at the Freeman Hospital used a dye which makes cancerous tissue glow green using a specially developed infrared camera.

Although still in the early stages of evaluating this technology, it is hoped in the long-term that this technique will allow surgeons to safely take less healthy tissue from patients during surgery and preserve function for sarcoma patients without compromising their cancer outcome.

Severe asthma patients receive life-changing treatment at home

The drug, Mepolizumab, which usually has to be administered by a healthcare professional to patients every four weeks, is now being offered for patients to administer at-home through a pre-filled pen or syringe.

Mepolizumab is used to treat a rare type of asthma in patients known as eosinophilic asthma, which is commonly seen in people who develop asthma in adulthood, although it can occur in children.

Patients with severe asthma often struggle to manage everyday activities, and frequent visits to a healthcare professional in hospital can be an added burden for them. This innovation will empower healthcare professionals and patients with greater flexibility to choose a treatment setting that best fits patients' needs.

New outpatient appointments booking centre opens

A new appointments booking centre (ABC), offering an improved service for patients who need to attend outpatient clinics at all our hospital sites, opened at Regent Point.

The centre houses a dedicated booking team who are on hand to respond to the needs of thousands of patients who are referred to the Trust from a variety of sources and provides a single booking and call handling service for our patients.

Previously, outpatient teams were based in many different locations which could lead to variations in the service provided to patients with some experiencing difficulties reaching a member of staff to change an appointment or ask further questions.

Under the new initiative, which covers the majority of clinical specialties, patients will receive the same level of service, irrespective of which clinical area they are referred to for treatment.

The centre also benefits our staff who will work together as one team for the first time, providing them with more support and opportunities to gain expertise in new areas.

First ever heart transplant following circulatory death

Surgeons performed their first ever heart transplant following circulatory death. The five-hour procedure, carried out in the Institute of Transplantation (IoT), marked a new form of transplantation that could increase the number of heart transplants by a fifth.

For the first time, the team used a heart from a donor who donated after circulatory death (DCD) – where their heart stopped beating. This is a technique which is already used in other areas of transplantation, including kidneys and livers, and for which the UK is recognised as a world leader through its DCD programme.

It involved restoring function to the heart to allow safe assessment of the organ before it was accepted for transplantation. The heart was then placed onto an organ care system– pioneering ‘heart in a box’ technology - to maintain its quality during transportation to Newcastle to be transplanted into 65-year-old Kenneth Morris.

After two years of waiting for a suitable donor, Kenneth was offered the opportunity to join the Donation after Circulator Death programme – making him Newcastle Hospitals’ first to patient receive a heart transplant through this type of donation.

Multi-million pound funding for children's heart services

This year, the Government announced a £41.7million investment to Newcastle Hospitals for children's heart services across the North East.

The funding will enable us to support the capital developments needed to progress with the transfer and co-location of paediatric cardiothoracic services, including congenital heart disease, to the Great North Children’s Hospital (GNCH).

This is very much in line with the Trust’s vision and strategy and a project board has subsequently been established to progress the design, build, clinical transitions, workforce and revenue plans.

First in world to declare climate emergency

In June, the Trust joined an international movement to declare a climate emergency – the first healthcare organisation in the world to do so.

The declaration, made by the Board of Directors, demonstrates a clear and positive commitment to take action on climate change by aiming to become carbon neutral by 2040 and follows in the footsteps of our City partners - Newcastle City Council and Newcastle University.

Newcastle Hospitals already has an outstanding reputation for leading on efforts to reduce the environmental impact of healthcare delivery.

From being one of the first trusts to install efficient on-site combined heat and power energy centres at the turn of the century, to being the first trust in Europe to

implement reusable sharps boxes 15 years ago, we are leading the way nationally and indeed internationally, to ensure the delivery of truly sustainable healthcare.

UK's first patients scanned by new 'intelligent' MRI in Newcastle

An innovative new scanner hailed as the 'new generation of the MRI' was officially unveiled at the Freeman Hospital. The technology features artificial intelligence to streamline scanning processes; motion sensors which monitor patient breathing to identify the optimum time to scan; and enhanced 'free breathing' sequences, reducing the need for patients to hold their breath whilst they are scanned.

Radiologists have described the new scanner as 'a major step change in the way radiographers at the hospital can now scan patients' and keeps Newcastle Hospitals at the forefront as a national leader for providing innovative, high quality patient care.

Benefits for patients include faster diagnosis and more targeted treatment planning, as well as providing our talented clinicians with world class facilities to match their world class expertise.

200th lung cancer patient is treated using robotic surgery

Surgeons successfully completed their 200th operation using leading-edge robotically assisted thoracic surgery, which is much less invasive than traditional surgery with a quicker recovery time and reduced length of stay in hospital.

The team were the first in the UK to perform a robotically-assisted lobectomy at the Freeman Hospital, which is one of only a small number of specialist centres with the expertise to do this, and of our 200 patients, 177 were treated for lung cancer by lobectomy (partial lung removal).

Robotic surgery has the potential to become the standard of care for the surgical treatment of lung cancer and mediastinal lesions. It enhances the quality of surgery and facilitates extensive resection with the benefit of small incisions and shorter postoperative recovery times.

Multi-million pound cancer centre in Carlisle

We officially marked the start of building work on a multi-million pound cancer centre at the Cumberland Infirmary in Carlisle – a partnership between ourselves and North Cumbria Integrated Care NHS Foundation Trust.

This is an exciting development which will create a modern state-of-the-art environment for staff, patients, carers and their relatives and demonstrates our shared vision and long-term commitment to delivering high quality, clinically safe and sustainable cancer services to the people of North Cumbria.

While North Cumbria will oversee the building of the new centre, once complete it will be run by our Trust as part of the Northern Centre for Cancer Care (NCCC), with Newcastle oncologist specialists working with the existing teams to provide additional resilience to the service.

New simulation training centre

The SIM centre is a purpose built, simulation facility at the heart of an 'Outstanding', multi professional education and training skills centre. Specially designed to recreate clinical environments, it allows staff to put their theoretical knowledge to the test by being placed in the heart of true to life healthcare situations, in a safe and controlled environment.

COVID-19

In January, our high consequence infectious disease unit at the RVI was the first in the United Kingdom to receive and treat patients with coronavirus and throughout the developing situation with COVID-19, the Trust has responded proactively to meet the challenges this pandemic has presented us.

PARTNERSHIPS

We recognise that we will not be truly successful if we focus solely on our own organisational performance. We are an important part of a wider health and social care economy and our aim is not simply to collaborate actively with partner organisations but to be the anchor organisation of system-wide change.

This is reflected in our new five-year strategy, which sets out how we will build on our strong foundations of excellent care, effective joint working and strategic partnerships across health, social care, academia and industry.

As a successful teaching hospital, we aspire to excel at a number of levels. We need to maintain our ability to be an excellent employer and to provide outstanding clinical services to the local population in Newcastle upon Tyne, while also delivering world class innovation and research which is influential on a national and global stage.

To achieve this we need to be able to identify where – and how – we are working with different partners to have appropriate reach and have stated our ambitions, at five levels, which relate to our activity across the Trust. These are:

- **In our organisation** – To be an outstanding organisation now and in the future, providing strong foundations to support our regional, national and global reach;
- **In Newcastle** – To be a full civic partner, contributing to the health, wealth and wellbeing of the city, and delivering integrated services;
- **In the region** – To be an anchor organisation in the North East and Cumbria as a clinical systems leader and a regional provider of services, creating and supporting a sustainable system;
- **Nationally** – To be a beacon organisation in the UK, leading and influencing service delivery and policy; and
- **Globally** – To realise our capability internationally using our outstanding foundations, enhancing our global reach.

The Trust has a strong history of joint working and continues to develop effective strategic partnerships across health and social care with many of these relationships translating into integrated and multiagency pathways of care for patients.

This work has increased in recent years and continues to do so in line with the transformation priorities identified within the Integrated Care Partnership (ICP) and Integrated Care System (ICS) around prevention, out of hospital collaboration and optimal use of the acute sector.

A Newcastle Joint Executive Group, comprised of the Chief Executive Officers from Newcastle City Council, the Trust, Cumbria, Northumberland, Tyne and Wear NHS Foundation Trust and Newcastle Gateshead CCG, are also working together to agree future plans for the City of Newcastle.

The Chief Executive is also a member of the NHS Assembly, which was set up to steer and influence the NHS Long Term Plan, ensuring that the collective voice of Newcastle Hospitals – and the wider region – is heard on this national platform, as well as Chair of the Shelford Group – a collaboration between ten of the largest

teaching and research hospital Trusts in England, who come together to influence national policy.

During the year, Dame Jackie was also invited by the NHS Confederation to join a delegation from the UK to attend the 43rd World Hospital Congress - a unique global forum that brings together leaders of hospital and healthcare organisations from around the world to discuss key drivers of national and international policy and solutions in healthcare management and service delivery.

While we provide world class care to our local population, we have over 100 individuals and teams who are sharing their skills and expertise on an international platform across all parts of the world.

Health and Social Care Integration

Our ambition is to improve the health and wellbeing of the people of Newcastle who receive health and social care services at home or in intermediate care services by working together with our partners.

We aim to have a genuinely integrated health and social care response to deliver a single, accessible, integrated offer, focused on restoring people's control and independence.

By integrating health and social care services we believe we can empower the citizens of Newcastle to have a stronger role in improving their own health, wealth and wellbeing through services, education and self-care approaches.

Digital

One of the biggest events in the Trust's recent history was the roll-out of the electronic patient record through our Paperlite programme - a significant element of our Global Digital Exemplar programme and a vital step in providing digitally enabled care for our patients.

Through our Paperlite programme, we have committed to becoming a fully digitally enabled Trust, delivering exceptional care efficiently, through the use of world class digital technology and information.

World Transplant Games

The Trust was a key partner in the World Transplant Games which was held in Newcastle and Gateshead in August 2019 and celebrated the sporting achievements of transplant recipients from over 50 countries across the world.

Nearly 1,500 athletes competed at iconic sporting venues around the North East and, more importantly, the Games highlighted the value of organ donation and the second chance of life that people had been given. As well as those participating, over 800 volunteers signed-up and played a crucial role in supporting this key event, which put our region on the world map.

RESEARCH

Research and innovation forms a significant and important part of the Trust with many of our clinicians and teams working in close partnership with Newcastle and other local universities to develop new diagnostic tests, treatments and drugs.

Newcastle holds a unique position in the arena of research and innovation which we want to build upon. Research in healthcare is vital to understand how new drugs, treatments, techniques and innovations can improve patient outcomes, transform services and maximise value for the health service.

The Trust is at the leading edge of medical research, particularly into diagnostics and therapeutics, including clinical trials. Our research in many areas is recognised as amongst the best in Europe, notably in rare diseases, cancer, liver disease and certain immunological conditions. Similarly, some of our clinicians have been honoured with awards recognising their significant contributions to medical research and innovation.

Undertaking research drives up the quality of patient care and improves outcomes. Furthermore, we have identified commercial opportunities which will support the Government's industrial strategy, life sciences and accelerated access agendas, and are putting resources in place to maximise this potential.

A key pillar of our five-year strategy is 'Pioneering' – we are proud of our reputation for ground-breaking research in all areas and bringing the benefits of that new knowledge to our local population quickly.

In 2019/20, 8,584 patients in the Trust helped to shape the NHS of tomorrow by taking part in clinical research. We also ranked fourth in England for the number of research studies open to recruitment, reflecting the city's reputation as a global hub for the fast-growing life sciences sector.

A summary of some of our achievements in research this year include:

- We began working closely with the Accelerated Access Collaborative (a new fast track route established by the NHS for breakthrough technologies and treatments which can transform care) and developed a Commercial Enterprise Unit as a means to enhance our ability to deliver outstanding patient care by realising the commercial potential of new and existing enterprise ventures.
- We were selected as one of five NHS Trusts in England to host a new National Institute for Health Research (NIHR) Patient Recruitment Centre for late phase commercial clinical research. The centre based on the Campus for Ageing and Vitality site will enable patients across the North East and North Cumbria to benefit from easier access to clinical research opportunities.
- After years at the forefront of innovative research in stroke, the Trust was awarded '2019 Top Centre Status' from the Karolinska Institute, Sweden, for participating in an international thrombolysis registry for the longest period and providing high quality data entry.

- In June 2019, the Sir Bobby Robson Foundation announced a ground-breaking £985,000 cancer research and treatment project which aims to reverse the region's high incidence and low survival rates of bowel cancer. The Colorectal Cancer Screening Prevention Endoscopy and Early Diagnosis project – or COLO-SPEED – is enabling 17 regional endoscopy units to recruit up to 5,000 patients a year to help speed up research into the disease.
- A £2.5 million NIHR programme grant for applied research was awarded to Professor Linda Sharp for improving outcomes for women diagnosed with early breast cancer through adherence to adjuvant endocrine therapy. The study is to run for six years across ten NHS sites working in collaboration with Newcastle and other universities.
- Further to the announcement in the 2018/9 report that the National Renal Complement Therapeutics Centre was the first in the world to recruit into a new early phase clinical trial to test a drug called LNP023; the same team have achieved a second world-first for their extension study allowing continuation of the drug for a potentially life-threatening kidney condition.
- Following an open competition for NIHR senior investigators for 2019/20, Professor Nick Reynolds and Professor John Isaacs were new appointees and Professor David Jones was reappointed. NIHR senior investigators are appointed in recognition of research leadership within the NHS, promoting clinical and applied research in health and social care; NIHR senior investigators constitute a network of experts able to provide advice to the Department of Health and Social Care.
- Dr Sophie West received an award from the NIHR Clinical Research Network and Royal College of Physicians for an outstanding contribution to research, including setting a high standard as a role model in delivering research for all.
- The Participant in Research Experience Survey (PRES) was launched by the NIHR Clinical Research Network North East and North Cumbria (CRN NENC) to provide research participants with an opportunity to share their experience of research. This digital project provides real-time and more targeted information to study teams, allowing for quick response to feedback.

The Trust hosts one of 20 NIHR Biomedical Research Centres (BRC) in England. NIHR Newcastle BRC is the only BRC targeting ageing, long-term conditions and multi-morbidity across the life course and the only centre outside of the 'golden triangle' to have been awarded three successive BRCs.

In 2019, Professor Muzlifah Haniffa, theme Lead for the NIHR Newcastle BRC Skin & Oral Disease area, won the Foulkes Foundation Medal, awarded to a rising star that has made a significant impact on UK biomedical research.

Dr James Frith was awarded £1.4 million from the NIHR Health Technology Assessment (HTA) Programme to evaluate different treatments for orthostatic

hypotension. Dr Frith will be using this HTA award to perform a clinical trial over 5 years to compare fludrocortisone and midodrine to usual care (non-drug therapies), to see which treatment performs best.

Underpinning investment by the BRC in ageing research led to a €50m EU Investigative Medicines Initiative (IMI2) funded study led by [Professor Lynn Rochester](#). This builds on the BRC's track record of multicentre gait studies, clinical gait expertise, expertise in digital gait biomarkers and wearable technology analytics. Involving 35 partners across 13 countries, it aims to deliver validated tools for digital mobility assessment and demonstrate that digital mobility outcomes can measure and monitor disability as well as predict clinical outcomes in four of the most relevant age-related mobility-limiting conditions.

As Chief Investigator for the H2020 IMI2 grant IDEA-FAST (Identifying Digital Endpoints to Assess FATigue, Sleep and acTivities of daily living in Neurodegenerative disorders and Immune-mediated inflammatory diseases) Professor Fai Ng secured a €21m EU IMI2 grant award, with €21m matched industry funding, involving 47 partners; he also became work package lead for the €8m EU IMI NECESSITY programme which seeks to identify novel clinical endpoints for primary Sjögren's syndrome.

AWARDS AND ACHIEVEMENTS

Newcastle Hospitals, along with its staff and departments, regularly receives local and national recognition through awards, accreditations and other achievements. Here is an overview of some of our accolades over the last year - well done to all our staff, partner organisations and volunteers who helped to achieve them.

Celebrating Excellence Awards

The Trust held its first ever Celebrating Excellence Awards to recognise the exceptional work of staff, volunteers and fundraisers across our hospitals and community services. The event received over 500 entries and was supported by sponsorship from local businesses.

Stonewall

The Trust was named as one of the most inclusive employers in the UK after being listed in the Top 100 Employers by lesbian, gay, bisexual and transgender (LGBT) equality charity, Stonewall. Newcastle Hospitals ranked 40th nationally - the fifth highest in the region and the highest ranking new entry in the health and social care sector.

Health Service Journal (HSJ) Awards

Newcastle Hospitals were overall winners of two HSJ Awards and finalists in three other categories.

The first award for 'reservist support' was in recognition of the support we give to the UK's armed forces community, reservists and cadets including providing additional annual leave to attend annual camp and setting up a staff network to give them a voice in the organisation.

The Great North Children's Hospital were also winners of the 'Acute or specialist service redesign initiative – North/Midlands/East' for their BREATHE – Beating Regional Asthma Through Health Education – initiative which was set up to reduce the risks of death and hospital admissions for young people with asthma.

The team used online resources for both healthcare professionals, families, young people and schools, nurse-led "one stop shop" clinics, and new pathways for emergency admission – backed up by an asthma discharge bundle and follow-up phone calls – leading to a 29% reduction in paediatric emergency asthma admissions and improved asthma control.

Bright Ideas in Health

We had deserving winners in a number of categories of the Bright Ideas in Health awards including:

- Development of an innovative device or technology – Improvements in mandibular reconstruction.

- Early diagnosis and precision medicine award – Improvements in breast imaging.
- Demonstrating an impact upon quality improvement – The Kidzmed project – teaching children to swallow tablet medication
- The Paediatric sepsis podcast was awarded second place in the Innovation in Education category

‘Lifetime Achievement Award’

The Institute of Transplantation received a Living North ‘Lifetime Achievement’ Award in recognition of its work to provide the very best outcomes through ‘leadership, boldness and a willingness to change established practice for optimum results’

World-leading scientist wins prestigious medical award

Professor Muzlifah Haniffa won the 2019 Foulkes Foundation Medal, awarded to a rising star making a significant impact on UK biomedical research. Her achievements include providing a better understanding of the developing human immune system and childhood kidney cancer, mapping the maternal-fetal interface and discovering new immune cells in the skin.

Financial gains

Our finance apprentices, Connor Buckley, Lewis Chater, James Davison and Aiden Watson were winners of the National Healthcare Finance Awards which celebrate excellence in finance departments across the four home nations, showcasing best practice and achievement in financial management and governance.

‘Unsung Hero Award’

Occupational therapy assistant Becca Carlson received a national Unsung Heroes Award for her dedication and commitment while working as an apprentice for the Trust.

Not long after starting her apprenticeship, she took the lead in the ward’s new ‘Pets As Therapy’ scheme, where a specially trained therapy dog and its owner make weekly visits to children on the ward, and creatively reads stories to children and their families during ‘Story Time’ – part of a unique Occupational Therapy initiative called ‘Theme Based Therapy.’

Specialist oncology dietitian’s post-radiotherapy research wins academic award

A research project looking at the impact of offering nutritional support to patients after their radiotherapy treatment scooped the PENG (Parental & Enteral Nutrition Group) Academic Award.

Specialist oncology dietitian Robynne Cranston undertook the two-year research project to look at the benefits of dietetic intervention in head and neck cancer patients after their radiotherapy treatment.

Funded by The Charlie Bear for Cancer Care Charity, its results have included a reduction in overall percentage weight loss, a reduction in total length of stay for those admitted for nasogastric tubes, an increase in patients stopping oral nutritional support, reduced length of time on enteral feeding, an easier transition back to a regular diet after radiotherapy and overall better quality life for patients.

Nursing Times Awards

Our nurses were shortlisted as finalists in three Nursing Times Awards in Continence Promotion and Care, Innovation in Chronic Wound Management and Patient Safety Improvement.

Our amazing volunteers

The hard work and dedication of volunteers at the Newcastle Hospitals was recognised at an awards ceremony. In the last 12 months, our voluntary workforce has contributed a staggering total of 145,952 hours to the Trust and the awards were as follows:

- **Outstanding Volunteer Award**
 - Roger Bishop
 - Mary Robinson
 - Irene Lerche
 - Zuzana Puente

- **Outstanding Volunteer Team Award**
 - Great North Children's Hospital pop-up shop team
 - Sunday Support Volunteers
 - Children's Theatre Escort

- **#iwill Young Volunteer Award**
 - Rosie Walker

RCNi Nurse Awards

The Trust had one winner and several finalists in the RCNi Nurse Awards 2019. Theatre practitioner Lisa Morgan – the cardiothoracic theatres family-centred care lead, won the 'Healthcare Assistant Award' award for her work in supporting young patients and their families prior to going to theatre for surgery.

Newcastle CRUK (Cancer Research UK) senior nurse Ben Hood, who worked with terminally ill patients to develop clinical trial information, was shortlisted in the Cancer UK-sponsored Excellence in Cancer Research category.

Another finalist in the same category was paediatric oncology research sister Lisa Price for her work in ensuring children and young people participating in clinical research trials receive the best support possible.

In the 'Commitment to Carers' category, the carers and young carers working group were shortlisted for their work to transform the Trust's culture after finding that carers were not always recognised, felt excluded from care or were given inconsistent information about their involvement in admission and discharge.

The team's comprehensive programme includes carer and young carer packs, flexible visiting, and the provision of meals and fold-up beds for overnight stays.

Newcastle nurses scoop national award

Hayley Leyland, Jess McDonald and Stacey Vass - Nutrition Nurse Specialists at the Freeman – won the British Society of Gastroenterology Nurses Association (BSGNA) Nurse's Award.

The BSGNA award recognises individuals or teams who have made a demonstrable, positive impact on patient care and the team were awarded in recognition of their home parenteral nutrition (HPN) and intestinal failure service, offering the highest quality of care for patients from all over the North East and Cumbria.

Falls and balance expert honoured by Royal College of Physicians

Dr Joanna Lawson, who recently retired as associate specialist in falls and syncope from the RVI, received the 'Contribution to the Profession' Award at the Royal College of Physicians' Excellence in Patient Care Awards ceremony.

Dr Lawson was credited for her ground-breaking work around the multi-faceted causes of dizziness and syncope, which have benefited thousands of patients with falls services now established throughout the country.

Health Service Journal Patient Safety Award

The Trust was a finalist in the HSJ's Patient Safety Award category of 'Perioperative and Surgical Care Award'. A multi-disciplinary team comprising front-line staff from a range of specialties including diabetes, peri-operative, vascular surgery and pharmacy received the accolade for demonstrating how they had dramatically improved safety and quality of peri-operative care for patients with diabetes.

Cavell Star Awards

Senior sister in gastroenterology Pauline Morgan (director of medicine) and Sarah Barker, a staff nurse in the intensive care unit (peri-operative and critical care), both received Cavell Star Awards in recognition of the outstanding work they do.

Emerging leaders

Congratulations to Hilary Tedd who had been awarded the Emerging Women Leaders Programme Fellowship, a development programme commissioned specifically to address the under-representation of women in leadership roles within the RCP and the wider medical profession.

Evelyn Baker Awards

Dr Kathryn Bell was awarded the Association of Anaesthetists of Great Britain and Ireland (AAGBI) Evelyn Baker Award for 'outstanding competence in all areas of anaesthetic practice: clinical excellence, teaching and training and supporting colleagues.'

Accolade for the eRostering team

Our eRostering team and staff won the 'impacting clinical and performance targets' category in the Allocate Software Awards, for their work in rolling out SafeCare – a real-time, patient-led staff monitoring and deployment tool, to ensure that the right staff are in the right place at the right time, ultimately enhancing patient care.

Life Sciences Awards

The Northern Alliance Advanced Therapies Treatment Centre (NA-ATTC) was winner of the Bionow Healthcare Project of the Year Award 2019. The award recognises the unprecedented collaboration between industry, NHS and academic partners to enable system readiness for the NHS to adopt innovative Advanced Therapy Medicinal Products.

The life sciences awards, now in their 18th year, celebrate the use of innovative approaches and projects which provide a major step forward in the area of research and the NA-ATTC received the accolade for their bid entitled 'Delivering Advanced Therapies to NHS Patients at Scale.'

Outstanding Achievement in Healthcare

The Trust was also awarded the Outstanding Achievement in Healthcare award at the Health Business Awards which recognise the many examples of innovation and excellence that happen every day in the NHS.

The categories incorporate facilities, technology, human resources, hospital management and transport as well as the Outstanding Achievement in Healthcare award, which is presented to an NHS organisation that has achieved success in their role and brought benefits to the wider NHS through their dedication and expertise.

KidzMedz

The KidzMedz team scooped the Clinical Award at the NHS Sustainability Awards for their project to teach children how to swallow tablets.

FLOURISH

Flourish is our cornerstone programme to ensure that each member of staff is able to liberate their full potential at work by supporting each other to have a positive work experience and culture of openness throughout the organisation.

We have embedded this important principle at the heart of our new Trust strategy and one of our five strategic objectives is 'People' which outlines our aims in this area through our Flourish approach.

Our priorities, set by staff, for the first year of our #FlourishAtNewcastleHospitals programme were reward and recognition, values and behaviours and health and wellbeing and we made huge progress in those areas.

Developing our new Trust values are one example but in year, we also held our first ever staff awards ceremony (Celebrating Excellence Awards), the first BAME conference for the NHS, supported the Northern Pride Festival and held our first NHS Wave as part of the Great North Run.

Throughout the year we also had a comprehensive programme of physical and mental health campaigns – including sleep, menopause, sexual health and the Respect campaign which looked at how all staff can work together to promote a positive work culture.

Further details on our Flourish programme is included in the Staff Report section.

CHARITABLE SUPPORT

Newcastle Hospitals NHS Charity raises money to enhance the experience of our patients, staff and services both in the hospitals and the community.

The role of our charity is to help to provide enhancements that will make a difference – whether that's funding pioneering research; supporting staff training and development; state of the art medical equipment and technology or simply enabling the Trust to improve the experience of the patients in its care. Every penny raised is spent locally to help both patients and their families from across the region and beyond.

We are always humbled by the people who support our charity. Behind every donation is a personal story – some of which make us laugh, cry or are truly inspirational – and the difference our supporters have made to our patients, visitors and staff is, to put it simply, priceless.

We would like to say a huge thank you to the generosity of all of our supporters who have ran, swam, baked, shaved, danced, sang, climbed, cycled and so much more to show their support for the charity.

During 2019/20, there have been many special achievements for the charity, including:

- **Team Olly** – The efforts of teenager Olly McKenna really stand out. He marked the start of the year with one key ambition – to hit his dream target of raising £100,000.

At the age of eleven, Olly was diagnosed with a malignant brain tumour called a medulloblastoma. While undergoing surgery and treatment at the RVI, Olly found that the pre-teen ward lacked some of the facilities that the teenage ward had. He worked with hospital staff to learn how he could support the ward, and set up the 'Team Olly' fund to help pre-teen cancer patients.

Two years on, the fund had amassed over £88,000 through a variety of fundraising events and rallying for donations.

This year, the 13-year-old held a charity ball, aptly named '100k and call it a day' with the aim to reach his fundraising target which benefits Charlie Bear for Cancer Care and the Great North Children's Hospital, part of Newcastle Hospitals NHS Charity.

Now he has achieved his amazing goal and intends to take a well-earned break after two successful years of fundraising. Thank you Team Olly!

- **COVID-19** – The start of 2020 has been challenging for us all, with the onset of the global pandemic which has impacted each and every one of us. At the age of 100, Captain Sir Tom Moore proved an inspiration for many, raising millions for the NHS by walking laps of his garden with his frame. Our charity has received wonderful support from our donors and fundraisers in light of COVID-

19, despite the economic challenges the community has faced. They have played a vital role in raising funds to support our staff and patients through these unprecedented times. We are incredibly grateful and in awe of the efforts from businesses and the community.

- **Great North Children's Hospital** – GNCH is supported by the Great North Children's Hospital Foundation which celebrates its tenth birthday later in 2020. To mark the occasion, a series of events to celebrate the birthday were planned to raise money for the Foundation. In light of COVID-19, our plans have been put on hold but look out for more information soon. In the meantime, if you would like to get involved and support the foundation, please get in touch with the charity team.

Newcastle Hospitals NHS Charity relies on the enthusiasm and generosity of individuals and businesses in the community. There are many ways that people can help the charity, and we have included just a few of them below. If you would like to know more about supporting the charity or about our work, please contact our charity team who can provide friendly support and guidance.

- **Donations** – One off or regular donations are the most common form of support to the charity. There are many ways to donate and more information can be found on the Newcastle Hospitals NHS Charity website listed below.
- **Payroll giving** – Payroll giving is a tax-effective way of giving money to charity. Individuals can choose to make donations to our charity by having an agreed amount deducted from their salary. Our charity receives not only the donation but also the tax that would have been deducted on that amount. Employers can provide further information on payroll giving.
- **Share giving** – Gifts of shares and securities can be transferred to the charity and individuals can also receive tax relief on their donation.
- **Gift aid** – Any donation made to a registered charity can be increased by 25% by using the Gift Aid Scheme. Anyone who pays income tax or capital gains tax can choose to have their donation Gift Aided and this will allow charities to recover from HM Revenue and Customs the tax paid on the contribution.
- **Legacies** – After providing for their relatives, many people choose to make a gift to their local hospital in their will. Gifts in a will are a great way to support a cause you care about and leave behind a legacy that makes a difference.
- **Matched giving** – Many local businesses support charities by matching any fundraising efforts by their own staff. This doubles any money raised and is a great way of inspiring and increasing charity contributions.

Help and advice

For further information, help and advice on how you can support our charity, please contact:

Charitable Funds Office,
Peacock Hall,
Royal Victoria Infirmary,
Queen Victoria Road,
Newcastle upon Tyne,
NE1 4LP

Call: 0191 2137235

Email: nuth.charity.matters@nhs.net

Website: <https://charity.newcastle-hospitals.nhs.uk/>

1. PERFORMANCE REPORT

A. OVERVIEW OF PERFORMANCE

The purpose of this overview is to provide a summary of:

- The Newcastle upon Tyne Hospitals NHS Foundation Trust,
- its purpose,
- the key risks to the Trust's objectives, and
- how the Trust has performed during the year.

OUR ACTIVITIES

The Newcastle upon Tyne Hospitals NHS Foundation Trust is one of the most successful teaching NHS Trusts in the country and offers a wider range of specialist services than any other.

We provide innovative high quality local, regional and national services from a number of sites listed below:

- Freeman Hospital, including the Institute of Transplantation, the Northern Centre for Cancer Care and Renal Services Centre;
- The Royal Victoria Infirmary (RVI), including the Great North Children's Hospital and the Great North Trauma and Emergency Centre;
- Campus for Ageing and Vitality (the former Newcastle General Hospital) which is home to the Region's NECTAR Service, Westgate Road Urgent Treatment Centre, Newcastle Diabetes Service and CRESTA Clinics;
- Newcastle Dental Hospital;
- Newcastle Fertility Centre;
- Northern Genetics Centre;
- Molineux Urgent Treatment Centre; and
- Ponteland Road Urgent Treatment Centre.

We are proud of all of the services we provide to the people who need our care, but our flagship services include:

- The Great North Trauma and Emergency Centre at the RVI – the department sees around 138,000 new patients each year and the major trauma centre at the RVI receives patients from as far afield as Cumbria to the Scottish Borders. In total, the Trust sees almost 242,000 emergency attendances per year across its various locations.
- The Cardiothoracic Centre at the Freeman Hospital – this is a regional and national centre of excellence for respiratory and cardiac care, providing specialist treatment for adults and children.
- The Great North Children's Hospital (GNCH) – one of only 14 major children's medical centres in the UK, GNCH provides treatment for children across the whole of the North of England.
- The Northern Centre for Cancer Care (NCCC) – the largest centre of its kind in the North of England, providing state-of-the-art cancer care for the people of Newcastle and beyond, as well as world leading clinical research.
- The Institute of Transplantation – where the first successful heart transplant on a child was carried out in 1987. It was also the site for the first single and dual lung transplants in Europe, and continues to have exceptional results.
- The Bubble Unit at the RVI – one of just two units in the country where children with severe immune system problems can be treated in an air-tight isolation ward.
- Maternity Unit at the RVI – Top-rated Maternity Unit, which helps bring over 6,000 babies into the world each year. This is one of the UK's largest Maternity Departments and provides the highest standard of care for women and their families

During the last year we were commissioned to provide a range of diagnostic, acute, community and primary care services for a population spanning the North East of England, as well as some supra-regional and national services such as organ transplantation.

KEY RISKS TO DELIVERING OUR OBJECTIVES

The key risks to the achievement of the Trust objectives are detailed within this report as part of the Annual Governance Statement.

THE TRUST

The Newcastle upon Tyne Hospitals NHS Foundation Trust was founded on 1 June 2006 under the provisions of the Health and Social Care (Community Care and Standards) Act 2003 (consolidated in the National Health Service Act 2006).

The previous organisation – The Newcastle upon Tyne Hospitals NHS Trust – was formed on 1 April 1998 following the merger of the Freeman Group of Hospitals NHS Trust with the Royal Victoria Infirmary & Associated Hospitals NHS Trust.

During 2019/20, the Trust reviewed its Aim, Vision and Values and published its Strategy for 2019-2024. A copy of this can be found on the Trust website – http://www.newcastle-hospitals.org.uk/downloads/About%20us%20pages/FINAL_NHS_Strategy.pdf

The Trust's vision is 'achieving local excellence and global reach through compassionate and innovative healthcare, education and research'.

Our strategic goals are:

- **Patients** – Putting patients at the heart of everything we do. Providing care of the highest standard focussing on safety and quality.
- **People** – Supported by Flourish, our cornerstone programme, we will ensure that each member of staff is able to liberate their potential.
- **Partnerships** – We will be an effective partner, developing and delivering integrated care and playing our part in local, regional, national and international programmes.
- **Pioneers** – Ensuring that we are at the forefront of health innovation and research.
- **Performance** – Being outstanding, now and in the future.

Our core aim is to provide 'healthcare at its best with people at our heart' and our core value areas are:

- **We care and are kind** – We care for our patients and their families, and we care for each other as colleagues.
- **We have high standards** – We work hard to make sure that we deliver the very best standards of care in the NHS. We are constantly seeking to improve.
- **We are inclusive** – Everyone is welcome here. We value and celebrate diversity, challenge discrimination and support equality. We actively listen to different voices.
- **We are innovative** – We value research. We seek to learn and to create and apply new knowledge.
- **We are proud** – We take huge pride in working here and we all contribute to our ongoing success.

GOING CONCERN

Throughout the year, and having a mind to the requirement to operate as a going concern, the Board of Directors was advised of the liquidity position, trading activity, compliance with the financial model of the Annual Operational Plan, and achievement of financial targets.

Giving the continuing strength of the Trust in terms of liquidity, the trading position, fit with the financial model and achieving the key financial targets, the Board of Directors was content that the Trust was, and is, a going concern, and the Annual Accounts have been prepared on that basis in consequence.

Therefore, after making thorough enquiries, the Directors have a reasonable expectation that The Newcastle upon Tyne Hospitals NHS Foundation Trust has adequate resources to continue in operation for the foreseeable future. For this reason, the Trust continues to adopt the going concern basis in preparing the accounts.

OPERATING AND FINANCIAL PERFORMANCE

1. Financial Performance

The Trust continued to demonstrate financial resilience in the 2019/20 financial year with a £1.9m deficit (before Provider Sustainability Funding (PSF) and exceptional items). The Trust then received an initial £13.6m PSF, followed by a Marginal Rate Emergency Tariff (MRET) funding of £0.5m. This results in a reported surplus of £12.2m (2018/19 surplus of £24.3m).

These results consolidate into an overall Financial Risk Rating of 1.

The Trust remains well placed to address the funding challenge facing all public services. In particular, the underlying strength in the Balance Sheet provides the opportunity to progress capital schemes in future years.

2. Income

The Trust generated total income of £1,179.4m (2018/19: £1,086.7m) which exceeded the Plan set at the beginning of the year.

Aggregate healthcare contracts agreed with commissioners at the start of the year over-performed by £21.6m, although that included £2.6m due to additional income for high cost drugs and devices, a technical adjustment to the Community Contract that added £4.3m of income, £3m of funding for Genomics to be shared with Trusts in Leeds and Sheffield and £4m of funding that will support all Trusts in the Integrated Care Partnership (ICP) and is not available solely for the Trust.

Areas of over-performance included admitted patients, Accident & Emergency, and a number of national and regional specialist services, offset by under-performance in out-patients. Collectively, CCG acute contracts over-performed by £8.5m (1.95%) and NHS England contracts by £12.1m (2.7%).

In addition, the Trust generated income from non-contracted activity including services provided to overseas patients, income received from other Trusts, private patient and non-patient care income, specifically Research and Development, Training and Education and commercial income.

As a result of achieving the Control Total, the Trust has received £15.3m in PSF.

3. Expenditure

Total expenditure for the year was £1,138.2m (excluding finance costs and impairments), (2018/19: £1,041.3m).

The Trust has managed the cost base whilst dealing with significant challenges over the course of the year. This no more recently demonstrated than dealing with the COVID-19 outbreak. These demands have been met in an environment with a significant Cost Improvement Programme.

The Trust estate requires investment to maintain safety and quality standards.

There have been Information Technology (IT) infrastructure pressures over the course of the year with the roll out of a number of key strategic projects and operational schemes, such as paperlite.

The consequence of an ageing population with co-morbidities and complex needs are impacting on the need for enhanced patient care and staffing across the organisation.

4. Capital Expenditure Plans

Capital expenditure totalled £53.1m (2018/19: £34.8m). Expenditure was primarily for the replacement of medical equipment, investment in IT infrastructure and the construction of a new Multi Storey Car Park at the RVI. In addition, investment was provided to reduce backlog maintenance.

5. Delivering Value for Money in the Public Interest

The cost efficiency requirement for 2019/20 was £32.0m. The Trust delivered £26.5m of savings in-year. However, as in previous years, some of this efficiency was delivered on a non-recurrent basis resulting in a shortfall of £9.5m carried forward to 2020/21. This continues the trend of the Trust being unable to fully meet the efficiency target on a recurrent basis and highlights the continuing significant financial challenges faced by the Trust.

The COVID-19 pandemic resulted in a pause to the formal delivery of financial efficiencies and a re-focus of the Trust's sustainable improvement programme to support the Re-start, Reset and Recovery of healthcare provision. This pause has provided a unique opportunity to truly and fundamentally redesign services to meet the needs of patients with a focus on maximising the benefits of partnership working and use of digital technologies, set against the backdrop of more stringent infection prevention and control and social distancing protocols.

The Trust continues to quality impact assess all sustainable improvement schemes to ensure safety and quality is maintained, if not improved, as a result of proposed initiatives.

6. The Balance Sheet

The assets of the Trust owned estate were valued at £326.0m on 31 March 2020. In addition, the Trust has a further £176.0m of Private Finance Initiative (PFI) assets.

The Trust has valued its land and buildings on a single, optimal site basis and funded via an alternative to PFI/PF2 arrangements. Such funding is exempt from VAT.

The closing year end cash balance at 31 March 2020 was £125.3m (2018/19: £94.7m). While this balance provides strength as a leading healthcare provider, the Trust continues to operate in an increasingly challenged financial environment and changing business delivery landscape.

7. Future view

As we move into 2020/21, NHSEngland/Improvement (NHSE/I) has implemented a temporary financial regime in response to the COVID-19 emergency. That regime will last from 1 April to 31 July 2020. At the time of writing, it is not known what will happen on 1 August 2020 but it is expected that the emergency regime will be extended.

Under the COVID-19 emergency arrangements, all Healthcare Contracts and Healthcare Planning have been suspended. The Trust's Healthcare income will be determined by NHSE and will comprise three elements –

- a block contract based on income during the period April to December 2019;
- a “top-up” to recognise additional expenditure; and
- a process whereby Trusts are reimbursed for expenditure on COVID-19 and Nightingale Hospital facilities.

The principle is that NHS Trusts will receive sufficient funding to cover the COVID-19 emergency period. During that period, the Trust will need to develop a strategy to restart services to address short and long term financial sustainability. It is likely that the post COVID-19 financial environment will be very different to that experienced in 2019/20.

8. Subsidiaries

The Trust is a stakeholder in a number of spinoffs and commercial ventures. The Trust also holds shares in and is represented on the Boards of NewGene Limited, which markets novel genetic tests to other NHS bodies, however this company has ceased trading during 2019/20; and Pulse Diagnostics Limited, which is seeking to commercialise an invention for the non-invasive detection of Peripheral Vascular Disease. Trust Directors and staff who sit on the Boards of spin-off companies are not remunerated for their role.

9. In Summary

The Trust has had a successful year in terms of financial performance in that it has met its financial targets without having to compromise clinical quality. Looking to the future, the NHS will face a difficult and poorly understood financial environment in 2020/21. We believe we are well placed to face the future with procedures in place to respond to the post COVID-19 emergency period, with a healthy balance sheet and a track record of responding to challenges and achieving financial targets. The Board of Directors is confident of maintaining sound financial management and provision of a service portfolio of both national and international esteem and that the accounts are prepared on a going concern basis.

B. PERFORMANCE REPORT

ANALYSIS OF PERFORMANCE

We pride ourselves on having high standards and consistently striving for excellence in healthcare. The organisation therefore closely monitors performance against key targets to ensure high levels are achieved and maintained across the organisation.

Monitoring also flags up unplanned changes or under performance, which are reviewed and escalated, as appropriate. This can sometimes require recovery actions by clinical teams.

Our Performance Management Framework has clear mechanisms for tracking and escalating performance within directorates. The Framework is used by the Board of Directors, senior management, and the whole organisation to drive continuous improvement. The Framework has now been refreshed and agreed for 2020/21.

While we continually achieve high performance in comparison to local and national peers, there are significant challenges in meeting nationally mandated performance requirements. This is predominately due to increasing levels of demand combined with capacity pressures, which include national shortages of suitably trained staff, local system pressures and commissioner affordability constraints.

Risks to performance compliance are significant in:

- Underperformance in activity and Payment by Results (PBR) income;
- A&E four hour standard;
- Referral To Treatment (RTT) 18 Weeks Standard;
- 6 week diagnostic standard;
- National cancer standards;
- Improving Access to Psychological Therapies (IAPT) access and recovery standards; and
- Dementia standards.

As well as the Performance Management Framework, all clinical directorates and nominated supporting directorates are subject to regular risk-based assessments via a rolling programme of Performance Reviews. The reviews incorporate multi-faceted performance data on topics including: finance and Cost Improvement Programme (CIP); activity and income; core operational standards and internal key performance indicators (KPIs); risk register review; human resources; and productivity, efficiency and service improvements.

Performance Reviews ensure that all directorates are progressing in line with their strategic aims and objectives, including their contribution to the delivery of the Trust's overall strategy. They also provide an opportunity to address areas of under-performance as well as acknowledge areas of strong performance. They are further complemented by the annual directorate Quality and Patient Safety Reviews chaired by the Medical Director (as outlined in the Quality Assurance Strategic Plan), followed by a further 6 month review mid-year.

2019/20 Activity by Point Of Delivery against 2019/20 Plan

As well as impacting the Trust's performance against national Referral to Treatment (RTT), Diagnostic and Cancer standards, activity levels have an impact on the financial position of the Trust as it is paid at tariff for each Inpatient spell and Outpatient attendance.

Over the last 12 months, we saw the number of patients admitted for hospital care fall 1.4% below the 2019/20 Plan. This was despite the level of Non-Elective and Emergency activity actually exceeding the Trust Plan.

In comparison to 2018/19, the Trust's combined Day Case and Elective activity for 2019/20 decreased by 1.3%, Non-Elective and Emergency activity decreased by 2.8% and Outpatient attendances decreased by 1.1%. This is a like-for-like comparison, which accounts for coding classification changes within the year relating to Ambulatory Care.

In 2019/20, the Trust's Outpatient activity level was 1.8% below the 2019/20 Plan, although new Outpatient activity was higher than the plan level.

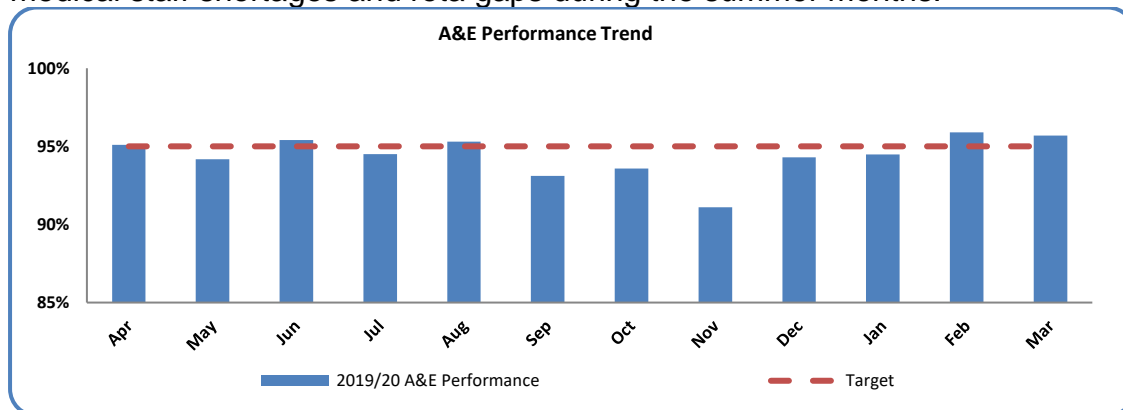
Inpatient and Outpatient activity levels were particularly low in March 2020, due to the impact of COVID-19, which also significantly reduced the number of referrals which the Trust received. It is expected that COVID-19 will have a significant impact on how services are delivered, as well as affecting the Trust's activity levels in 2020/21.

| | Overall YTD Activity | | |
|--|----------------------|------------------|----------------|
| | M12 Plan | M12 Actual | M12 Variance |
| Outpatients - (Activity) | 1,080,447 | 1,060,877 | -19,570 |
| <i>Outpatient News</i> | <i>245,016</i> | <i>251,819</i> | <i>6,803</i> |
| <i>Outpatient Reviews</i> | <i>604,112</i> | <i>590,192</i> | <i>-13,920</i> |
| <i>Outpatient Procedures</i> | <i>231,318</i> | <i>218,866</i> | <i>-12,452</i> |
| Inpatients - (Activity) | 219,595 | 216,428 | -3,167 |
| <i>Day Case - (Activity)</i> | <i>118,252</i> | <i>116,042</i> | <i>-2,210</i> |
| <i>Elective - (Activity)</i> | <i>26,781</i> | <i>24,677</i> | <i>-2,104</i> |
| <i>Non-Elective + Emergency - (Activity)</i> | <i>74,563</i> | <i>75,709</i> | <i>1,146</i> |
| RTT Total Incompletes Waiting List | | 64,696 | |
| RTT Total Patients Over 18 Weeks | | 10,480 | |
| RTT Total Patients Over 36 Weeks | | 975 | |
| RTT Compliance | | 83.88% | |

Accident and Emergency (A&E) Activity

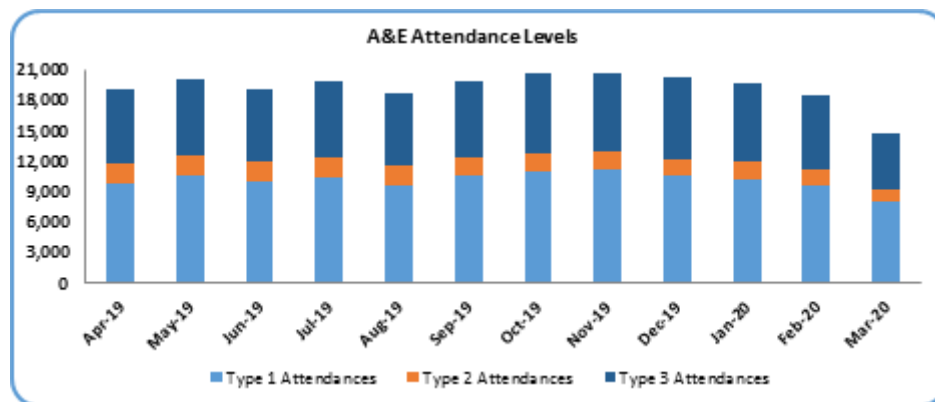
During 2019/20, the Trust was consistently one of the highest performing organisations in the country in terms of performance against the A&E 4 hour standard. Newcastle Hospitals placed within the top 10 highest performing Trusts in every single month of the financial year. Overall for 2019/20, the Trust's performance was 94.3%, with the target met in 5 out of the 12 months.

The Trust was able to respond positively to various challenges throughout the year including the early onset of flu, regional changes to the ambulance divert policy and medical staff shortages and rota gaps during the summer months.



Overall, 2019/20 saw less emergency care attendances than in 2018/19 through focussed work with primary care, community services and the ambulance service to ensure patients are cared for in the most appropriate setting. However the number of Type 1 attendances and emergency admissions from A&E, which are the sickest patients, actually increased demonstrating that the Trust’s A&E performance was maintained in spite of the increasing acuity of patients seen.

The Trust saw a 12% drop in walk-in-centre attendances, however this reduction can largely be attributed to the GP extended access initiative which was implemented across the Trust’s 3 walk-in-centres, offering 100 GP appointments per day, and therefore diverting attendances to these GPs.



During 2019/20, the Trust performed strongly across a number of other emergency indicators. The targets for both the unplanned re-attendance rate and left department without being seen rate were met every month across all of the Trust’s sites, and there were 0 trolley waits in A&E over 12 hours. Additionally, the Trust reported no A&E handover delays >60 minutes during the financial year.

Data on ambulance handover delays was unavailable between April 2019 and September 2019 due to the North East Ambulance Service NHS Foundation Trust (NEAS) having difficulties with their information systems during this period.

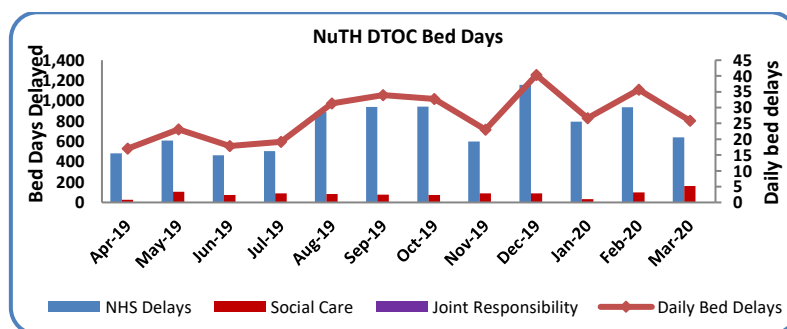
During December and January, NEAS implemented a new region wide divert policy aimed at decreasing ambulance waits across the region. This led to an increase in the number of ambulance diversts received by the Trust.

| Other Emergency Indicators | | Threshold | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 |
|---|----------------------|-----------|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Trolley Waits in A&E >12 hours | | Nil | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| A&E Handover Delays 30-60 minutes | | Nil | Data Unavailable | | | | | | 94 | 109 | 103 | 91 | 105 | 80 |
| A&E Handover Delays > 60 minutes | | Nil | Data Unavailable | | | | | | 0 | 0 | 0 | 0 | 0 | 0 |
| Unplanned re-attendance rate - 7 days | RVI - Main Emergency | 5% | 2.2% | 2.0% | 1.6% | 2.0% | 1.9% | 2.1% | 2.1% | 2.2% | 2.0% | 2.1% | 2.2% | 2.1% |
| | Eye Casualty | 5% | 0.2% | 0.4% | 0.4% | 0.2% | 0.6% | 0.1% | 0.1% | 0.3% | 0.4% | 0.3% | 0.6% | 0.2% |
| | Walk-in Centres | 5% | 0.0% | 0.0% | 0.1% | 0.1% | 0.0% | 0.0% | 0.1% | 0.0% | 0.1% | 0.1% | 0.0% | 0.0% |
| Left department without being seen rate | RVI - Main Emergency | 5% | 2.7% | 2.9% | 2.6% | 2.4% | 2.2% | 2.5% | 2.3% | 2.7% | 2.5% | 2.1% | 2.3% | 1.7% |
| | Eye Casualty | 5% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Walk-in Centres | 5% | 0.2% | 0.2% | 0.3% | 0.2% | 0.2% | 0.1% | 0.2% | 0.1% | 0.2% | 0.2% | 0.0% | 0.0% |

Delayed Transfers of Care and Stranded Patients

In 2019/20, there was a 19% increase in Delayed Transfers of Care (DToCs) compared to 2018/19, partly due to difficulties in repatriating patients to their local hospital outside the Newcastle area during the Autumn and Winter months. During the year, there has been an increased focus on DToCs and therefore there was a greater identification of DToCs due to ongoing weekly audits of patients with a Length of Stay (LoS) of 21 days.

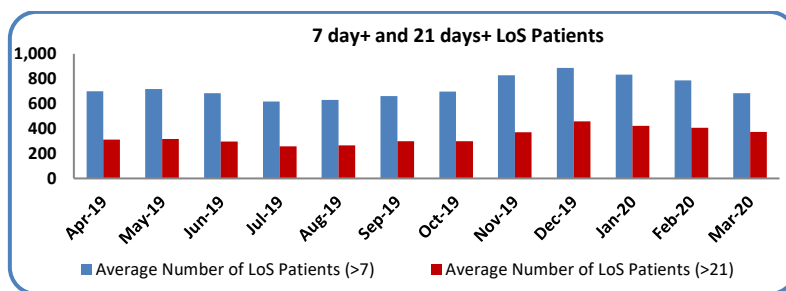
LoS remains an area of focus for Newcastle Hospitals and as a result, the “There’s No Place Like Home” campaign has been championed throughout the Trust. This work has particularly focused on patients who no longer require acute clinical care.



Long Length of Stay (LOS) – 7 Day + LOS And 21 Day + LOS

As with the DToC trend, the number of long LoS patient peaked in December, following high A&E attendance levels and large numbers of emergency admissions between October and December 2019. Additionally, regional bed occupancy in this period was also very high, creating delays in repatriating patients. The trend seen at the Trust reflects regional and national trends.

By March 2020, the level had significantly reduced again, due to a focus on following NHSE/I guidance to safely discharge increased levels of patients, in order to enable the Trust to maximise hospital bed availability for a potential influx of COVID-19 patients. This followed lots of positive work by staff on wards and by discharge co-ordinators to facilitate the safe discharge of large numbers of patients.

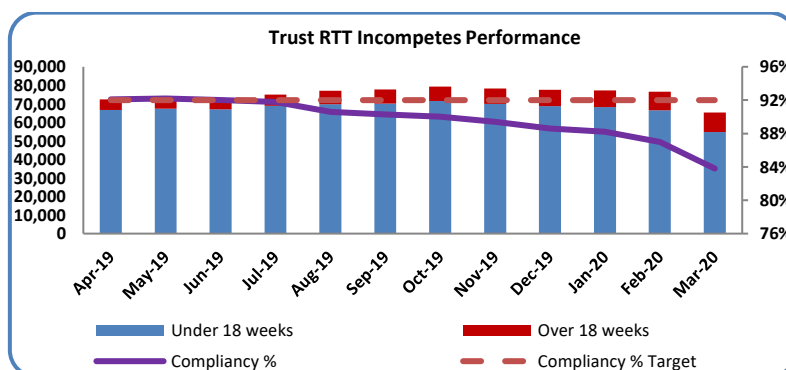


Referral to Treatment (RTT) Waiting Times

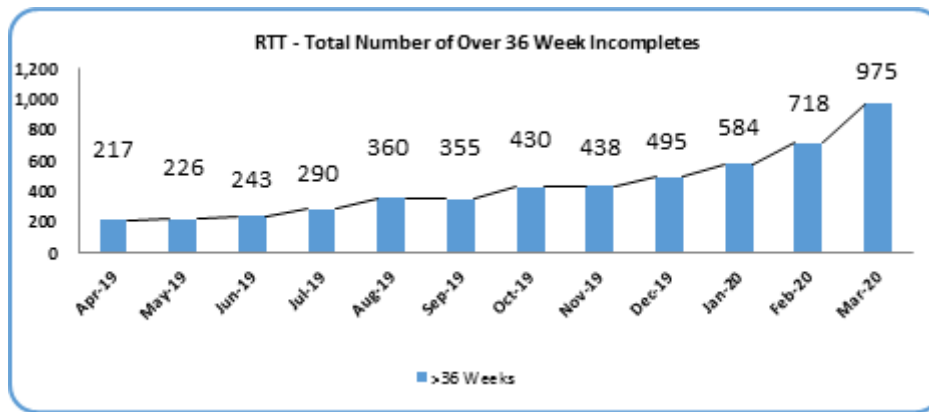
During 2019/20, the Trust faced increasing difficulties in achieving the Referral to Treatment (RTT) 92% standard, due to increased demand and significant capacity challenges across a number of specialties, with additional activity from consultants difficult to source due to the pension's tax issues earlier in the year.

Having been compliant with the target throughout 2018/19, which was contrary to the national picture, the Trust also met the standard in the first 3 months of 2019/20. This was a significant achievement attributable to great work undertaken by both directorates and the Corporate 18 Weeks team.

Although the standard was breached in the final 9 months of the financial year, the Trust's overall waiting list size did fall in each of the last 5 months. March 2020 saw RTT performance particularly decline due to a considerable drop in activity in response to COVID-19. It is acknowledged that COVID-19 will have an ongoing and very challenging impact on both Inpatient and Outpatient activity during 2020/21, which will consequently affect the Trust's RTT performance level.

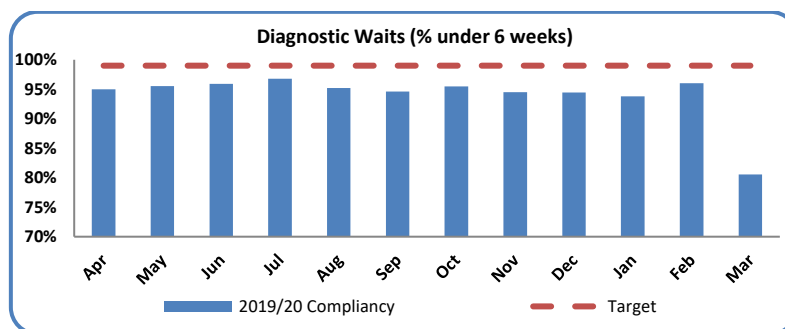


As activity levels dropped significantly in March 2020, due to COVID-19, this caused the number of patients waiting over 36 weeks to increase further as demonstrated below. From November 2019 onwards until the end of the financial year, the Trust recorded 52 week wait breaches from November, all within Spinal Surgery Orthopaedics, with the exception of March 2020. The Trust works closely with commissioners to collaboratively work through the short, medium and long term issues surrounding Spinal Surgery Orthopaedics.

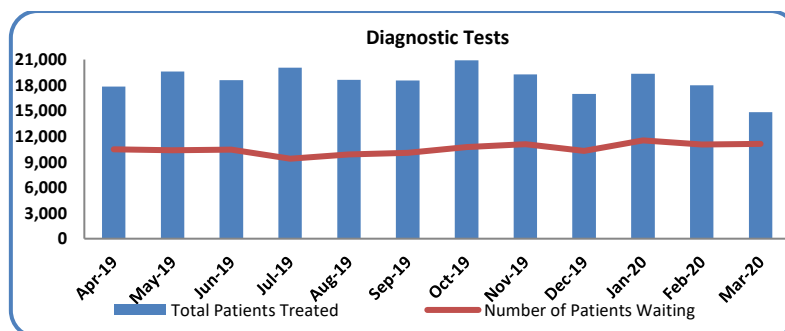


Diagnostics

During 2019/20, the Trust failed to meet the target of 99% of patients waiting less than 6 weeks for diagnostic tests. This was partly due to increased referral demand combined with workforce shortages within endoscopy, due to both the loss of trained nurse endoscopists and a reduction in the number of flexible sessions from senior clinicians linked to national pension issues. Additionally, Radiology continued to experience long standing workforce shortages (a situation which is replicated nationally), and there have been capacity issues within sleep studies, although progress was made within both these areas during the financial year. March 2020 saw a significant downturn in performance following the cancellation of all non-urgent diagnostic tests as part of the Trust’s response to COVID-19.



Prior to COVID-19 causing the cancellation of all non-urgent diagnostic tests within the Trust, 2019/20 had seen the total number of diagnostic tests undertaken increase by 1% compared to 2018/19 (comparing April 2019-February 2020 with the corresponding period in 2018/19). Overall, the number of patients waiting for diagnostic tests within the Trust has increased slightly during the financial year.



Cancer

The Trust struggled to meet the numerous national cancer targets during 2019/20 with the 31 Day Subsequent Treatment Radiotherapy standard the only one which was met in all 12 months. Although the Suspected Cancer Two Week Wait (2WW) standard was not achieved during 2019/20, performance had improved to its highest level of the financial year by March 2020.

Significant work is ongoing to address core issues including increased referral levels and endoscopy capacity constraints. Actions have also been taken to improve future performance against the Breast Symptomatic Standard including successful Breast Radiologist recruitment, the establishment of a breast surgeon led ultrasound service, and additional managerial resource both within the Trust and across the Northern Cancer Alliance. During 2019/20, the Trust has also undertaken work in preparation for the implementation of the 28 Day Faster Diagnosis Standard from 1 April 2020.

| Cancer Waiting Times | Target | Apr 19 | May 19 | Jun 19 | Jul 19 | Aug 19 | Sep 19 | Oct 19 | Nov 19 | Dec 19 | Jan 20 | Feb 20 | Mar 20 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| All cancers: 2 week wait | 93% | 81.2% | 85.8% | 82.9% | 83.0% | 76.8% | 82.7% | 82.5% | 84.1% | 84.5% | 80.9% | 84.5% | 85.9% |
| 2 Week Wait for Symptomatic Breast Patients (Cancer Not initially Suspected) | 93% | 25.8% | 30.9% | 29.0% | 27.5% | 18.5% | 21.9% | 24.6% | 29.2% | 28.7% | 19.7% | 15.9% | 22.5% |
| All cancers: 1 month diagnosis to first treatment | 96% | 95.6% | 93.0% | 90.2% | 92.6% | 95.6% | 92.8% | 96.4% | 94.8% | 92.2% | 93.0% | 95.8% | 94.8% |
| All cancers: 1 month diagnosis to subsequent treatment - surgery | 94% | 92.6% | 89.0% | 89.5% | 87.3% | 81.6% | 69.9% | 89.4% | 80.9% | 89.9% | 89.6% | 88.5% | 91.0% |
| All cancers: 1 month diagnosis to subsequent treatment - drug | 98% | 97.9% | 98.8% | 95.8% | 95.5% | 97.4% | 95.0% | 97.9% | 99.3% | 97.5% | 93.0% | 99.4% | 98.1% |
| All cancers: 1 month diagnosis to subsequent treatment - radiotherapy | 94% | 99.4% | 99.4% | 99.7% | 97.9% | 98.4% | 98.1% | 98.8% | 98.6% | 99.0% | 97.1% | 98.2% | 99.7% |
| All cancers: 2 month urgent referral to treatment | 85% | 82.4% | 79.0% | 70.8% | 77.8% | 79.9% | 75.1% | 82.4% | 78.5% | 83.1% | 68.23% | 76.1% | 73.5% |
| Percentage patients referred from cancer screening service treated within 62 days | 90% | 86.6% | 89.6% | 89.2% | 85.7% | 94.6% | 88.2% | 94.0% | 88.7% | 85.1% | 83.8% | 88.9% | 96.8% |

Improving Access to Psychological Therapies (IAPT) Indicators

Throughout 2019/20, the Trust considerably exceeded the waiting time targets for seeing Improving Access to Psychological Therapies (IAPT) patients within both 6 and 18 weeks. However, the Trust was unable to meet the target related to the proportion of people who have depression and/or anxiety disorders who receive psychological therapies. Additionally, the Trust did not meet the standard for the proportion of people who move to recovery, although an audit of 'unrecovered patients' has been completed and corresponding actions taken to ensure patients are offered the most appropriate interventions and the most appropriate outcome measures.

| IAPT Indicators | 2018/19 Target | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 |
|--|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| The proportion of people who have depression and/or anxiety disorders who receive psychological therapies | 1.58% | 1.53% | 1.24% | 1.41% | 1.46% | 1.27% | 1.11% | 1.26% | 1.19% | 1.39% | 1.46% | 1.26% | 1.24% |
| Cumulative - The proportion of people who have depression and/or anxiety disorders who receive psychological therapies | 19.00% | 1.53% | 2.77% | 4.18% | 5.65% | 6.91% | 8.03% | 9.29% | 10.48% | 11.87% | 13.34% | 14.59% | 15.83% |
| Cumulative Target | | 1.58% | 3.17% | 4.75% | 6.33% | 7.92% | 9.50% | 11.08% | 12.67% | 14.25% | 15.83% | 17.42% | 19.00% |
| The proportion of people who complete treatment who are moving to recovery | 50% | 43.6% | 41.3% | 37.9% | 41.9% | 45.4% | 37.7% | 45.2% | 43.3% | 38.0% | 43.3% | 46.6% | 42.2% |
| % of patients seen within 6 weeks Nationally Published Data | 75% | 91.3% | 92.9% | 95.3% | 92.8% | 93.8% | 94.9% | 95.1% | 89.1% | 85.9% | 85.3% | 94.9% | 91.7% |
| % of patients seen within 18 weeks Nationally Published Data | 95% | 100.0% | 100.0% | 100.0% | 99.7% | 99.6% | 99.6% | 100.0% | 99.8% | 99.8% | 99.8% | 100.0% | 99.6% |

Dementia Standards

In relation to Dementia, the Trust consistently performed below the national standard for 2 of the 3 metrics during 2019/20, however the referral metric was met for 8 months in a row between July 2019 and February 2020. The Trust's Specialist Dementia team has taken actions to improve compliance with the metrics including developing a new screening tool alongside the Trust's IT department.

| Standards | Target | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| % asked the dementia case finding question within 72 hours of admission. | 90% | 34% | 37% | 45% | 52% | 50% | 45% | 39% | 36% | 36% | 36% | 35% | 39% |
| % reported as having had a dementia diagnostic assessment including investigations. | 90% | 76% | 88% | 60% | 44% | 59% | 52% | 57% | 59% | 61% | 61% | 55% | 72% |
| % who are referred for further diagnostic advice in line with local pathways. | 90% | 33% | 46% | 81% | 100% | 100% | 100% | 100% | 100% | 100% | 94% | 94% | 67% |

Healthcare Related Infections

In 2019/20, the Trust had one case of Methicillin-resistant Staphylococcus aureus (MRSA), which was an improvement on the two cases in 2018/19, four cases in 2017/18 and nine cases reported in 2016/17. The Trust additionally met the nationally set trajectory for clostridium difficile in 2019/20, reporting a total of 89 cases against a target of 113 cases. The target had increased for 2019/20 compared to 2018/19 due to changes in the Public Health England (PHE) algorithm for reporting C. difficile infections.

SUSTAINABILITY



There is a global Climate Emergency and I want everyone at Newcastle Hospitals to be part of the solution.

Newcastle Hospitals has a history of pioneering excellence, which puts us in a strong position to increase the pace of action, and end our contribution to the climate crisis before 2040.

The COVID-19 pandemic has reinforced both the imperative and opportunity for us to act. The operational changes we make to enhance climate sustainability make us more resilient and adaptable to periods of intense pressure. For instance, we have seen how virtual appointments can easily substitute for face-to-face, and eliminate the need in many cases for patients to travel to a hospital.

Of course, sustainability isn't just about one or two things; it is considering a number of connected areas. This report highlights how we as a Trust are enhancing productivity, eliminating waste and maximising efficiency in a range of ways – though we are aware we still have a long way to go.

The challenges ahead of us should not be underestimated, and we need a Trust wide approach to succeed. Meeting this challenge will fundamentally change how we live and work, but if it is to be successful, this change will not be about giving things up: instead it will be a way to enrich our lives. Many of the solutions will have co-benefits such as reduced congestion, improved air quality, expansion of green spaces and improved physical and mental health.

It all starts with our people. It is important that they are bringing the best version of themselves to work and that they feel valued for doing so. This drives quality and improvement right across the organisation. The transition we are committed to brings both opportunities and challenges and I believe that early, co-ordinated action can help secure Newcastle Hospital's position as a healthcare leader for decades to come.

It will require collective action across our city and beyond, and we have already begun to have open and meaningful conversations with key players across the region and the wider NHS. I am pleased to be a member of the expert panel tasked with identifying how soon the NHS can transition to net zero carbon, and I'm helping to support James Dixon, our Head of Sustainability, to chair our integrated care system's Climate Action Network.

Together we are focusing our efforts on strengthening our approach to decarbonisation in order to improve the lives of people who live and work across the North East and Cumbria, and beyond. I have been incredibly impressed with the passion and ingenuity already being used across the health sector; we will all benefit

from this ambition. I look forward to supporting our cherished NHS to become more sustainable, now and for the future.

A handwritten signature in black ink, appearing to read 'Jackie Daniel', with a large, stylized initial 'J'.

Dame Jackie Daniel
Chief Executive
24 June 2020

Annual Sustainability Report 2019/20

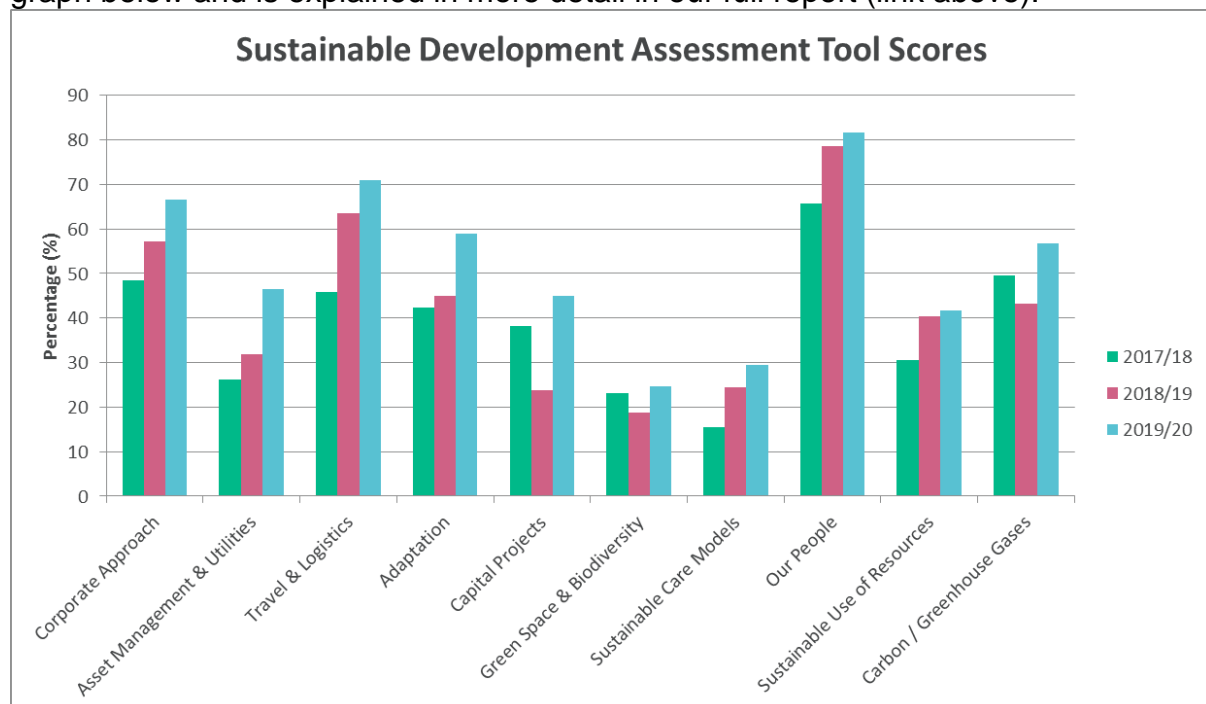
In June 2019 Newcastle Hospitals became the first healthcare organisation in the world to declare a climate emergency, recognising the threat that climate breakdown poses to public health, and committing to becoming carbon neutral by 2040.

Since making the declaration the Trust has played a pivotal role both regionally and nationally, working in collaboration with civic partners in Newcastle to take individual and collective action. An Integrated Care System-wide climate action group is led by Dame Jackie Daniel, and the Trust, has also established a Shelford Group of Sustainability Leads.





Annual Sustainability Reporting is a requirement of both the Department of Health Group Accounting Manual and the Foundation Trust Annual Reporting Manual. The Trust has previously been awarded a certificate of 'Excellence in Sustainability Reporting' for our Annual Sustainability Reports and we have once again produced a stand-alone, more detailed Sustainability Report for 2019/20. This is available on the Trust website via: <http://www.newcastle-hospitals.org.uk/downloads/About%20us%20pages/NUTHSustainabilityReport1920.pdf>





Summary of our Sustainability Performance in 2019/20

The Sustainable Development Assessment Tool (SDAT) developed by the Sustainable Development Unit (SDU), helps healthcare organisations understand and measure their sustainable development progress and plan for the future. We first completed the SDAT in 2017/18 and can now show where we are making progress, and which areas require us to focus more effort. Our progress is summarised in the graph below and is explained in more detail in our full report (link above).



Key Successes in 2019/20

| Shine Theme | What we've achieved... |
|---|--|
|  <p>Energy</p> | <p>The new Trust Strategy (2019-2024) commits to being energy efficient in all that we do and to achieve our target of being carbon neutral by 2040.</p> <p>The Sustainability Team has led Net Zero engagement workshops with key teams in estates, and ongoing working groups have been set up to identify and implement energy saving projects. This year maintenance improvements have delivered a 16% reduction in heat demand at the Freeman and a 4% reduction at the RVI.</p> <p>We have strengthened our links with our city partners, including Newcastle City Council, local universities and college groups, to model carbon emission pathways, share best practice and work together on a joint funding bid to accelerate carbon reduction efforts.</p> |
|  <p>Water</p> | <p>We have made significant progress on collecting half-hourly data for our water supplies with automatic data feeds into InMetriks, our utilities monitoring and targeting system.</p> <p>Also, sub-meter locations have been identified to deliver building level sub-metering in 2020/21.</p> |
|  <p>Waste</p> | <p>Our non-hazardous medicinal waste is now sent to an Energy from Waste (EfW) facility. This is an improvement in the outcome for clinical waste by moving more of our waste up the Waste Hierarchy.</p> <p>We ran a series of waste talks for our Waste Awareness Week in 2019. The talks helped improve staff understanding of correct disposal routes, compliance, costs and sustainability of our waste disposal.</p> <p>All wards received a new waste induction pack to ensure staff have a good understanding of waste procedures at Newcastle Hospitals, saving money and reducing the environmental impact of waste.</p> |
|  <p>Land</p> | <p>Our new Board approved Estates Strategy commits us to aim for Passivhaus Standard and BREEAM Outstanding in all our new build projects. There is active sustainability engagement with the Estates Capital Projects Department to try and ensure all new building and major refurbishment projects are net-zero carbon in operation.</p> <p>In addition to this, our Green Spaces Working Group have been developing a plan for a wellbeing garden at our Freeman Hospital, open to patients and staff, bringing together input from a number of directorates and patient representatives.</p> |
| | <p>Newcastle Hospitals is part of a one-year European project aiming to transform the use of plastic within the healthcare sector in</p> |

| | |
|--|--|
|  <p>Purchasing</p> | <p>Europe, with the sector taking a leading role in the transition to a new plastics circular economy.</p> <p>We have continued to reduce the amount of single use plastics used in our catering department by replacing plastic bottles with cans where possible, and purchasing reusable cutlery for our patient breakfast service at the RVI.</p> <p>We have introduced Meat Free Mondays for the hot meals provided in the Freeman Hospital restaurant, and staff bistros at the RVI and Regent Centre.</p> |
|  <p>Journeys</p> | <p>Almost 500 miles of courier transport was replaced by bicycle courier during a three month trial with ZMOVE. The service transports patient records, samples and medicines which are normally delivered by diesel van. Even in the short trial period 212kg carbon was saved, impacting on the environment both globally and locally through improved air quality. Following the trial the scheme has continued and is welcomed by staff.</p> <p>This year a number of electric cars were made available to staff through the salary sacrifice scheme and electric vehicle (EV) charging points are being included in car parking infrastructure developments. 57 members of staff members have an EV on order, which represents 70% of those currently on order.</p> <p>The Trust has banned diesel engines in all newly procured fleet vehicles, contracted business lease cars, newly contracted personal salary sacrifice cars and hire car rentals. This decision was made to improve local air quality and improve the health of our local population.</p> |
|  <p>Care</p> | <p>A number of projects delivered by clinical teams at Newcastle Hospitals this year have resulted in positive impacts on sustainability.</p> <p>The Kidzmed project in paediatric medicine taught children to take tablets over liquid medication, lowering production and transport emissions, as well as reducing waste.</p> <p>The Fetal Telemedicine project utilised video conferencing technology allowing women in West Cumbria to be scanned at their local hospital rather than travelling to the RVI in Newcastle. This benefits patients in reduced travel time as well as the associated carbon emissions.</p> |
|  <p>People</p> | <p>We have explained our climate emergency declaration through a series of activities and events including public information points, public lectures, and an 11 minute teach-in to reflect the 11 years we have remaining to limit the worst effects of global heating on population health.</p> <p>Local greengrocers Passion 4 Fruits have set up a stall at the RVI. Having the stall directly outside makes it easier for people with</p> |

busy schedules to pick up fresh, healthy food on the way to or from the hospital, making healthy eating much easier.

The Trust's Flourish programme has had a very successful year with campaigns such as: Mindful May, Let's Be Sustainable and Personal Health. Since its launch in 2018, #FlourishAtNewcastleHospitals has had a huge impact in **supporting health and wellbeing, reward and recognition across the organisation.**

We introduced a number of food donation points at our three largest sites support the running of food banks to meet the needs of our local community.

Our annual staff sustainability survey showed a further increase in staff awareness of sustainability work in the Trust, and 89% said that is was "very important" that the Trust act sustainably.

HEALTH AND SAFETY

We take the health and safety of our staff, patients and visitors very seriously. We have a dedicated Health and Safety Committee that monitors performance through receiving reports and updates on a range of areas, including:

- staff related incidents e.g. trips, slips, falls, violence and aggression;
- quarterly reports on health and safety compliance audits;
- quarterly reports on the health and safety inspection programme;
- the slips, trips and falls reduction action plan;
- safe working environments;
- provision and support of lone working devices;
- work to reduce violence and aggression by patients towards staff;
- arrangements to manage and reduce staff stress; and
- a range of health and safety related training for example stress at work, risk assessment, etc.

During 2019/20, there were 23 incidents that required reporting via Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) to the Health and Safety Executive, showing a slight reduction compared to 28 in 2018/19.

2. ACCOUNTABILITY REPORT

BOARD OF DIRECTORS

Between 1 April 2019 and 31 March 2020, there were six ordinary meetings of the Board of Directors and one extraordinary meeting. The extraordinary meeting in May 2019 was convened to approve the Annual Report and Accounts for 2018/19.

In compliance with the requirements of the Health and Social Care Act 2012, the Board holds part of its meeting in public, followed by a private business section. Meetings of the Board of Directors are held bi-monthly, with a private Board Development Session held on the months in between formal meetings.

In March 2020, the Board of Directors meeting was held in private due to social distancing requirements imposed by the Government in light of the COVID-19 pandemic. Subsequent meetings have been held via video-conferencing utilising Starleaf software to enable members of the public to observe the public session of the meeting.

The Board has overall responsibility for the strategic direction of the Trust, taking into account the views of the Council of Governors. Executive and Non-Executive Directors have an open invitation to attend meetings of the Council of Governors.

The Board is responsible for ensuring that the day-to-day operation of the Trust is as effective, economical and efficient as possible and that all areas of identified risk are managed appropriately.

A detailed Schedule of Reservation and Delegation of Powers is in place and it sets out explicitly those decisions which are reserved for the Board, those that may be determined by standing committees, and those that are delegated to managers.

In April 2019, the Trust implemented a revised Governance structure with the following Committees, each chaired by a Non-Executive Director, with the exception of the Appointments and Remuneration Committee which is chaired by the Trust Chairman. The Committees were established to provide assurance to the Board of Directors:

- Appointments and Remuneration Committee;
- Audit Committee;
- Charitable Funds Committee;
- Finance Committee;
- People Committee; and
- Quality Committee.

The balance, completeness and appropriateness of the members of the Board is reviewed periodically and when vacancies arise among Executive or Non-Executive Directors.

| Board Member | | Attendance at Ordinary Meetings (Attendance at Extraordinary) |
|---|--|---|
| <p>Professor Sir John Burn</p> <p>Chairman</p> <p>Appointed 1 December 2017 for 3 years</p> | <p>Sir John became Chairman of the Trust on 1 December 2017.</p> <p>He obtained a first class honours degree in Human Genetics and an MD with distinction from Newcastle University, where he has been Professor of Clinical Genetics since 1991. He was appointed as a consultant specialist in Newcastle in 1984 and led the regional NHS Genetics Service for 20 years.</p> <p>As well as helping to create the Centre for Life, which houses an education and science centre alongside the Institute of Genetic Medicine, Sir John is Vice Chair for the Newcastle based DNA device company, QuantuMDx Ltd.</p> <p>He is a Fellow of the Royal Colleges of Physicians (London and Edinburgh), Paediatrics & Child Health and Obstetricians & Gynaecologists and a Fellow of the Academy of Medical Sciences.</p> <p>He was knighted in 2010 and chosen as one of the first 20 'local heroes' to have a brass plaque on Newcastle Quayside in 2014. He also received the Living North award in 2015 for services to the North East 2000-2015 and is also Treasurer and Co-Director of the international organisation, Global Variome, which seeks to share knowledge of genetic variation for clinical benefit.</p> <p>Previous roles include President of the European Society of Human Genetics, Lead Clinician of the Northern Strategic Authority and Non-Executive Director at NHS England.</p> <p>As Trust Chairman, Sir John:</p> <ul style="list-style-type: none"> • chairs the Board of Directors and ensures that a corporate vision and strategy is developed and maintained; • chairs the Council of Governors and acts as a bridge between the Council of Governors and the Board of Directors; • ensures the Council of Governors has appropriate arrangements in place to hold the | <p>6 of 6 (1 of 1)</p> |

| | | |
|--|---|----------------------------|
| | <p>Board of Directors to account through the Non-Executive Directors;</p> <ul style="list-style-type: none"> • has a close working relationship with the Trust's Chief Executive; • is an Ambassador for Newcastle Hospitals and the wider healthcare system; and • represents the Trust at local, national and international level. | |
| <p>Ms Gillian Baker</p> <p>Non-Executive Director</p> <p>Appointed 1 July 2019 for 3 years</p> | <p>Gillian joined the Board as a Non-Executive Director on 1 July 2019.</p> <p>Gillian has over 30 years' experience of working in the charity, health and local authority sectors specialising in children's social care, criminal justice and community development. The 'thread' that runs through her career is that of reducing inequalities and in improving outcomes for people and communities. In the course of her career she has worked in a women's refuge, in a number of community projects in the west end of Newcastle and in Scotland as well as leading on a range of regional and national strategies for young offenders; as well as setting up and successfully running a local charity.</p> <p>Gillian is now Director of Development at Lloyds Bank Foundation – an independent charitable trust which supports small charities across England and Wales through grant funding, capacity building and working to influence and shape their future by working across all sectors to ensure those small community based organisations remain at the forefront of dealing with a range of difficult issues, such as homelessness or drug and alcohol dependency.</p> <p>Gillian has a Masters in social research, is a Churchill Fellow and a Trustee of the Community Foundation in Tyne and Wear and has previously served as a Non-Executive Director with NEAS, as well as being a school governor.</p> | <p>4 of 4 (0 of 0)</p> |
| <p>Professor David Burn</p> <p>Non-Executive Director</p> | <p>David was appointed as a Trust Non-Executive Director in July 2017 and is Pro-Vice-Chancellor of the Faculty of Medical Sciences at Newcastle University. He is also a Professor of Movement Disorders Neurology and Honorary Consultant Neurologist for Newcastle Hospitals.</p> | <p>3 of 6 (0 of 1)</p> |

| | | |
|---|--|----------------------------|
| <p>Appointed 3 July 2017 for 3 years</p> <p>Term extended to end September 2020</p> | <p>His first degree was at Oxford (Physiological Sciences), returning to his native North East for clinical training and early medical jobs, including neurology. After further neurology training and undertaking research in London (National Hospital for Neurology and Neurosurgery, Queen Square and Hammersmith Hospital), he was appointed as a Consultant Neurologist and Senior Lecturer in Newcastle in 1994.</p> <p>David has an international reputation for research in dementia associated with Parkinson's. He is a National Institute for Health Research (NIHR) Emeritus Senior Investigator, chairs the NIHR Translational Research Collaboration for Dementia and from July 2018 has been Chair of the Northern Health Science Alliance. He is a Trustee of Parkinson's UK.</p> <p>From 1 April 2020, David will be appointed as Director of the NIHR/ NHS England-Improvement Newcastle Health Innovation Partners Academic Health Science Centre.</p> | |
| <p>Ms Maurya Cushlow</p> <p>Executive Chief Nurse</p> <p>Appointed 1 January 2019 in substantive post (appointed 1 April 2018 on secondment as interim)</p> | <p>Maurya was appointed as Executive Chief Nurse in January 2019, having held the post of Interim Chief Nurse at Newcastle Hospitals since April 2018.</p> <p>With over 30 years' experience in the NHS, Maurya started off her healthcare career as a registered general nurse in Sunderland and has subsequently enjoyed a varied and successful nursing and management career at executive director level, most recently as Executive Director of Nursing and Governance at North Cumbria University Hospitals Trust.</p> <p>Prior to this, her roles included Accountable Chief Officer for North Tyneside Clinical Commissioning Group, Director of Operations at the NHS North of Tyne and Managing Director of Newcastle and North Tyneside Community Health Services. In parallel, Maurya has also pursued her academic qualifications, achieving an MBA from Durham University in 2000.</p> | <p>5 of 6 (1 of 1)</p> |
| <p>Dame Jackie Daniel</p> | <p>Dame Jackie Daniel has been Chief Executive at Newcastle Hospitals since 1 May 2018 and began</p> | <p>5 of 6 (0 of 1)</p> |

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| <p>Chief Executive</p> <p>Appointed 1 May 2018</p> | <p>her NHS professional career as a nurse before moving into NHS management.</p> <p>She has been a Chief Executive Officer for almost 20 years, leading Acute, Mental Health and Specialist Trusts and before joining Newcastle, was Chief Executive of the University Hospitals of Morecambe Bay NHS Foundation Trust which she led out of special measures.</p> <p>In 2017, Dame Jackie was recognised in the Queen's New Year's Honours for her services to health care. She has a degree in Nursing Studies, a Masters' degree in Quality Assurance in Health and Social Care and is a qualified business and personal coach. She is also an Executive in Residence at Lancaster University Management School.</p> <p>In 2019, Dame Jackie was appointed to the NHS Assembly. She has been influential in developing the NHS Long Term plan and has been appointed as Chair of the Shelford Group (representing the ten largest teaching and research hospitals in the NHS).</p> <p>As Chief Executive Officer, Dame Jackie is responsible for:</p> <ul style="list-style-type: none"> • ensuring good governance – Corporate, Clinical, Research, Employment, Statutory and Regulatory; • sustaining a 'going concern'; • ensuring service provision and delivery to optimal standards in the public interest; • ensuring good internal and external relations; and • providing organisational leadership. | |
| <p>Mrs Angela Dragone</p> <p>Finance Director</p> <p>Appointed 9 March 2009</p> | <p>An NHS career Accountant, Angela has more than 25 years senior leadership experience and is also Director of the Trust's subsidiary company, Newgene.</p> <p>On a national level, she has influenced the development of funding and contracting mechanisms and the training and education of finance staff.</p> <p>Angela's responsibilities as Finance Director include strategic financial planning (capital and</p> | <p>6 of 6 (1 of 1)</p> |

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| | <p>revenue), leading the finance function (financial services, income and financial management), ensuring financial governance and effective financial reporting, financial transformation, supplies and procurement and the financial aspects of the Trust's charitable funds.</p> | |
| <p>Mr Keith Godfrey</p> <p>Non-Executive Director and Senior Independent Director (SID)</p> <p>Appointed 27 July 2017 for 3 years</p> <p>Term extended to end September 2020</p> | <p>Keith joined the Board as Clinical Non-Executive Director in July 2017 and since December 2018, has been the Senior Independent Director (SID).</p> <p>After graduating from Manchester Victoria University Medical School in 1973, he initially trained in general surgery, obstetrics & gynaecology and came to Newcastle in 1979 to join the Medical Research Council based in the Princess Mary Hospital, Jesmond.</p> <p>He subsequently worked for Newcastle University before becoming a consultant in obstetrics and gynaecology in Sunderland in 1985, where he was elected Chairman of the Medical Staff Committee and BMA Place of Work Accredited Representative.</p> <p>Keith returned to Gateshead's Queen Elizabeth Hospital in 2001 to head up the Northern Gynaecological Oncology Centre (NGOC) and as Regional Chairman of the Gynaecological Oncology Site Specific Group, implemented the national guidance on centralisation of gynaecological oncology surgery. He became Deputy Medical Director at Gateshead in 2009 and subsequently Medical Director in 2012 until his retirement in December 2016. Keith is the Trustee and Chair of the Northern Cancer Care & Research Society.</p> | <p>6 of 6 (0 of 1)</p> |
| <p>Mr Jonathan Jowett</p> <p>Non-Executive Director</p> <p>Appointed 1 November 2016 for 3 years</p> | <p>Jonathan joined the Board in November 2016. His executive role is Company Secretary & General Counsel at Greggs plc, where he is a member of the Operating Board, reporting to the Chief Executive.</p> <p>He is a lawyer by profession and has spent most of his career working in-house in international manufacturing companies across a variety of sectors including medical product and consumer healthcare.</p> | <p>5 of 6 (1 of 1)</p> |

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| <p>Appointed 1 November 2019 for 3 years</p> | <p>Jonathan's responsibilities in Greggs include legal and government affairs, risk management & insurances, internal audit, food safety, health and safety, sustainability and pensions' administration.</p> <p>He is Secretary to the PLC board and its committees, and so responsible for governance and corporate policies, and the efficient and effective administration of the Board.</p> <p>He is also Chair of the Percy Hedley Foundation, which provides educational and care services to children, young people and adults with cerebral palsy, communication and sensory impairments and complex learning, social care and therapeutic needs.</p> <p>Jonathan read Business Law at Huddersfield Polytechnic, qualified as a Solicitor in 1989, and attained a Master's Degree in European Union law from the University of Leicester. He gained national recognition from his peers in the 2012 Financial Times Innovative Lawyers awards for his contribution to developing the law on VAT on hot food. In his spare time, he is an advisor to the Board of Darlington Football Club.</p> | |
| <p>Dr Vicky McFarlane Reid</p> <p>Executive Director for Enterprise and Business Development</p> <p>Appointed 23 September 2019</p> | <p>Vicky joined the Trust in September 2019 as the Executive Director for Enterprise and Business Development.</p> <p>Vicky has a PhD in Molecular Ecology and a BSc in Biology and before joining the Trust, spent 17 years working for Leica Biosystems (a Danaher company) in the field of Cancer Diagnostics as the Director for Research and Development.</p> <p>Vicky is also responsible for Business Planning and Strategy Management, Service Development, Performance and Contracting and is the executive sponsor for Sustainable Healthcare and Climate Change.</p> <p>She is responsible for the development of a Commercial Enterprise Unit within the Trust which will seek to maximise our ability to deliver Non-NHS revenues which can be reinvested back into patient care.</p> | <p>4 of 4 (0 of 0)</p> |

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| <p>Professor Kath McCourt</p> <p>Non-Executive Director</p> <p>Appointed 1 December 2015 for 3 years</p> <p>Appointed 1 December 2018 for 3 years</p> | <p>Kath joined the Board as a Non-Executive Director in December 2015 and has had an extensive career as a nurse, midwife and educationalist in the UK and overseas. Kath was formerly a Pro-Chancellor and Executive Dean of the Faculty of Health and Life Science at Northumbria University.</p> <p>During her career Kath has been nominated, elected and represented her employer and the nursing profession in a variety of regional, national and international settings. She has significant Board level experience through chairing committees and groups and has been an advisory consultant to a number of overseas governments and organisations including the World Health Organisation and is presently the President of the Commonwealth Nurses and Midwives Federation.</p> <p>Kath is an Honorary Colonel, 201 Field Hospital - Newcastle upon Tyne, Fellow of the Royal College of Nursing and received the CBE in the Queen's Birthday Honours 2012 for services to nursing.</p> | <p>6 of 6 (0 of 0)</p> |
| <p>Mr Steven Morgan</p> <p>Non-Executive Director</p> <p>Appointed 1 October 2018 for 3 years</p> | <p>Steven joined the Board of Directors in October 2018. A dual American and UK citizen, Steven is an independent Copeland Borough Councillor in West Cumbria and member of the Borough Executive. He is a former director at the UK's main nuclear site, Sellafield, and was the Executive Director for Capital Programmes and Projects at Heathrow, where he was responsible for the design and construction of Terminal 2 and finishing the Terminal 5 complex.</p> <p>In addition to his role as a Non-Executive Director, Steven is currently involved on the Hinkley Point Nuclear construction board. Steven retired from the Ministry of Defence as Commercial Director in 2017 and is a retired US Navy Rear Admiral. In America, he was Logistics Director of the Defense Logistics Agency.</p> <p>In the United States, he was Chairman of the Board of a mental health hospital, President of an environmental remediation division and Chief Financial Officer of several companies including a</p> | <p>6 of 6 (1 of 1)</p> |

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| | <p>shipbuilding company and a nuclear reactor fabrication business.</p> <p>Steven holds an MBA from George Washington University and is a Fellow of the Chartered Institute of Procurement and Supply and the Institute of Civil Engineers.</p> | |
| <p>Mr David G Stout</p> <p>Non-Executive Director</p> <p>Appointed 1 August 2012 for 3 years Appointed 1 August 2015 for 3 years Appointed 1 August 2018 for 3 years</p> | <p>David, a CIPFA chartered accountant, joined the Trust Board in August 2012 and was formerly the Director of Finance and Communications at the North East Strategic Health Authority (NESHA).</p> <p>David has significant health expertise having worked in Director of Finance roles across a number of NHS organisations and also undertook the role of Acting Chief Executive at NESHA for a 26 month period.</p> <p>He is also an experienced Local Government finance professional who has held finance roles at three North East local authorities over a 13 year period. David has also undertaken a number of advisory roles including being part of the Arbitration Panel for NHS contracting disputes.</p> | <p>6 of 6 (1 of 1)</p> |
| <p>Mr Ewen Weir</p> <p>Non-Executive Director</p> <p>Appointed 1 October 2010 and reappointed annually thereafter at the discretion of Newcastle City Council</p> <p>Stood down from 30 September 2019</p> | <p>Ewen Weir was the Director of People at Newcastle City Council and was a member of the Trust's Board of Directors from October 2010 until 30 September 2019. He retired from his role in Newcastle City Council in December 2019.</p> <p>A social worker by background, he worked in the public/voluntary sector throughout his career and previous roles included Policy and Performance lead at the North East Strategic Health Authority and Assistant Director of Social Services at Darlington Borough Council. Ewen has also worked with voluntary sector in Edinburgh, working with homeless people.</p> <p>Educated at Edinburgh and Newcastle Universities, Ewen has a Master's degree in History, Postgraduate Masters in Philosophy and Social Work and a Diploma in Education.</p> | <p>3 of 4 (1 of 1)</p> |
| <p>Mr Andy R Welch</p> | <p>Andy has been Medical Director for seven years having previously been Associate Medical Director and Cancer Lead. He currently chairs the Northern Cancer Alliance and continues to be</p> | <p>5 of 6 (1 of 1)</p> |

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| <p>Medical Director/Deputy Chief Executive</p> <p>Appointed to Director role on 1 April 2013</p> <p>Appointed to Deputy Chief Executive Role in October 2019</p> | <p>actively involved clinically as a Consultant Head and Neck Surgeon.</p> <p>Andy advises on clinical / strategic issues and is the Trust's Responsible Officer and Caldicott Guardian. His team includes eight Associate Medical Directors and six Corporate Clinical Directors, whose extensive portfolios include:</p> <ul style="list-style-type: none"> • Quality and Patient Safety • Infection Prevention and Control • Cancer Lead • Clinical Governance, Clinical Risk Management and Clinical Audit • Clinical Research and Innovation • Deputy Responsible Officer • Medical Education and Training • Director of Trauma • Clinical Effectiveness, New Procedures and Drugs • Medical Staff Health and Wellbeing/Performance • Efficient use of resources – Theatre efficiency, patient flow, job planning, remuneration, working patterns, service sustainability and improvement. <p>The Director of Clinical Risk and Director of Pharmacy also report directly to the Medical Director and in addition, there are 21 Clinical Directors who report jointly to the Medical Director and Chief Operating Officer.</p> | |
| <p>Mr Martin Wilson</p> <p>Chief Operating Officer</p> <p>Appointed 8 October 2019</p> | <p>Martin's role as Chief Operating Officer is to support the thousands of hard working staff who work within our hospitals and community services in delivering great care to patients and improving how we work.</p> <p>He works closely with the Medical Director, Executive Chief Nurse and other directors, and leads and oversees the teams of Clinical Directors and Directorate Managers who together lead each of the Trust's 16 clinical directorates.</p> <p>Martin is responsible for ensuring that the Trust delivers the highest possible standards of performance, and leads our partnership working with Newcastle City Council around integrated health and care services.</p> | <p>5 of 6 (1 of 1)</p> |

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| | <p>Martin joined Newcastle Hospitals in October 2018 from national roles at the Department of Health and Social Care, and at NHS England and NHS Improvement, where he was the Director of Strategy / Deputy National Director responsible for emergency and elective care across England.</p> <p>Martin is a registered nurse and a graduate of the NHS Management Training Scheme. Having grown up and lived most of his life in Newcastle, he worked for a number of years at Northumbria Healthcare NHS Foundation Trust before taking on a number of director roles within the former North East Strategic Health Authority, St George's Hospital NHS Foundation Trust, University College London Hospitals NHS Foundation Trust, and McKinsey & Company.</p> | |
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In January 2020, the Trust Board introduced a voluntary, unremunerated and non-voting Associate Non-Executive Director role and welcomed Mrs Pat Ritchie, Chief Executive of Newcastle City Council into the post.

| Board Member | | Attendance at Ordinary Meetings |
|--|--|--|
| <p>Mrs Pat Ritchie</p> <p>Associate Non-Executive Director</p> <p>Appointed January 2020</p> | <p>Pat joined the Trust's Board of Directors as an Associate Non-Executive Director in January 2020.</p> <p>As Chief Executive of Newcastle City Council, Pat has delivered a significant programme of transformational change since joining the council in 2013, creating the conditions for sustained economic growth in the city; notably securing the multi-million-pound investment deal to bring Legal & General to Newcastle's flagship 'Helix' development.</p> <p>Pat also led on negotiations with government to secure a devolution deal for the new North of Tyne Mayoral Combined Authority.</p> <p>She is former Chief Executive of the Homes and Communities Agency (Homes England) and former Deputy Chief Executive of the Regional Development Agency (One NorthEast) and continues to influence housing and economic development policy nationally.</p> | <p>2 of 2 (0 of 0)</p> |

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| | <p>She co-chaired the Service Transformation Challenge Panel government taskforce in 2014 and in January 2020, Pat became Chair of the Government Property Agency; overseeing its priorities to improve working environments on the government estate, support new ways of working and drive productivity and engagement.</p> | |
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The Council of Governors has the power to terminate the appointments of the Chairman and other Non-Executive Directors, subject to the approval of 75% of the membership.

The accounts have been prepared in line with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance. The Newcastle upon Tyne Hospitals NHS Foundation Trust acts as Corporate Trustee for the Newcastle upon Tyne Hospitals NHS Charity, the results of which are consolidated into the Group accounts.

The Trust has not made any political donations during 2019/20.

During the year, the following conflicts of interest were declared during Board of Director meetings:

- The Chairman declared an interest in QuantumDX as Vice-Chair. It was noted that the company were in the process of developing COVID-19 response technologies;
- Mr E Weir and Mrs P Ritchie declared an interest in any matters pertaining to Newcastle City Council; and
- Professor D Burn declared an interest in any matters pertaining to Newcastle University.

During 2019/20, members of the Board of Directors claimed a total of £2,679.28 in expenses. This was largely for business travel.

AUDIT COMMITTEE

COMMITTEE PURPOSE & MEMBERSHIP

The Board of Directors has established a formally constituted Audit Committee, comprising of four Non-Executive Directors and has in attendance, Trust officers, internal and external auditors.

The key purpose of the Audit Committee is to provide the Board with:

- an independent and objective review of financial and organisational controls, the system of integrated governance and risk management systems and practice across the whole of the organisation's activities (both clinical and non-clinical);
- assurance of value for money;
- compliance with relevant and applicable law;
- compliance with all applicable guidance, regulation, codes of conduct and good practice; and
- advice as to the position of the Trust as a "going concern."

It does this through receipt of assurances from auditors, management and other sources.

The Committee is appointed by the Board from the Non-Executive Directors of the Trust and consists of four members, with a quorum being two members.

Four ordinary meetings and one extraordinary meeting were held between 1 April 2019 and 31 March 2020 and attendance was as follows:

| | Attendance at ordinary meetings | Attendance at extraordinary meeting |
|--|---------------------------------|-------------------------------------|
| Mr D Stout, Non-Executive Director (Committee Chair) | 4 of 4 | 1 of 1 |
| Mr J Jowett, Non-Executive Director | 4 of 4 | 0 of 1 |
| Professor K McCourt, Non-Executive Director | 3 of 4 | 1 of 1 |
| Mr S Morgan, Non-Executive Director | 4 of 4 | 1 of 1 |

The Committee met the minimum number of five meetings per year.

The Committee reviewed and updated its Terms of Reference and Schedule of Business during the year. The Audit Committee followed the Schedule of Business for 2019/20 and uses a rolling programme and action log to track committee actions.

RISK MANAGEMENT

During 2019/2020, a new format for the Board Assurance Framework (BAF) and Executive Oversight Register was introduced. Each meeting of the Committee is updated on the BAF and Register.

The Trust Board Risk Appetite Statement and tolerance levels were reviewed and refreshed during the year, with final approval provided at the Trust Board meeting held on 30 January 2020.

The Committee is satisfied that the system of risk management in the organisation is adequate in identifying risks and allows the Board of Directors to understand the appropriate management of those risks. The Committee believes there are no areas of significant duplication or omission in the systems of governance (that have come to the Committee's attention) that have not been adequately resolved.

INTERNAL AUDIT

The Committee has ensured that there is an effective internal audit function established by management that meets mandatory Internal Audit Standards and provides appropriate independent assurance. The Trust receives its internal audit service from AuditOne.

Assurance was achieved by:

- Reviewing and approving the Internal Audit Strategy and Annual Plan and the more detailed programme of work, including regular updates of performance against the Plan.
- Consideration of the major findings arising from internal audit work and management's responses.
- Receipt of the Internal Audit Annual Report and Head of Internal Audit Opinion.
- Monitoring progress with implementation of agreed audit recommendations.

The Committee received a report from the internal auditor at each of its committee meetings which summarised the audit reports issued since the previous meeting.

The internal audit plan for 2019/20 was based on a risk assessment approach centred on discussions with senior staff and Directors and was linked to the organisation's assurance framework.

EXTERNAL AUDIT

The Committee has reviewed the work and findings of external audit and considered the implications and management responses to their work.

Assurance was achieved by:

- Discussing and agreeing with the external auditor, the nature and scope of the audit as set out in the External Audit Annual Plan.
- Reviewing external audit reports, together with the appropriateness of management responses.
- Received the year-end Audit Opinion, ISA 260 report (Trust and Charity) and the report on the Quality Account.

The Council of Governors has the statutory responsibility for the appointment of the external auditors, and this process is led by the Business and Development Working Group, supported by Trust officers and the Chair of the Audit Committee. During 2018, a robust procurement and evaluation process was undertaken regarding the

external audit contract and resulted in Mazars LLP being appointed as the Trust's external auditors with effect from 1 October 2018 for 3 years to 30 September 2021. The contract includes an option to extend for a further 1 year after the 3 years. The Mazars LLP external audit fees for 2019/20 are listed below:

- Statutory Accounts £65,160 (inclusive of VAT);
- Quality Accounts/Report £11,160 (inclusive of VAT)*; and
- Charity Accounts £12,000 (inclusive of VAT).

*The fee for the work on the Quality Report for 2019/20 was reduced to £3,080 (plus VAT) to reflect the requirement issued in March 2020 to no longer include the Quality Report in the Annual Report in response to the COVID-19 pandemic, with auditors being advised to cease assurance work on the Quality Report at that time.

To ensure that the independence of the external auditors is not compromised where work outside the scope of the Audit Code has been procured from the external auditors, the Trust has a policy which requires that no member of the team conducting the external audit may be a member of the team carrying out any additional work and their lines of accountability must be separate.

During 2019/20, the Trust policy on Non-Audit Work was reviewed and updated, subsequently being approved at the April 2020 Committee meeting.

Other than the Quality Accounts/Report work, no additional services/non-audit work was carried out by Mazars LLP during 2019/20.

FINANCIAL GOVERNANCE

The Committee has ensured that the systems for financial reporting to the Board are subject to review.

The Committee has achieved this primarily through review and approval of the Annual Accounts and TAC schedules, including those of the Newcastle upon Tyne Hospitals NHS Charity. The Committee also reviewed the External Audit Opinion and fed back relevant comments for consideration by the external auditors.

In the course of 2019/20, there were no significant issues that the Committee had to consider in relation to the financial statements. During the year, the Committee reviewed the following significant risks:

- Management over-ride of controls (Group and Trust);
- Property valuations (Trust); and
- Fraud in revenue recognition (Trust).

Other areas of management judgement discussed related to the appropriateness of the estimate for incomplete patient spells at the year-end and accounting for the Trust PFI scheme.

These have been considered through the presentation of the external audit plan and discussions with the Trust's external auditors, Mazars LLP.

BETTER PAYMENTS PRACTICE CODE AND INVOICE PAYMENT PERFORMANCE

The Trust is required to pay trade creditors in accordance with the national Better Payments Practice Code and Government Accounting Rules, which require that:

- bills are paid within 30 days, unless covered by other agreed payment terms;
- disputes and complaints are handled by a nominated officer;
- payment terms are agreed with all traders prior to the commencement of contracts;
- payment terms are not varied without prior agreements with traders; and
- there is a clear policy of paying bills in accordance with contracts.

Any complaints received from traders regarding payments were recorded, investigated and the appropriate action taken, where necessary.

The Trust paid 91% of non-NHS trade invoices within target (2018/19: 92%) and 72% of NHS trade invoices were paid within target (2018/19: 73%). Full details of the Trust's performance against the Better Payment Practice Code are included within note 6.1 of the Annual Accounts.

INCOME DISCLOSURES

The Trust has complied with Section 43 (2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012) which required that the income from the provision of goods and services for the purposes of the health services in England must be greater than its income from the provision of goods and services for any other purposes.

The impact of other income on the Trust is insignificant. The Trust statutory accounts include a detailed breakdown of other income in notes 3 and 4 of the Accounts and further information is disclosed in the Operating and Financial Performance section of this report.

NHS IMPROVEMENT'S WELL-LED FRAMEWORK

The Care Quality Commission (CQC) undertook a well led review and inspection of core services between 15 January and 28 February 2019 and found the Trust to be 'Outstanding' overall and in well-led, responsive, caring and effective domains; and 'Good' in the Safe domain.

The Annual Governance Statement within this report outlines the review of leadership and governance in line with NHS Improvement's well-led framework in arriving at its overall evaluation of the organisation's performance, internal control and Board assurance.

The Trust can confirm that there are no material inconsistencies between:

- The Annual Governance Statement;
- The Corporate Governance Statement;
- The Annual Report; and
- Reports from the CQC planned and responsive reviews of the Trust and any consequent action plans developed by the Trust.

Information relating to the Trust's patient care activities' is outlined in the Trust Quality Report 2019/20.

The Trust and Group actively engages with patients, carers, their relatives and members of the public. The Trust's Patient and Public Involvement Group, Advising on the Patient Experience Group (APEX) provides a strong model of engagement alongside corporate and clinical specialities which have patient and public forums for example Member Events, Maternity Voices Partnerships and the Young Persons Advisory Group North East (YPAGne).

The Trust works in partnership with local community and voluntary groups seeking the views of a diverse range of people. The Trust was recognised and shortlisted for the RCNi Carers Award celebrating the successful Trust partnership working with carers.

The Trust continues to collaborate with patient representatives to prepare for the implementation of the refreshed National Friends and Family Test guidance which has included facilitating workshop led by and with the involvement of patients, members of the public, staff and the NHS England Insight team.

The Trust is a significant partner in the North East and Integrated Care Partnership and continues to work in partnership with several key stakeholder across the North East including Healthwatch, Clinical Commissioning Groups, City Councils and Health Scrutiny Committees.

In 2020/21 the stakeholder engagement focus will be:

- Embed patient and public engagement in our approaches to service improvement and transformation, in particular the significant transformation plans;

- Improve our use of existing sources of patient experience data to inform continuous improvement and transformation; and
- To implement the new guidance in relation to the NHS Friends and Family Test.

ANNUAL STATEMENT ON REMUNERATION FROM THE CHAIRMAN

The Trust has an Appointments and Remuneration Committee, which has been in place since the organisation was established. The Committee advises the Board on appropriate remuneration and terms of service for the Chief Executive, Executive Directors and other senior members of staff.

The Committee has clear Terms of Reference that are regularly reviewed, the last review having been undertaken in May/June 2019.

The membership of the Committee is made up of the Chairman and a minimum of three Non-Executive Directors. The Chief Executive, HR Director and Trust Secretary also attend as appropriate.

The Committee met on four occasions during 2019/20:

| | Attendance at ordinary meetings |
|--|--|
| Professor Sir J Burn, Chairman | 4 of 4 |
| Mr J Jowett, Non-Executive Director | 4 of 4 |
| Professor K McCourt, Non-Executive Director | 4 of 4 |
| Professor D Burn, Non-Executive Director (until 31 October 2019) | 1 of 3 |
| Mr K Godfrey, Senior Independent Director | 3 of 4 |

None of the Non-Executive Directors has a service contract and there are no special provisions for early termination of contracts.

The remuneration for Non-Executive Directors is determined by the Council of Governors, as delegated to the Nominations Committee, which last considered the fees paid to Non-Executive Directors in October 2019. The level of remuneration for Non-Executive Directors is paid to reflect the time commitment of around 3-4 days per month.

In January 2020, the Trust Board introduced a voluntary, unremunerated and non-voting Associate Non-Executive Director role and welcomed Mrs P Ritchie, Chief Executive of Newcastle City Council, into the post.

The Committee is also responsible for ensuring that due process is in place, and has been followed, in relation to the application and decision making by the Local Awards Committee (LAC) for making Local Clinical Excellence Awards (CEAs) from Level 1 to Level 9 to eligible Consultants who can demonstrate contributions above and beyond the expected norm. Further, the Committee considers the recommendations of the LAC prior to submission to the Trust Board for approval, and undertook this exercise during 2019/20.

Further during 2019/20, the Committee:

- Was advised about the impact of pension's tax charges on senior (long serving) staff, and the potential risk on service delivery, recruitment and retention. In response, the Committee agreed to introduce a local policy facilitating an 'opt out and additional pay scheme' from 1 November 2019 intended to protect and retain clinical capacity.
- Was responsible for overseeing the recruitment process for the following posts during the year:
 - Director for Enterprise and Business Development;
 - Procurement and Supply Chain Director;
 - Director of Estates (conversion into substantive post); and
 - Deputy Chief Nurse.
- Was fully briefed on the recommendations of the Kark Review of the Fit and Proper Persons Test and considered the implications for the Trust. In addition, the Committee received an annual update on the Fit and Proper Persons Regulation compliance.
- Was advised on the outcome of the annual performance appraisal exercise for the VSM group of staff.
- Considered the remuneration packages of individual Executive Directors as appropriate.
- Refreshed the VSM Remuneration Policy to ensure alignment to the core value of diversity and inclusion, the Trust strategy and performance objectives.
- Agreed that in response to the COVID-19 pandemic emergency situation that it wished to recognise the efforts and contribution made by all staff who worked significant hours above contract. The Committee confirmed a temporary variation enabling additional hours worked due to COVID-19 to be taken as time off in lieu or claimed at single time.



Professor Sir John Burn
Chair

24 June 2020

ANNUAL REPORT ON REMUNERATION

REMUNERATION POLICY

The Appointments and Remuneration Committee is responsible for determining all elements of Executive Director and Very Senior Managers (VSMs) remuneration. The definition of VSM is a person with authority or responsibility for directing or controlling the major activities of the Trust; it also includes those who influence decisions of the organisation as a whole including advisory and Non-Executive board members.

The Committee is committed to ensuring the Trust is able to offer proportionate and fair remuneration packages, reflective of the responsibility of working in a large and complex environment and to promote the long-term sustainable success of the Trust by attracting, recruiting and retaining high calibre staff in a competitive marketplace. It considers the prevailing market conditions, benchmarks pay and employment conditions against appropriate peer, national and regional comparators and the Trust workforce, and does not routinely apply annual increases.

When considered appropriate, the Committee has commissioned independent external advisors, as well as the guidance issued by NHS Improvement on pay for VSMs in NHS Trusts and Foundation Trusts ('the Guidance').

The Committee reserves the right to exercise discretion and if necessary approve specific reviews in exceptional cases, for example, resulting from significant change to an individual's role.

The Committee is also responsible for ensuring a formal and robust system is in place to monitor and evaluate the performance of VSMs.

The components of the VSM remuneration package are:

- Base pay
- Taxable benefits:
 - Contributory NHS Pension Scheme - not all VSMs participate in the Scheme.
 - Additional taxable benefits (car allowance) by exception only.
- From 2018, and in line with the Guidance, Executive Director employment contracts now incorporate two key elements to pay:
 - An element of earn-back i.e. an element of base pay placed at risk and 'earned back' if agreed performance objectives are achieved.
 - Eligibility for consideration of a discretionary non-consolidated, non-pensionable performance-related pay (PRP) bonus conditional upon achieving performance objectives. This is intended to incentivise VSMs to achieve key strategic outcomes.

During the year 2019/20, a consolidated prospective 2.5% salary uplift was applied to the pay of all Executive Directors and VSMs with effect from 1 April 2019.

Diversity and Inclusion

A core value of the Trust is 'we are inclusive', and a key people objective is to ensure the Trust is 'the recognised employer and educator of choice in the North East'.

The Trust's 'Equality, Diversity and Inclusion' employment policy sets out how the organisation ensures that employment matters adhere to best practice and legislation including the requirement to publish annual gender pay gap reports. This obligation is explicitly noted in the Trust's single 'Equality Action Plan' and performance is monitored by the People Committee, a committee of the Trust Board.

The Trust is also cognisant of the ethnic pay gap and the aspiration in time is to reduce any pay differential using protected characteristics as the drivers for change.

Very senior posts are evaluated in line with the NHS Job Evaluation Scheme. Individual salary is the product of individual negotiation, informed by NHS Terms and Conditions of Service pay scales, and flexible to provide agreement to a 'spot rate' in relation to market conditions or other relevant considerations.

When considering performance outcomes, the Committee will seek to ensure the outcomes align with overall business performance and the pay for performance system is sufficiently robust, capable of objective justification and consistent with the principles of equality.

The Remuneration Policy was approved in February 2020. Further detail around the Trust's work regarding Equality and Inclusion can be found in the staff report.

**Single Figure Table and Total Entitlement Table
(this section is subject to audit)**

2019/20

| | Salary | Benefits in kind | Annual performance pay and bonuses | Other payments | All pension- related benefits | Total |
|---|----------------------|-------------------------|---|----------------------|--|----------------------|
| Name and title | (bands of £5,000) | (to nearest £100) | (bands of £5,000) | (bands of £5,000) | (bands of £2,500) | (bands of £5,000) |
| | £000 | £ | £000 | £000 | £000 | £000 |
| Chairman Professor Sir J Burn | 55-60 | - | - | - | - | 55-60 |
| Chief Executive Dame J Daniel (i) | 255-260 | - | 10-15 | 10-15 | - | 280-285 |
| Chief Executive (Acting) Mrs CL Robson (ii) | - | - | - | - | - | - |
| Chief Executive (Acting) Mr A Welch (ii) | - | - | - | - | - | - |
| Chief Executive (Temporary Responsibility Allowance) Mrs A Dragone (ii) | - | - | - | - | - | - |
| Chief Executive (Temporary Responsibility Allowance) Mrs H Lamont (ii) | - | - | - | - | - | - |
| Medical Director/Medical Director Mr A Welch (iii) | 245-250 | - | - | - | - | 245-250 |
| Finance Director Mrs A Dragone | 165-170 | 3,000 | - | - | - | 170-175 |
| Nursing & Patient Services Director Mrs H Lamont (iv) | - | - | - | - | - | - |
| Executive Chief Nurse Ms M Cushlow (v) | 155-160 | - | 5-10 | - | 95-97.5 | 260-265 |
| Director of Business & Development Mrs CL Robson (vi) | - | - | - | - | - | - |
| Chief Operating Officer Mr M Wilson (vii) | 160-165 | 8,400 | 5-10 | 5-10 | - | 185-190 |
| Director for Enterprise & Business Development Dr V McFarlane- Reid (viii) | 70-75 | - | - | - | 15-17.5 | 90-95 |

| | Salary | Benefits in kind | Annual performance pay and bonuses | Other payments | All pension-related benefits | Total |
|--|-------------------|-------------------|------------------------------------|-------------------|------------------------------|-------------------|
| Name and title | (bands of £5,000) | (to nearest £100) | (bands of £5,000) | (bands of £5,000) | (bands of £2,500) | (bands of £5,000) |
| | £000 | £ | £000 | £000 | £000 | £000 |
| Non-Executive Director Mr J Jowett | 15-20 | - | - | - | - | 15-20 |
| Non-Executive Director Professor K McCourt | 15-20 | - | - | - | - | 15-20 |
| Non-Executive Director Mrs HA Parker (ix) | - | - | - | - | - | - |
| Non-Executive Director Mr D Stout | 20-25 | - | - | - | - | 20-25 |
| Non-Executive Director Mr E Weir (x) | 5-10 | - | - | - | - | 5-10 |
| Non-Executive Director Mr S Morgan (xi) | 15-20 | - | - | - | - | 15-20 |
| Non-Executive Director Mr K Godfrey | 15-20 | - | - | - | - | 15-20 |
| Non-Executive Director Professor D Burn | 10-15 | - | - | - | - | 10-15 |
| Non-Executive Director Ms G Baker (xii) | 10-15 | - | - | - | - | 10-15 |

| | Salary | Expense payments (taxable) | All pension-related benefits | All pension-related benefits (restated) (xiii) | Total |
|---|-------------------|----------------------------|------------------------------|--|-------------------|
| Name and title | (bands of £5,000) | (to nearest £100) | (bands of £2,500) | (bands of £2,500) | (bands of £5,000) |
| | £000 | £ | £000 | £000 | £000 |
| Chairman Professor Sir J Burn | 50-55 | - | - | - | 50-55 |
| Chief Executive Dame J Daniel (i) | 225-230 | 500 | - | - | 225-230 |
| Chief Executive (Acting) Mrs CL Robson (ii) | 0-5 | - | - | - | 0-5 |
| Chief Executive (Acting) Mr A Welch (ii) | 0-5 | - | - | - | 0-5 |
| Chief Executive (Temporary Responsibility Allowance) Mrs A Dragone (ii) | 0-5 | - | - | - | 0-5 |
| Chief Executive (Temporary Responsibility Allowance) Mrs H Lamont (ii) | 0-5 | - | - | - | 0-5 |
| Medical Director / Deputy CEO Mr A Welch (iii) | 240-245 | - | - | - | 240-245 |
| Finance Director Mrs A Dragone | 160-165 | - | - | - | 160-165 |
| Nursing & Patient Services Director Mrs H Lamont (iv) | 0-5 | - | - | - | 0-5 |
| Executive Chief Nurse Ms M Cushlow (v) | 145-150 | 100 | 170-175 | 170-172.5 | 315-320 |
| Director of Business & Development Mrs CL Robson (vi) | 125-130 | 200 | 55-60 | - | 185-190 |
| Chief Operating Officer Mr M Wilson (vii) | 75-80 | 100 | 155-160 | 157.5-160 | 235-240 |
| Director for Enterprise and Business Development Dr V McFarlane-Reid (viii) | - | - | - | - | - |
| Non-Executive Director Mr J Jowett | 15-20 | - | - | - | 15-20 |

| | Salary | Expense payments (taxable) | All pension-related benefits | All pension-related benefits (restated) (xiii) | Total |
|--|-------------------|----------------------------|------------------------------|--|-------------------|
| Name and title | (bands of £5,000) | (to nearest £100) | (bands of £2,500) | (bands of £2,500) | (bands of £5,000) |
| | £000 | £ | £000 | £000 | £000 |
| Non-Executive Director Professor K McCourt | 15-20 | - | - | - | 15-20 |
| Non-Executive Director Mrs HA Parker (ix) | 5-10 | - | - | - | 5-10 |
| Non-Executive Director Mr D Stout | 20-25 | - | - | - | 20-25 |
| Non-Executive Director Mr E Weir (x) | 10-15 | - | - | - | 10-15 |
| Non-Executive Director Mr S Morgan (xi) | 5-10 | - | - | - | 5-10 |
| Non-Executive Director Mr K Godfrey | 15-20 | 1,000 | - | - | 15-20 |
| Non-Executive Director Professor D Burn | 15-20 | - | - | - | 15-20 |
| Non-Executive Director Ms G Baker (xii) | - | - | - | - | - |

(i) Dame J Daniel was appointed as Chief Executive with effect from 1 May 2018.

(i) The figure stated in other payments for Dame J Daniel relates to the Local Employer Contribution Recycle Scheme received during 2019/20.

(ii) Mrs CL Robson, Mr A Welch, Mrs A Dragone and Mrs H Lamont were paid an allowance with effect from 8 June 2017 in recognition of the additional workload they took on following the absence of the Chief Executive. This allowance was paid until 30 April 2018.

(iii) Within the figure reported for Mr A Welch's salary and fees are payments of £119k (2018/19 £117k) made in respect of clinical duties. During 2019/20, Mr Welch became Deputy Chief Executive Officer. No additional payment was made in relation to this.

(iv) Mrs H Lamont resigned as Nursing and Patient Services Director with effect from 1 April 2018.

(v) Ms M Cushlow was appointed as Executive Chief Nurse with effect from 1 April 2018.

(vi) Mrs CL Robson resigned as Director of Business and Development with effect from 6 January 2019.

(vii) Mr M Wilson was appointed as Chief Operating Officer with effect from 1 October 2018.

(vii) The figure stated in other payments for Mr M Wilson relates to relocation expenses.

(viii) Dr V McFarlane-Reid was appointed as the Director for Enterprise and Business Development with effect on the 23 September 2019.

(ix) Mrs HA Parker resigned as Non-Executive Director with effect from 30 September 2018.

(x) Mr E Weir resigned as Non-Executive Director with effect from 30 September 2019.

(xi) Mr S Morgan was appointed as Non-Executive Director with effect from 1 October 2018.

(xii) Ms G Baker was appointed as Non-Executive Director with effect from 1 July 2019.

(xiii) The figures for 2018/19 pension related benefits have been restated to be in bands of 2.5k in line with 2019/20.

Pension related benefits are calculated as the annual increase in pension entitlement in accordance with the HRMC method. In summary, this is as follows:

$$\text{Increase} = ((20 \times \text{PE}) + \text{LSE}) - ((20 \times \text{PB}) + \text{LSB}) - \text{Ees cont}$$

Where:

PE is the annual rate of pension that would be payable to a director if they became entitled to it at the end of the financial year.

LSE is the amount of lump sum that would be payable to the director if they became entitled to it at the end of the financial year.

PB is the annual rate of unreduced pension, adjusted for inflation, that would be payable for the director if they became entitled to it at the beginning of the financial year.

LSB is the amount of unreduced lump sum, adjusted for inflation, that would be payable to the director if they became entitled to it at the beginning of the financial year.

Ees cont is the employee pension contributions for the financial year.

A significant proportion of the increase in pension related benefit reported for 2018/19 is due to increases in annual salary following appointment to Executive roles within the Foundation Trust within the year and subsequent changes in salaries. In addition, during 2018/19 Mrs C L Robson moved to take up the Chief Executive role at Stockport NHS Foundation Trust.

The inflation rate prescribed for use in 2019/20 is 2.4% (2018/19 3%).

The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

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

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

Total Pension Entitlement (this section is subject to audit)

| | Real increase in pension at pension age | Real increase in pension lump sum at pension age | Total accrued pension at pension age at 31 March 2020 | Lump sum at pension age related to accrued pension at 31 March 2020 | Cash Equivalent Transfer Value at 1 April 2019 | Real increase in Cash Equivalent Transfer Value | Cash Equivalent Transfer Value at 31 March 2020 |
|--|---|--|---|---|--|---|---|
| Name and title | (bands of £2,500) £000 | (bands of £2,500) £000 | (bands of £5,000) £000 | (bands of £5,000) £000 | £000 | £000 | £000 |
| Executive Director for Enterprise and Business Development Dr V McFarlane-Reid | 0-2.5 | - | 0-5 | - | - | 15 | 15 |
| Executive Chief Nurse Ms M Cushlow | 5-7.5 | 7.5-10 | 75-80 | 190-195 | 1,407 | 131 | 1,572 |
| Chief Operating Officer Mr M Wilson | 0-2.5 | 0 | 30-35 | 75-80 | 494 | 0 | 505 |

Dame J Daniel's, Mrs A Dragone's and Mr A Welch's pension sums are not shown as these were either opted out of or drawn and taken in a previous year.

Dr V McFarlane-Reid joined the Trust with effect from 23 September 2019 and had not had any previous NHS service.

The financial information disclosed in the table above is derived from information provided to the NHS Foundation Trust from the NHS Pensions Agency. Whilst the NHS Foundation Trust accepts responsibility for the values shown, the NHS Foundation Trust is reliant upon the NHS Pensions Agency for the accuracy of the information provided to the NHS Foundation Trust and has no way of auditing these figures. The figures are therefore shown in good faith as an accurate reflection of the directors' pension information.

The above table is accurate as at 31 March 2020. Actions (yet to be announced) following the McCloud judgement may impact on some or all of the figures shown.

The Cash Equivalent Transfer 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).

FAIR PAY (this section is subject to audit)

The Trust is required to disclose the relationship between the remuneration of the highest paid director within the organisation and the median remuneration of the Trust's workforce.

The banded remuneration of the highest paid director in the Trust in the financial year 2019/20 was £280k-£285k (2018/19, £240k-£245k). This was 9.35 times (2018/19, 8.58 times) the median remuneration of the workforce, which was £30,185 (2018/19, £28,454).

In 2019/20, Nil (2018/19, Nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £16k to £282k (2018/19 £7k-£244k).

The calculation is based on Trust employees as at 31 March 2020. This number includes locum staff, junior doctors on training rotations employed via Northumbria Healthcare NHS Foundation Trust as Lead Employer Trust, the Trust's in-house nurse and clerical bank staff and includes external agency staff. Any part time employee numbers are pro-rated to provide whole time equivalents.

Payments to past managers (this section is subject to audit)

The Trust did not make any payments to past senior managers in 2019/20.

Payments for loss of office (this section is subject to audit)

The Trust did not make any payments for loss of office in 2019/20.

During the year the Board of Directors included two Non-Executive Directors who were appointed by external bodies and to which the Trust makes the remuneration payment. Mr Weir, Non-Executive Director was appointed by Newcastle City Council, £5,710.62 (until 30 September 2019) and in January 2020, this post was converted to an Associate NED post as outlined earlier in this report.

Professor D Burn, Non-Executive Director was appointed by Newcastle University £11,485.

Trust Board Declarations of Interest:

| Chairman | Declarations: |
|--------------------------------|--|
| Professor Sir John Burn | <p>Vice Chair QuantuMDx Group Ltd (which includes Northgene Ltd). Director and Treasurer - Global Variome Ltd. Global Variome Ltd is the holding company for the UNESCO register NGO of this name responsible for the Human Variome Project - an international effort to have data on genetic variation of relevance to healthcare - it was recognised as a UK charity in 2017.</p> <p>Professor of Clinical Genetics in Newcastle University and senior strategic advisor.</p> <p>Sits on the Bowel Cancer UK Medical Advisory Board.</p> <p>Director of the Charity, European Hereditary Tumour Group (EHTG).</p> <p>Patron of the charity Veteran at Ease.</p> <p>Cultural ambassador for the Durham County Community Foundation.</p> <p>Chairman of Pulse Diagnostics (part owned by Trust).</p> |
| Non-Executive Directors | |
| Professor D Burn | <p>Pro-Vice Chancellor and Professor of Movement Disorders Neurology - Faculty of Medical Sciences.</p> <p>Executive, Medical Schools Council.</p> <p>Board Member, Northern Health Science Alliance.</p> <p>Board Member, North East and North Cumbria Academic Health Science Network.</p> <p>Chair of the Northern Health Science Alliance Board.</p> <p>Trustee of Parkinson UK.</p> |
| Mr K Godfrey | <p>Trustee and Chair of the Northern Cancer Care & Research Society.</p> |
| Professor K McCourt | <p>Convenor of Fellows - Royal College of Nursing.</p> <p>President, Commonwealth Nurses and Midwives Federation.</p> <p>Honorary Colonel, 201 Field Hospital, Newcastle upon Tyne.</p> <p>Governor - Sacred Heart School, Newcastle upon Tyne.</p> <p>Member of the Heath Committee.</p> |
| Mr D Stout | <p>Director and Part Owner of David Stout Consulting Limited.</p> <p>Controlling shareholding in David Stout Consulting Limited.</p> |
| Mr E Weir | <p>Director for People, Newcastle City Council. (Until December 2019).</p> |

(until 30 September 2019)

Chief Officer – Director Adult’s Social Care and Director of Children’s Social Care at Newcastle City Council. (Until December 2019).

Mr Jonathan Jowett

Company Secretary of Darlington 1883 Limited.

Company Secretary & General Counsel of Greggs PLC.

Chairman of the Percy Hedley Foundation.

As part of his Company Secretary role at Greggs PLC, Mr Jowett is a Director of a number of dormant companies set up by Greggs PLC.

Mr Steven Morgan

Owner/Director - Rowrah Chapel Associates.

Copeland Borough Councillor.

Ms Gillian Baker from
(from 1 July 2019)

Director, Lloyds Bank Foundation.

Trustee at Community Foundation for Tyne and Wear and Northumberland.

Chief Executive

Dame Jackie Daniel

Director of the Academic Health Science Network North East and North Cumbria (AHSN NENC Ltd).

Director of Northern Health Science Alliance (NHSA).

Executive Directors

Mrs A Dragone
Finance Director

Director of Trust Subsidiary company NewGene Limited.
Secretary and Trustee, Heath Committee.

Ms M Cushlow
Executive Chief Nurse

No items to declare.

Mr M Wilson
Chief Operating Officer

Partner is Chief Executive of Harrogate District NHS Foundation Trust which provides acute and community NHS Services including 0-19 services in the South of Tyne area.

Mr A R Welch
Medical Director / Deputy CEO

Director, A Welch Limited
Director, Newcastle Healthcare Property Company.
Relative works for Newcastle Hospitals

Dr V McFarlane-Reid
Director for Enterprise &
Business Development
(from 23 September 2019)

No items to declare.



Dame Jackie Daniel
Chief Executive
24 June 2020

OUR GOVERNORS

We have a total of 36 Governors – 31 elected by the public and staff, and the others appointed from a diverse range of partner organisations. The table included in the ‘Governor Elections’ section details the individuals who make up our Council of Governors.

The Council has a number of statutory powers, including the appointment of the Chairman, the Non-Executive Directors and the Trust’s External Auditors. During the last year, the Council has debated a number of key issues for the Trust, including amendments to the Trust’s Constitution and the Trust’s revised Vision, Values and Strategy. Other topics have included:

- The Trust’s revised Governance structure, focusing on the Committees of the Board of Directors;
- Strategy and branding;
- Estates Planning and Strategy;
- Sustainable Healthcare and the Climate Emergency declaration; and
- Paperlite.

The Council of Governors met bi-monthly throughout the year, in the alternate months to the Board of Directors meetings. The meetings were well attended with wide ranging debate on a number of areas of interest. This debate was facilitated by the presentation of regular reports from the Council’s Working Groups, each with a distinct area of focus:

- Quality of Patient Experience;
- Business and Development; and
- People, Engagement and Membership.

Each of the Working Groups is aligned to a specific Committee of the Trust’s Board of Directors and the Chairs of the Working Groups attend the Committees annually to gain further assurance.

Governors also attended a number of other groups within the Trust’s governance structure, such as the Clinical Effectiveness and Audit Guidelines Group and the Patient Experience Steering Group.

During 2019/20, in conjunction with the review undertaken to revise the Trust’s Constitution, arrangements for the appointment for a Lead Governor were updated. It was agreed that an election, following the receipt of expressions of interest, would be required. This process has been scheduled to be undertaken in August 2020 and until that time, Mr David Stewart-David, Public Governor and current Vice-Chair of the Nominations Committee, is Lead Governor.

Through the Quality of Patient Experience Working Group, Governors have continued their programme of unannounced visits to clinical areas, as well as support services, to learn about how they work and the challenges they face. Recommendations from these visits are reported back to the wider Council. In addition to ward visits at both the RVI and the Freeman hospitals, such visits during 2019/20 have included:

- Renal Outpatients;
- Newcastle Surgical Skills Centre;
- The Department of Nuclear Medicine;
- Melville Day Unit;
- Cellular Pathology;
- The Programmed Investigation Unit; and
- The RVI Assessment Unit.

The Board of Directors maintains a close working relationship with the Council of Governors and the wider Trust membership. All Directors have an open invitation to attend Council of Governor meetings and those Non-Executive Directors who chair Trust Committees provide regular updates regarding the activities of those Committees to Governors. In addition, Governors regularly attend the public session of the Board of Directors meetings to observe proceedings.

For key strategic issues, the Board engages with the Trust's membership through mail shots when required.

A series of open Members' Events are held each year where the Trust can showcase the innovative treatments available at Newcastle Hospitals and they can learn more about the services we are able to provide.

These events are regularly attended by around 100 of our Trust members and during 2019/20 have included:

- 'CAR-T cell therapy in the North East – the experience so far';
- 'From Genes to Genomes: Why does Genetics Matter';
- Celebrating the Trust's links with the Armed Forces, which included presentations from the Trust Chaplain (formerly of the Royal Military Police) and a Consultant Anaesthetist who is involved with the Army Reserves; and
- Focus on the Trust's Institute of Transplantation, with presentations on the use of Mechanical Heart Pumps for the treatment of end stage heart failure and on pancreas resection.

As set out in Monitor's Code of Governance for NHS Foundation Trusts, there is a requirement for a mechanism to be in place to resolve disagreements between the Board of Directors and Council of Governors. In the first instance, it is the responsibility of the Chairman, as leader of both forums, to try and reach a consensus. If a resolution cannot be reached, the next formal step would be for the Chairman to receive formal representation from the Lead Governor to try to reach a mutually acceptable position. The Trust did not need to use this resolution process in 2019/20 and there were no conflicts of interest declared by Governors during the year.

During 2019/20, Governors claimed a total of £2,165 in expenses, mainly for business travel.

GOVERNOR ELECTIONS

Governor elections are held annually, with approximately one third of the elected Governorships coming up for re-election each year.

Due to a number of vacant seats remaining following the May 2019 round of elections, an addition election round took place and was concluded in February 2020. This included two staff seats that remained vacant, one staff in year resignation and one public in year resignation.

In addition, a vacancy for an Appointed Governor from a Charity had existed within the Council for some time. In November 2019, expressions of interest were sought from charities with a connection to the Trust with two being received. At the January 2020 Governor Workshop, a ballot was conducted and a representative from the League of Friends was elected.

It was agreed at the February 2020 meeting of the Council of Governors to extend the terms of these governors so they are in line with the standard cycle for elections.

Governor attendance at meetings during 2019/20 is listed below. Governors met on four occasions for formal meetings, as set out in the Trust constitution. Governors met on two further occasions for private workshops.

| Class/ Constituency | Name | Attendance | Notes |
|------------------------|------------------------|------------|-------------------------------------|
| Appointed | Mr Derrick Bailey | 6 of 6 | |
| Staff | Mr Andrew Balmbra | 1 of 5 | Elected 1 June 19 |
| Staff | Mrs Glenda Bestford | 1 of 1 | Elected 4 February 20 |
| 2 | Mr Graham Blacker | 5 of 6 | |
| 3 | Mr Paul Briggs | 2 of 6 | Passed away 22 March 20 |
| 1 | Mrs Judy Carrick | 3 of 5 | Elected 1 June 19 |
| 2 | Mr Terence Coleman | 6 of 6 | |
| Staff | Miss Dani Colvin-Laws | 3 of 6 | |
| Staff | Mr Steve Connolly | 1 of 1 | Elected 4 February 20 |
| 2 | Mr Steven Cranston | 5 of 6 | |
| 1 | Miss Ruth Draper | 4 of 6 | |
| 2 | Mrs Carole Errington | 3 of 6 | |
| Appointed | Prof Andrew Fisher | 2 of 6 | |
| 1 | Mr David Forrester | 4 of 6 | |
| Staff | Mrs Barbara Goodfellow | 0 of 3 | Stood down 7 October 19 |
| 1 | Dr Vanessa Hammond | 5 of 6 | |
| 2 | Ms Catherine Heslop | 5 of 6 | |
| Staff | Mr John Hill | 0 of 1 | Elected 4 February 20 |
| Staff | Mrs Rachael Hudson | 3 of 5 | Elected 1 June 19 |
| Staff | Mrs Fiona Hurrell | 4 of 5 | Elected 1 June 19 |
| Staff | Mrs Eleanor Houliston | 1 of 1 | End of 3rd term of office in May 19 |

| Class/ Constituency | Name | Attendance | Notes |
|------------------------|----------------------------|------------|---|
| 1 | Mr Bill Ions | 1 of 1 | Lost seat in May 19 |
| Staff | Dr Phil Laws | 1 of 1 | End of term in May 19 - did not stand for further election. |
| 2 | Dr Helen Lucraft | 5 of 6 | |
| 2 | Mr Matthew McCallum | 2 of 6 | |
| 1 | Mrs Jean McCalman | 5 of 6 | |
| 2 | Mr John McDonald | 1 of 1 | Elected 4 February 20 |
| Staff | Mrs Victoria Mitchinson | 0 of 1 | End of term in May 19 - did not stand for further election. |
| 3 | Dr Lakkur Murthy | 6 of 6 | |
| 1 | Mrs Susan Nelson | 5 of 6 | |
| 2 | Mrs Carole Perfitt | 6 of 6 | |
| 2 | Mr Paul Richardson | 0 of 1 | End of term in May 19 - did not stand for further election. |
| 3 | Dr Michael Saunders | 1 of 6 | |
| Appointed | Cllr Ann Schofield | 3 of 5 | Elected 1 June 19 |
| 2 | Miss Claire Sherwin | 1 of 5 | Elected 1 June 19 |
| 1 | Mr David Stewart-David | 6 of 6 | |
| 2 | Mr Derek Thompson | 0 of 1 | Stood down 16 June 19 |
| Appointed | Mrs Norah Turnbull | 1 of 1 | Appointed 16 January 20 |
| 1 | Dr Eric Valentine | 6 of 6 | |
| 3 | Mr Michael Warner | 2 of 6 | |
| Appointed | Prof Andrew Wathey | 1 of 6 | |
| Appointed | Councillor Marion Williams | 0 of 1 | Lost seat in local elections in May 19. |
| 2 | Mr Fred Wyres | 0 of 6 | |
| 1 | Mrs Pam Yanez | 5 of 6 | |

Key:

1 – Newcastle upon Tyne

2 – Northumberland, Tyne and Wear (excluding Newcastle)

3 – North East

NOMINATIONS COMMITTEE

The Council of Governors set up a formally constituted Nominations Committee to identify, interview and recommend candidates for the appointment of the Trust Chairman and Non-Executive Directors. The Committee is also responsible for the annual appraisal of all Non-Executive Directors, including the Chairman, using formal objectives that were previously set and agreed.

During the year, the Committee reviewed and updated its membership on three occasions as follows:

1. From 1 April 2019 to 21 August 2019, membership consisted of four public governors, the Finance Director (or a nominated Executive Director in their absence) and the Trust's Senior Independent Director (or a nominated Non-Executive Director in their absence). The Newcastle University appointed Non-Executive Director was a non-voting member of the Committee.
2. From 22 August 2019 to 9 February 2020, membership consisted of the Trust Chairman, a Public Governor Vice Chair plus four further public governors, one staff governor and the Trust's Senior Independent Director (or a nominated Non-Executive Director in their absence).
3. From 10 February 2020, membership consisted of the Trust Chairman, a Public Governor Vice Chair, the Lead Governor plus four further public governors, one staff governor and the Trust's Senior Independent Director (or a nominated Non-Executive Director in their absence).

Committee members were supported by Trust officers, as appropriate; including the Human Resources Director and Trust Secretary.

Attendance of the Committee by members is set out below:

| Member | Number of meetings attended |
|---|------------------------------------|
| Professor Sir John Burn, Committee Chair from 22 August 2019, prior to that was an invited attendee (Trust Chairman) | 4 of 4 |
| Mr David Stewart-David, Committee Chair until 21 August 2019 and subsequently became Committee Vice-Chair (Public Governor and Trust Lead Governor) | 4 of 4 |
| Dr Michael Saunders, Committee Member (Public Governor) | 2 of 4 |
| Mr Paul Briggs, Committee Member until 22 March 2020 (Public Governor) | 2 of 4 |
| Mrs Catherine Heslop, Committee Member from 21 October 2019 (Public Governor) | 2 of 2 |
| Dr Lakkur Murthy, Committee Member from 21 October 2019 (Public Governor) | 2 of 2 |
| Mr Fred Wyres, Committee Member until 20 August 2019 (Public Governor) | 0 of 1 |
| Ms Fiona Hurrell, Committee Member from 15 October 2019 (Staff Governor) | 2 of 3 |

| | |
|---|--------|
| Mr Keith Godfrey, Committee Member (Trust Senior Independent Director) | 3 of 4 |
| Mrs Angela Dragone, Committee Member until 22 August 2019 (Trust Finance Director) | 1 of 1 |
| Professor David Burn, Non-voting Committee Member until 22 August 2019 (Trust Non-Executive Director) | 0 of 1 |

There were four meetings of the Committee in the period 1 April 2019 to 31 March 2020. The Terms of Reference for the Committee specify that a minimum of two meetings per year are required.

In August 2019, Professor Sir John Burn (Chairman) became Chair of the Committee and Mr David Stewart-David (Public Governor) became Vice Chair of the Committee.

During the year, Committee activity included:

- The recruitment of one new Non-Executive Director (NED) and the reappointment of one NED for a second term of office, making recommendations to the Council of Governors. In the final quarter of 2019/20, the Committee agreed a recruitment process for the recruitment of two additional new NEDs.
- Reviewed the guidance published by NHS England and NHS Improvement (NHSE/I) in September 2019 on:
 - A new remuneration structure for provider Chairs and Non-Executive Directors;
 - A development framework for provider Chairs; and
 - An appraisal framework for provider Chairs.

Following review of the guidance, the Committee recommended that the Council of Governors approve a small uplift to the Trust Chair's remuneration level to reflect better alignment with the remuneration of Trust Chairs in comparable sized organisations.
- Reviewed the Terms of Reference. Key changes included:
 - Changing the membership and quorum of the Committee to follow best practice requirements, as highlighted above; and
 - Increasing the number of Governor Committee members, including the addition of a Staff Governor Committee member.
- Received and considered reports on the Chairman and NED appraisals.
- Reviewed the updated Chair and NED expenses guidance, as well as the Chair and NED Succession Policy and recommended for approval by the Council of Governors.

MEMBERSHIP

Both the public and our staff are invited to become members of our Foundation Trust. Membership has a number of benefits, which include the right to vote in and stand for election to the Council of Governors.

We have three public constituencies and anyone over the age of 16 who resides within those constituency areas can become a member.

The public constituencies are:

- Newcastle upon Tyne;
- Northumberland, Tyne and Wear (excluding Newcastle upon Tyne); and
- North East (to include the rest of England).

There are six staff constituencies:

- Admin, Clerical, Managerial and Hospital Chaplains;
- Ancillary and Estates;
- Health Professions Council staff;
- Medical and Dental;
- Nursing and Midwifery; and
- Volunteers.

For 2019/20, the target for membership recruitment was to maintain its overall membership of circa 8,000. A Membership Strategy is being formulated to complement the wider Trust Communications Strategy in an effort to increase Trust membership and to promote the benefits of becoming a Trust Member.

Membership Report: 1 April 2019 – 31 March 2020

| <i>Membership size and movements</i> | |
|---|---|
| Public constituency | 2019/20 |
| At year start (April 1) | 5,385 |
| New members | 97 |
| Members leaving | 134 |
| At year end (March 31) | 5,348 |
| | |
| Staff constituency | 2019/20 |
| At year start (April 1) | 2,775 |
| New members | 215 |
| Members leaving | 10 |
| At year end (March 31) | 2,980 |
| | |
| Patient constituency | The Trust does not currently have a separate Patient Constituency. |

| Analysis of current membership* | | |
|--|--------------------------|----------------------------|
| Public constituency | Number of members | Eligible membership |
| Age (years): | | |
| 0-16 | 0 | 268,518 |
| 17-21 | 12 | 89,260 |
| 22+ | 4,947 | 1,097,640 |
| Ethnicity: | | |
| White | 4,935 | 1,343,747 |
| Mixed | 28 | 12,447 |
| Asian or Asian British | 188 | 47,965 |
| Black or Black British | 40 | 9,006 |
| Other | 6 | 7,688 |
| Socio-economic groupings*: | | |
| AB | 1,512 | 112,771 |
| C1 | 1,535 | 194,303 |
| C2 | 1,087 | 133,973 |
| DE | 1,196 | 208,482 |
| Gender analysis | | |
| Male | 2,221 | 714,919 |
| Female | 3,073 | 740,498 |

* The analysis section of this report excludes 389 public members with no dates of birth, 151 members with no stated ethnicity and 54 members with no gender.

To ensure that membership of the Trust is representative of the population it serves, further membership and engagement activities will be undertaken during 2020/21 with the aim of increasing membership from under represented areas.

All new members receive a welcome email and are able to sign up to the regularly scheduled Members Events held within the Trust.

Membership application forms are available at public locations across the Trust and also online on the Trust's website at http://www.newcastle-hospitals.org.uk/about-us/nhs-foundation-trust-status_become-a-member.aspx.

Members who want to contact the Council of Governors can do so via the Trust Secretary or by emailing nuth.Governors@nhs.net.

STAFF REPORT

Workforce Information (Subject to audit)

| Workforce Demographics | As at March 2019 | | | | As at March 2020 | | | |
|---|------------------|-----------|-----------|----------------|------------------|-----------|-----------|----------------|
| | Permanent FTE | Other FTE | Total FTE | % of Total FTE | Permanent FTE | Other FTE | Total FTE | % of Total FTE |
| Staff Group | | | | | | | | |
| Medical and dental | 1,184.47 | 493.64 | 1,678.11 | 12.52 % | 1,217.00 | 516.22 | 1,733.22 | 12.54 % |
| Ambulance staff | 0.50 | - | 0.66 | 0.00% | 0.50 | - | 0.50 | 0.00% |
| Administration and estates | 2,721.43 | - | 2,677.77 | 19.98 % | 2,818.22 | - | 2,818.22 | 20.39 % |
| Healthcare assistants and other support staff | 2,072.11 | - | 2,091.66 | 15.61 % | 2,032.73 | - | 2,032.73 | 14.71 % |
| Nursing, midwifery and health visiting staff | 4,371.12 | - | 4,295.96 | 32.06 % | 4,438.94 | - | 4,438.94 | 32.12 % |
| Nursing, midwifery and health visiting learners | 22.90 | - | 27.90 | 0.21% | 33.83 | - | 33.83 | 0.24% |
| Scientific, therapeutic and technical staff | 1,780.70 | - | 1,730.89 | 12.92 % | 1,826.36 | - | 1,826.36 | 13.22 % |
| Healthcare science staff | 900.54 | - | 876.17 | 6.54% | 913.31 | - | 913.31 | 6.61% |
| Social care staff | - | 22.00 | 21.06 | 0.16% | - | 22.00 | 22.00 | 0.16% |
| Grand Total | 13,053.77 | 515.64 | 13,400.18 | - | 13,280.89 | 538.22 | 13,819.11 | - |

Note: Figures in the above table reflect data taken from the Trust annual accounts and includes staff working in, but not employed by, the Trust. Demographic data for these staff is not available and is therefore excluded from the following tables.

| | As at March 2019 | | As at March 2020 | |
|----------------------------|------------------|----------------|------------------|----------------|
| | FTE | % of Total FTE | FTE | % of Total FTE |
| Full Time/Part Time | | | | |
| Full Time | 9,390.00 | 74.09% | 9,515.00 | 73.30% |
| Part Time | 3,283.71 | 25.91% | 3,465.19 | 26.70% |
| Gender | | | | |
| Female | 9,687.98 | 76.44% | 9,945.64 | 76.62% |
| Male | 2,985.73 | 23.56% | 3,034.55 | 23.38% |
| Disabled | | | | |
| No | 9,127.17 | 72.02% | 9,672.93 | 74.52% |
| Not recorded | 3,208.47 | 25.32% | 2,931.14 | 22.58% |
| Yes | 338.07 | 2.67% | 376.12 | 2.90% |
| Ethnic Group | | | | |
| BME | 1,150.11 | 9.07% | 1,239.67 | 9.55% |
| Not recorded | 253.51 | 2.00% | 248.97 | 1.92% |
| White | 11,270.09 | 88.92% | 11,491.54 | 88.53% |
| Age | | | | |
| 16-25 | 1,197.88 | 9.45% | 1,284.50 | 9.90% |
| 26-35 | 3,130.40 | 24.70% | 3,299.78 | 25.42% |
| 36-45 | 2,866.32 | 22.62% | 2,910.15 | 22.42% |
| 46-55 | 3,436.07 | 27.11% | 3,344.17 | 25.76% |
| 56-65 | 1,926.16 | 15.20% | 2,037.53 | 15.70% |
| 66+ | 116.87 | 0.92% | 104.06 | 0.80% |

| Turnover | Apr 18 – Mar 19 | Apr 19 – Mar 20 |
|----------|-----------------|-----------------|
| | | 8.85% |

The latest Staff Sickness figures can be found here <https://digital.nhs.uk/data-and-information/publications/statistical/nhs-sickness-absence-rates>.

Staff Costs (Subject to audit)

| | Total 2018/19 £000 | Permanently employed total 2018/19 £000 | Other total 2018/19 £000 | Total 2019/20 £000 | Permanently employed total 2019/20 £000 | Other total 2019/20 £000 |
|--|-----------------------|---|-----------------------------|-----------------------|--|-----------------------------|
| Salaries and wages | 507,741 | 436,655 | 71,086 | 538,018 | 478,509 | 59,513 |
| Social security costs | 42,894 | 42,894 | 0 | 45,030 | 45,030 | 0 |
| Apprenticeship levy | 2,255 | 2,255 | 0 | 2,370 | 2,370 | 0 |
| Pension cost – employer contributions to NHS pension scheme | 55,720 | 55,720 | 0 | 58,885 | 58,885 | 0 |
| Pension cost – employer contributions paid by NHSE on provider's behalf (6.3%) | 0 | 0 | 0 | 25,774 | 25,774 | 0 |
| Pension costs – other* | 105 | 105 | 0 | 178 | 178 | 0 |
| Temporary staff – agency/ contract staff | 3,710 | 0 | 3,710 | 3,973 | 0 | 3,973 |
| TOTAL GROSS STAFF COSTS | 612,425 | 537,629 | 74,796 | 674,228 | 610,742 | 63,486 |
| Recoveries from DHSC Group bodies in respect of staff cost netted off expenditure | (4,949) | (4,949) | 0 | (3,844) | (3,844) | 0 |
| Recoveries from other bodies in respect of staff cost netted off expenditure | (4,226) | (4,226) | 0 | (6,614) | (6,614) | 0 |
| TOTAL STAFF COSTS | 603,250 | 528,454 | 74,796 | 663,770 | 600,284 | 63,486 |

*this relates to a small number of staff who have taken their NHS pension and can therefore not rejoin the scheme. The Trust must still offer a pension to everyone so as an alternative, staff can pay into a NEST to build up a small additional pension.

“Off-Payroll” Engagements

Table 1: For all off-payroll engagements as of 31 March 2020, for more than £245 per day and that last longer than six months:

| | |
|---|----|
| Number of existing engagements as of 31 March 2020 | 14 |
| Of which... | |
| Number that have existed for less than one year at time of reporting. | 8 |
| Number that have existed for between one and two years at time of reporting. | 6 |
| Number that have existed for between two and three years at time of reporting. | 0 |
| Number that have existed for between three and four years at time of reporting. | 0 |
| Number than have existed for four or more years at time of reporting. | 0 |

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer:

| | |
|---|----|
| Number of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020 | 14 |
| Of which... | |
| Number assessed as within the scope of IR35 | 14 |
| Number assessed as not within the scope of IR35 | 0 |
| Number engaged directly (via PSC contracted to trust) | 0 |
| Number of engagements reassessed for consistency/assurance purposes during the year | 0 |
| Number of engagements that saw a change to IR35 status following the consistency review | 0 |

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020:

| | |
|--|----|
| Number of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year. | 2 |
| Number of individuals that have been deemed ‘board members and/or senior officials with significant financial responsibility’ during the financial year. This figure must include both off-payroll and on-payroll engagement | 20 |

The two individuals highlighted in Table 3 were Non-Executive Directors who represented Newcastle University (from 3 July 2017 to present) and Newcastle City Council (from 1 October 2010 until 30 September 2020) respectively. Payment of Non-Executive Directors is detailed in the Remuneration Report.

The Trust is cognisant of NHS Improvement's guidance for very senior managers in NHS Foundation Trusts, and the expectation that they should be appointed on payroll. Such appointments are considered by the Appointments and Remuneration Committee, which would assure itself that proposed pay is commensurate with market conditions by referencing relevant benchmarking data regarding market pay, the requirements of the role, and that the Trust is receiving value-for-money. Where appropriate, any proposal would be referred to NHS Improvement and HM Treasury for approval of new appointments.

Exit Packages (Subject to audit)

| | Total number of exit packages 2019/20 Number | Total cost of exit packages 2019/20 £000 | Total number of exit packages 2018/19 Number | Total cost of exit packages 2018/19 £000 |
|---|---|---|---|---|
| Exit package cost band | | | | |
| £25,001 to £50,000 | 1 | 32 | 1 | 48 |
| >£200,000 | - | - | 1 | 253 |
| There were no compulsory redundancies made during 2019/20 or 2018/19. | | | | |
| There was one exit package for contractual payments in lieu of notice made during 2019/20. | | | | |
| There were two special payments for exit payments made following employment tribunals or court orders at a cost of £301k made in 2018/19. | | | | |

| Senior Staff Gender Breakdown | Male | Female |
|-------------------------------|------|--------|
| Executive Directors | 2 | 4 |
| Non-Executive Directors | 6 | 2 |
| Other Senior Employees | 5 | 6 |

Human Resources Indicators at March 2020

| Directorate | Training | Appraisals | Sickness | Turnover |
|--|----------|------------|----------|----------|
| | > 95% | > 80% | < 3% | < 8% |
| Business & Development | 96.76% | 75.00% | 1.01% | 12.50% |
| Cancer Services/ Clinical Haematology | 91.55% | 80.43% | 1.27% | 7.69% |
| Cardiothoracic | 90.50% | 77.15% | 1.49% | 7.32% |
| Chief Executive | 90.03% | 69.57% | 0.44% | 9.20% |
| Chief Operating Officer | 98.09% | 78.67% | 1.58% | 13.43% |
| Children's Services | 88.27% | 66.11% | 1.53% | 8.97% |
| Clinical Research Facility | 95.75% | 66.53% | 1.49% | 9.09% |
| Community Services | 87.61% | 76.74% | 1.71% | 9.32% |
| Dental Services | 88.81% | 77.30% | 1.35% | 11.87% |
| ENT, Plastics, Ophthalmology & Dermatology | 87.24% | 69.71% | 1.11% | 8.36% |
| Estates | 92.80% | 77.18% | 1.15% | 10.35% |
| Finance | 96.92% | 71.96% | 1.14% | 7.41% |
| Human Resources | 97.15% | 76.19% | 1.19% | 12.56% |
| Information Management & Technology | 95.52% | 66.67% | 1.22% | 11.50% |
| Integrated Laboratory Medicine | 94.25% | 78.83% | 1.11% | 10.98% |
| Internal Medicine - General | 89.32% | 76.19% | 1.56% | 7.90% |
| Internal Medicine - Urgent Care | 84.93% | 66.67% | 1.48% | 8.51% |
| Medical Director | 93.26% | 79.63% | 1.41% | 11.48% |
| Medical Physics | 82.60% | 84.48% | 0.98% | 10.32% |
| Musculoskeletal Services | 88.23% | 75.59% | 1.40% | 7.56% |
| Neurosciences | 87.81% | 87.86% | 1.13% | 8.70% |
| Patient Services | 89.06% | 72.67% | 1.45% | 9.86% |
| Peri-operative & Critical Care - FH | 90.98% | 88.63% | 1.40% | 8.81% |

| | | | | |
|--------------------------------------|--------|--------|-------|--------|
| Peri-operative & Critical Care - RVI | 91.35% | 85.43% | 1.36% | 7.15% |
| Pharmacy | 96.26% | 81.68% | 1.05% | 7.00% |
| Radiology | 87.97% | 72.73% | 1.23% | 7.36% |
| Regional Drugs & Therapeutics | 96.65% | 84.85% | 1.25% | 8.00% |
| Supplies | 95.19% | 89.86% | 1.21% | 12.00% |
| Surgical Services | 87.72% | 80.44% | 1.22% | 9.37% |
| Urology & Renal Services | 88.73% | 82.56% | 1.52% | 8.54% |
| Women's Services | 87.40% | 70.54% | 1.63% | 10.24% |

| % Appraisal Compliance by Staff Group | |
|--|---------------|
| Staff Group | % |
| Add Prof Scientific and Technic | 83.20% |
| Additional Clinical Services | 76.96% |
| Administrative and Clerical | 76.12% |
| Allied Health Professionals | 74.77% |
| Estates and Ancillary | 85.50% |
| Healthcare Scientists | 80.26% |
| Managers (Band 8c and above) | 89.22% |
| Medical and Dental | 82.38% |
| Nursing and Midwifery Registered | 74.95% |
| Total | 77.70% |

Enhancing the Staff Experience - #Flourish at Newcastle Hospitals

As an outstanding organisation, we recognise that to ensure continued sustainability and high performance, we have to create a working environment which enables all staff to thrive and flourish.

Following publication of our strategic framework in 2019, one of our 5 'P's is 'People'; this reiterates our commitment to ensure that each member of staff is able to liberate their potential and our key objectives include our aspiration to be the recognised employer and educator of choice, in which all staff and volunteers feel welcomed and valued.

In the last year, we have continued to tailor and embed #Flourish as our cornerstone organisational development framework. This enables staff to have a voice, builds and supports the staff networks and 'activists' creating a clear connection to what they feel is important and which then can be shared, and developed, into tangible action.

A number of Flourish engagement events took place during 2019/20 enabling staff to participate in identifying our priorities. In response to feedback, themes which emerged were transformed into a calendar of events providing a common focus of activity supported by high profile communications and use of social media to promote and encourage participation by all. Whilst staff health and wellbeing was shown to be important and progress was made for example, in developing 'sleep' facilities for clinical staff, the opportunity for recognition was also identified as an important staff motivator.

A number of annual events are well established to both celebrate the contribution of staff and support the sharing of best practice and networking. These include:

- the Nursing and Midwifery Conference;
- the Medical Education Conference;
- Loyalty Awards; and
- the Celebration of Success events to mark achievement of educational skills.

The Personal Touch Awards have been incorporated into the annual 'Celebrating Excellence Awards' with the inaugural event taking place during June of 2019. The event was very much welcomed by staff and also provided a platform through which to celebrate our volunteer workforce which is over 300 people strong. Our volunteers provide support to a number of different wards and departments across the Trust in a range of volunteer roles. Over the last year, there has been a particular emphasis on encouraging young people to volunteer which we have found supports them in building confidence and experience to make informed career choices.

The Trust's Innovation Strategy continues to positively encourage all staff to identify and submit ideas for improvement and to enhance patient care; those ideas are celebrated and recognised at the Annual Innovation Recognition event.

We are committed to engaging with all staff at all levels and have various forums and groups, through which to consult, communicate and engage. These include:

- the Trust Consultative Group;

- the Employee Partnership Forum;
- the Junior Doctor Forum;
- professional nursing, midwifery and allied health professional staff networks; and
- our range of equality and wellbeing staff network groups that support our efforts to increase the diversity of our workforce, champion improved health and wellbeing, and support our Armed Forces staff.

Schwartz Rounds continue to be well attended and evaluate well as a forum for multi-disciplinary staff to share and reflect on a range of experiences and our Administration and Clerical and Safeguarding Communication Forums continue to facilitate a wide range of discussion with a cross section of staff.

We recognise that leadership is key to enabling staff to liberate their potential through setting the tone and content of how we work, promoting a learning culture which is open and transparent and aligning our priorities. Whilst we have confirmed our values as part of our recent strategy development, we will focus in coming months on refreshing our core behaviours to underpin the desired change and build greater empowerment.

Our leadership development offer provides a range of learning options, and one particular success in the last year has been the introduction of a systems leadership programme which has enabled colleagues across systems to learn together. We recognise that leaders at every level have a role to play in supporting the Trust achieve its ambitions, and new forums continue to evolve to facilitate and debate development of our strategic direction. These include the 'Leadership Congress', taking place around three times a year involving over 200 of our leaders. These events provide a forum in which they network and influence how to work differently, both across the organisation and increasingly, with our civic partners and across systems to co-design our approach to the provision of future health and social care.

The Trust Management Group (TMG) brings together the clinical and senior leadership in the organisation and is a forum in which Trust operational performance is discussed, risks to achieving strategic objectives are considered, and members contribute to and support cultural development, organisational strategy, communications and engagement with staff.

The increased utilisation of social media has successfully enabled the Trust to engage more directly with both prospective and current employees, support the recruitment and retention strategy as well as build a platform from which to promote our staff experience 'brand'. We use these resources to reinforce our support for our staff. In addition, the Chief Executive shares a fortnightly blog which is also reinforced via social media platforms.

Use of these tools and the benefits they bring has been particularly evident in promoting our bi-annual 'Careers Events', which provide the opportunity for staff to share their experience, increase the supply of staff for recruitment purposes, and inspire the next generation to consider employment in the NHS. Last year, we launched our inaugural Black, Asian and Minority Ethnic (BAME) staff recruitment event in partnership with other health organisations across the region – aiming to

promote equal opportunities to ensure our workforce is representative of the community we care for. The event was very well attended and over 20% of candidates that applied for jobs at the Trust following the event were successfully appointed. The collaborative event has been shortlisted for the Inclusive Recruitment Award by the Employers Network for Equality & Inclusion.

During 2019, we launched our new 'First Day Kit' – a digital online handbook, accessible via any mobile device, with the purpose of supporting new staff coming into the Trust. This promotes our health and wellbeing priorities and 'speaking up' options, and also provides insight into the range of engagement opportunities the Trust offers.

Feedback received via the NHS Staff Survey is a key metric regarding how effective its staff engagement activities are. 2019/20 has seen the Trust consolidate its positive position in terms of results, response rate and our staff engagement score remains in the top 20% nationally.

Staff Health and Wellbeing

Flourish is shaping our employee wellbeing agenda by adopting a holistic approach to creating a healthy workplace and through a series of workshops and focus groups, has explored the key themes of a well workforce: behaviour; culture; being valued; and recognised. Through Flourish, we have encouraged staff to get involved in new challenges and opportunities such as #LetsMove, #LetsTalk and #SleepWell.

Programmes of work are overseen by our Flourish Steering Group and key projects this year have included promoting agile and flexible working.

We are proud to have achieved the 'Continuing Excellence Interim' Better Health at Work Award which acknowledged the Trust's continuing commitment to enhancing health and wellbeing in the workplace. We are now working towards the final stage of the award 'Maintaining Excellence'. Our 'Flourish Health Champions' are led by the Health Improvement Practitioner who not only continue to support their peers, but provide an invaluable channel of communication. Flourish Health Champions have enabled the development of a health and wellbeing action plan based upon the wants, as well as the needs, of our staff.

Our focus on positive mental health continues with many of our 'Flourish' campaigns encouraging staff to talk and raise awareness. The Trust embraces its 'Time to Change Employer Pledge' and continues to work to eliminate stigma and discrimination in relation to mental health. As such, we have 19 trained 'Time to Change Champions', 220 Mental Health First Aiders and have established a Suicide Prevention Group to look at crisis support measures for staff.

We have used the results of the 2019 NHS Staff Survey to inform and target appropriate interventions across the Trust to address and improve the findings. We have also worked with Active Newcastle to look at and address the barriers to staff being active at work.

The Trust continued to roll out its Early Access Advice Project – a collaborative endeavour between HR, Occupational Health and line managers to reduce sickness absence and promote wellbeing.

The ‘Call for Action on Bullying and Harassment’ invites NHS organisations to achieve an overarching leadership and cultural change to tackle bullying and support staff to respectfully challenge problem behaviours, and publish their plans and progress. We have refreshed our analysis and triangulation of Trust data from a number of areas including complaints, exit questionnaires, employee relations activity, Freedom to Speak-up, Datix, Annual Staff Survey, the Workforce Race Equality Standard and the Workforce Disability Standard. The outcomes will be reviewed and influence updated actions within the Trust’s Single Equality Action Plan.

Equality and Inclusion

LGBT+

This year, we were incredibly proud to see Newcastle Hospitals recognised as one of Stonewall’s Top 100 Employers and it was fantastic to be the highest ranking new entry in our sector.

In the last 12 months, we’ve worked hard to focus on LGBT+ inclusion. Over 5,000 members of staff wear their NHS Rainbow Badge with pride and have pledged to take action to support inclusion and visibility. We’ve celebrated Pride together in the city with a breakfast for our staff and their families, as well as highlighting Trans inclusion across our NHS services.

‘#FlourishAtNewcastleHospitals’ is our cornerstone programme aiming to enable every member of staff to liberate their full potential at work. An important part of this is supporting every member of staff to be their authentic self. As an organisation, we recognise and celebrate the value that difference and diversity brings. Members of our Board and Executive Team are highly visible in their support for LGBT inclusion and in championing change for staff and patients, regardless of their sexual orientation or gender identity/expression. Our LGBT staff network also plays an important role in ensuring we value and celebrate diversity with passion and energy. Building on this foundation, we planned to host the first national NHS LGBT+ staff conference in July 2020, but due to the COVID-19 pandemic, we have planned to reschedule the event for July 2021 and will be encouraging the whole NHS to champion positive change.

Disability

We continue to be highly committed to being instrumental in delivering a health service where equality, diversity and inclusion are embraced and communicated in the everyday work of staff. We remain committed to the employment and career development of people with disabilities, working towards Disability Confident Leader status. We have formed our Workforce Disability Equality Sub-group and are working towards our second submission of our Workforce Disability Equality Data. We

continue to actively engage with our disabled staff by promoting our Disability Staff Network.

Ethnicity

In October 2019, we held our inaugural Black, Asian and Minority Ethnic (BAME) Staff Conference, with over 300 attendees, including representatives from local Trusts. The event included national and local speakers who shared personal insights and data pertaining to the inequalities that still exist with the NHS. Throughout the event, the Trust demonstrated both transparency in its data and its intention and commitment to changing this position. Members of our BAME staff network were involved in planning the event and the programme was developed following dedicated focus groups with BAME staff.

We continue to submit our Workforce Race Equality Standard (WRES) Data and produced our first Ethnicity Pay Gap Report during 2019/20. This was the first comprehensive review looking into the pay gaps and career progression experienced by BAME staff at a single NHS organisation in England. Talking about race equality is still much harder than it should be – across society and specifically in the NHS. Some of the information makes difficult and uncomfortable reading but it's important that we reflect on it, be challenged by it and think very deeply about the active role that all of us can play in making the NHS a more equal place for all of our staff. Action comes from awareness and understanding. The report includes a number of recommendations that have been incorporated into our Single Equality Action Plan.

Sadly, within the NHS, there is an abundance of research evidence to demonstrate that Black and Ethnic Minority (BAME) staff are more likely to be investigated or disciplined than any other ethnic group. Our own WRES data shows this is not the case at Newcastle Hospitals. To ensure confidence in our processes, we introduced the role of Cultural Ambassador (CA). The CA programme is a national initiative developed by the Royal College of Nursing providing independent support, as a neutral observer, in all formal investigations involving staff from a BAME background. The CA provides impartial advice to the investigating team on equality, diversity and cultural bias issues. We trained 5 Cultural Ambassadors prior to the implementation of the programme in April 2020.

COVID-19 has seen particular challenges for our BAME staff. We have been very concerned about the reports nationally of the disproportionate impact of COVID-19 on BAME colleagues in the UK. Following a review of the data, we developed and implemented a proposal which included ethnicity being added to our risk assessment and the development of a managers 'Guide to Conversation'.

Gender

The Trust's Gender Pay Gap position has not changed significantly in the last 12 months since first publication and remains strongly influenced by the pay and gender make-up of the Medical and Dental Staff Group (i.e. Doctors and Dentists). An action plan is in place to implement measures to address this and other key issues.

The Gender Pay Gap Service is available at <https://gender-pay-gap.service.gov.uk> and the Trust's own report can be found on the Trust website http://www.newcastle-hospitals.org.uk/about-us/equality-and-diversity_gender-pay-report.aspx.

A number of key events are recognised and celebrated each year, including (but not limited to) LGBT History Month, Black History Month, Disability History Month and NHS Equality and Diversity Week, where associated skills based workshops are developed and offered to all staff Trust-wide. We continue to ensure an annual programme of awareness sessions across all protected characteristics, including raising appropriate flags to celebrate LGBT History Month, Bi Visibility Day, Transgender Day of Visibility and Remembrance and Bi-Visibility Day. Our commitment means that we remain an exemplar organisation within the Shelford Group of NHS Trusts.

Employment of Disabled People

Disability Conference

We are passionately committed to improving the experience of all staff across the organisation. We continue to evolve '#Flourish at Work', our cornerstone programme, through which we are drawing together work from our networks, leadership and development programme to give people the right tools to liberate their full potential and flourish at work.

Our commitment throughout Flourish is to enable, involve and engage staff in shaping and developing ideas, and convert these into action to enhance our working environment.

As part of this commitment, we held our inaugural Disability Staff Conference to celebrate UK Disability History Month. The event focused on personal insights from staff who have progressed in their chosen field, removing barriers in the workplace and encouraging a positive culture at all levels.

Why is our commitment so important? There is compelling evidence that the more engaged our people are, the more effective and productive they are, and most importantly, the higher the quality of care they deliver to our patients. To serve our patients in the best way possible, we must pay greater attention to how we can improve the experiences of our people working within the NHS, at every level. Secondly, it is important at a human level. At a national level, the NHS staff survey shows that relative to non-disabled staff, staff with disabilities felt they had:

- less respect;
- more pressure to work when feeling unwell; and
- less confidence with regard to equality of opportunity and career progression.

We have made some good steps on this journey. Through Flourish, we are focusing on developing a positive, inclusive and people-centred culture that engages and inspires all of our people and has a clear focus on improvement and advancing equality of opportunity. We know from our Workforce Disability Equality Standard (WDES) data where we have improvements to make and for those improvements to become a reality, we need everyone at every level to engage.

We remain committed to the employment and career development of disabled people. As a 'Disabled Confident Employer', we give a commitment to offer a guaranteed interview to all disabled applicants who meet the minimum criteria and consider applicants solely on their abilities. Reasonable adjustments are made at each stage of the recruitment and selection process to ensure equality of opportunity for all applicants. We value the commitment of our staff and make every effort to ensure employees who become disabled during employment are supported and their skills retained, whether through redeployment, retraining or alteration of working arrangements. Our redeployment policy sets out these steps. All of our policies and procedures are subject to a thorough equality analysis where the needs of disabled applicants and wider staff are considered. We continue to actively engage with our disabled staff by promoting our Disability Staff Network and the formation of our Workforce Disability Equality Sub-Group. Working in partnership, we continue to ensure staff develop the appropriate level of disability awareness needed to ensure the achievement of the Trust's commitments, through regular engagement stands, awareness training and the sharing of information. We look forward to engaging further with our Disability Staff Network as we report our second Workforce Disability Standard in August 2020.

Project Choice

Through 'Project Choice', the Trust offers young Newcastle adults with learning difficulties, disabilities or autism, opportunities to support them to become positive role models, and enable them to actively contribute and feel valued for what they achieve.

This project is a supported internship programme that equips students with work-based transferable skills enabling them to be work ready after completion of an academic year and also provides a recognised qualification in employability skills. In the latter part of 2019/20, COVID-19 has meant implementing changes to enable us to continue to support our interns. This has resulted in transferring the learning to a remote alternative; we continue to engage with each student on a daily basis providing pastoral support and virtual tutoring. There are plans to replace the work based learning (temporarily paused) by providing an extension to the academic year, students graduate in December as opposed to July. Adjustments are being made to ensure this cohort is no way disadvantaged by COVID-19. We continue to recognise that positive action can help remove barriers to employment and pro-actively address the under-representation of disabled staff in employment.

Now in its eighth year, the project continues to have fantastic results achieving an 83% transition rate into employment over 7 intakes. We are regularly asked to attend national and regional events to share best practice and encourage other NHS Trusts to become host organisations. We are viewed as the flagship host Trust for the project and through this work, we have enabled the project to be rolled out to 10 other Trusts around the country.

In the last 12 months, Project Choice students placed within the Trust have promoted the project and presented at 5 local schools and made presentations at the city council's Regional Disability Conference, aimed at raising aspirations in school

children. Additionally, past Project Choice students (now Trust employees) have shared their personal stories about their journey into employment at our own Disability Conference. They provided moving accounts of the support they have been given by the Trust and how this has been critical to their success.

The national project was recently inspected by Ofsted, with the Trust playing a key role through our Project Manager who gave a presentation to the inspection panel about the Trust's sustained employment outcomes which are the highest in the country. Ofsted rated the project as 'Good with outstanding features'.

The project continues to be recognised by awarding bodies and has received 15 awards to date. In the last 12 months, this has included a social mobility award where the Trust was recognised as the Best Employer.

Our role, both regionally and nationally, continues to highlight good practice which includes:

- an increased overall awareness across the organisation of the skills and value that people with learning disabilities, disabilities and autism can offer;
- increasing the diversity of our workforce by creating employment opportunities;
- staff developing specialist mentoring skills and increased staff engagement through involvement in the project, and a sense of pride and achievement; and
- demonstrating an ongoing commitment to promote access to work to those with learning disabilities.

As a major employer in the city, we are aware of our responsibility to contribute to our local community and to identify how to attract, recruit and retain people to work in the NHS. Last year, we held a successful Black, Asian and Minority Ethnic (BAME) recruitment event and had plans to hold our first Disability Recruitment event in October 2020. Our plans may have to change due to the requirements of social distancing and community confidence in attending an event due to COVID-19, however we are committed to increasing engagement and showcasing the Trust as an 'Inclusive' Employer of Choice.

2019 NHS Staff Survey Results Summary

A standard survey was sent via email to all employees of the Trust (via external post for those on maternity leave), giving all 14,542 members of our staff a voice. The survey was open between 1 October 2019 and 30 November 2019. 6,485 staff participated in the survey, equaling the response rate of the previous year at 45%. This was a 2% deterioration on the 2017 response rate of 47%.

The results are arranged under 11 themes:

- **THEME 1:** Equality, diversity & inclusion
- **THEME 2:** Health & wellbeing
- **THEME 3:** Immediate managers
- **THEME 4:** Morale
- **THEME 5:** Quality of appraisals
- **THEME 6:** Quality of care
- **THEME 7:** Safe Environment - Bullying & Harassment
- **THEME 8:** Safe Environment - Violence

- **THEME 9:** Safety Culture
- **THEME 10:** Staff Engagement
- **THEME 11:** Team Working (new for 2019)

The Staff Engagement score is measured across three sub-themes:

- **Advocacy** – measured by Q21a, Q21c and Q21d (Staff recommendation of the trust as a place to work or receive treatment);
- **Motivation** – measured by Q2a, Q2b and Q2c (Staff motivation at work); and
- **Involvement** – measured by Q4a, Q4b and Q4d (Staff ability to contribute towards improvement at work).

At Newcastle Hospitals this score was:

- Overall: rating of staff engagement 7.35 (out of possible 10).

This score was 0.25 below top position in the sector (Combined Acute & Community Trusts) and has maintained the Trust's score for 2017.

The Trust scored significantly better on 7 of the 10 themes when compared with other Combined Acute and Community Trusts in England.

- Equality, Diversity & Inclusion:
 - Newcastle Hospitals Score: 9.33 out of 10
 - Sector Score: 9.07 out of 10
- Morale
 - Newcastle Hospitals Score: 6.42 out of 10
 - Sector Score: 6.27 out of 10
- Quality of Care
 - Newcastle Hospitals Score: 7.71 out of 10
 - Sector Score: 7.55 out of 10
- Safe Environment – Bullying & Harassment
 - Newcastle Hospitals Score: 8.38 out of 10
 - Sector Score: 8.14 out of 10
- Safe Environment – Violence
 - Newcastle Hospitals Score: 9.65 out of 10
 - Sector Score: 9.55 out of 10
- Safe Environment – Violence
 - Newcastle Hospitals Score: 9.65 out of 10
 - Sector Score: 9.55 out of 10
- Safety Culture
 - Newcastle Hospitals Score: 7.09 out of 10
 - Sector Score: 6.86 out of 10
- Staff Engagement
 - Newcastle Hospitals Score: 7.35 out of 10
 - Sector Score: 7.18 out of 10

Of note, the Trust is also in top position for a number of themes against various comparators:

- #1 in Region for
 - Safe Environment – Violence: 9.6 out of 10

- #1 in Shelford Group for
 - Equality, Diversity & Inclusion: 9.3 out of 10
 - Morale: 6.4 out of 10
 - Safe Environment – Bullying & Harassment: 8.4 out of 10
 - Safe Environment – Violence: 9.6 out of 10

The Trust also compares favorably against the sector in 56 of the 90 questions in the survey. Some to note include:

- 90% of staff agreed that they would be happy with the standard of care provided by the organisation should a friend or relative need treatment. This is 14% higher than sector average and the best in the sector.
- 90% of staff agreed that care of patients/service users is the organisation's top priority. This is 9% higher than sector average.
- 79% of staff agreed that when errors, near misses or incidents are reported, the organisation takes action to ensure that they do not happen again. This is 5% higher than sector average.
- 67% of staff agreed that they are given feedback about changes made in response to reported errors, near misses and incidents. This is 4% higher than sector average.
- 67% of staff are confident that the organisation would address their concerns. This is 5% higher than sector average.
- 35% of staff stated they have felt unwell due to work related stress in the last 12 months. This is 4% under the sector average.
- 89% of staff agreed that the organisation acts fairly with regard to career progression/promotion, regardless of ethnic background, gender, religion, sexual orientation, disability or age. This is 5% higher than the sector average.
- 74% of staff would recommend the organisation as a place to work. This is 6% higher than the sector average

As previously stated, the Trust did not fall below sector average for any of the 10 themes. However, the lowest 3 scoring themes for the organisation were:

- Morale: 6.42 out of 10;
- Health & Wellbeing: 6.09 out of 10; and
- Quality of Appraisals: 5.48 out of 10.

Newcastle Occupational Health Service (NewcastleOHS)

Our Occupational Health (OH) service aims to improve employees' health and wellbeing to ensure that they can deliver the best quality patient care.

The service has continued to work with Human Resources colleagues and managers to deliver a service that is valued by staff.

Key Messages from 2019/20:

- In April 2019, the service was awarded the Safe, Effective, Quality Occupational Health Service (SEQOHS) accreditation for the fifth consecutive year. The department was praised for 'excellent integration into the

organisation as well as methods of obtaining feedback to guide service improvement’.

- During the 2019/20 Flu campaign, 12,729 members of staff which equated to 81% were vaccinated compared to 11,383 (75%) during the 2018/19 campaign. The Trust therefore achieved the CQUIN target of 80% of clinical staff.
- To support the Trust in responding to the COVID-19 pandemic, the following amendments were made to the OH service:
 - The OH Business Continuity Plan was implemented, with the service moving to 7 day working from 7am to 10pm. This was an extension to the standard service being Monday to Friday 8am to 5pm.
 - A staff testing and results service was established for symptomatic staff. Capacity for same day testing and the provision of results within 24-48 hours was implemented. During March 2020, the service managed an additional 6,111 COVID-19 related referrals in addition to 3,192 non COVID-19 related referrals.
 - A service providing antibody testing for staff was implemented.
 - A dedicated telephone support line was set up to assist staff and support for 7 day working was tailored.
 - The Trust’s OH department was a key contributor in the creation of the ‘redeployment’ cell to assist with the Trust wide redeployment of staff in response to COVID-19.

Partnership with the Armed Forces

As one of the largest employers in the North East, we recognise the importance that healthcare plays in supporting the country’s defence and security, and so we are committed to supporting the UK’s Armed Forces community, from cadet adult volunteers to reservists, veterans and their families. We have demonstrated this commitment not only by developing our own covenant, but also by achieving the Gold Defence Employer Recognition Scheme Award in 2018, winning the HSJ award for Reservist Support Initiative in 2019, becoming an accredited Veterans Covenant Hospital Alliance Trust and signing up to the Step into Health programme.

There is significant support from the Board of Directors for this work as well as a management champions, clinical champions and human resources who work together to promote the Forces and ensure both staff and patients are supported and not disadvantaged. Some of the ways staff are supported include:

- Dedicated reserve forces training and mobilisation policy;
- Guaranteed interviews for service leavers, veterans and reservists who meet the essential criteria for roles;
- An additional 10 days paid annual leave for reservists and cadet adult volunteers to attend their annual camps;
- Supporting reservists and their managers with mobilisation and demobilisation;
- Working alongside the Carers Transition Partnership (CTP) to develop rotational work placements for service leavers to help ease their transition back to ‘civvy street’; and
- Creation of the Armed Forces Staff Network, which has 75 members since launching in October 2018.

The core values of the Trust and the Armed Forces are closely aligned, with a focus on people and partnerships, pioneering services and staff pride in what they do. As a result, we strive to ease the path for service leavers to work in healthcare and offer an internal mentor on an ad hoc basis, where appropriate or necessary while working alongside CTP. We currently employ 30 reservists, 33 veterans, 5 cadet force volunteers, 1 regular and 4 spouses. However, we may employ more as individuals do not have to make their status known to the organisation.

Staff Social Club

As part of the employment package and to extend the benefits of employment with the Trust, a very well supported 'Staff Social Club' aims to provide social and recreational facilities for staff. Signing up as a member gives staff the benefits of being including in a monthly lottery with a top prize of £1,000, as well as the opportunity to buy subsidised tickets for a range of events including cultural, musical and sporting events. They are also eligible to join the RVI and Freeman Fitness Centres.

Over the last year, 442 staff signed up as new members, taking total membership to 8,185 - more than half of the organisation. During 2019/20, members had access to more than 28 events, which were attended by more than 5,200 people. These events included family days out to various theatre performances, trips away to Edinburgh and York, a number of music events and a 1,200 place Christmas Party. Theatre trips were particularly popular with over 1,000 tickets sold by the club, as were vouchers for various hotels, spas and restaurants across the region. More information about the club is available at www.benefitseveryone.co.uk/staff-social-club/.

Support To Speak Up

The Public Interest Disclosure Act protects workers from detrimental treatment or victimisation by their employer if they, in the public interest, 'blow the whistle' on wrongdoing.

For a member of staff to be protected, they must reasonably believe that their disclosures show that one or more of the following matters is happening, has happened or is likely to happen in the future:

- a criminal offence;
- a breach of a legal obligation;
- a miscarriage of justice;
- a danger to the health and safety of an individual;
- damage to the environment; or
- deliberate concealment of information detailing any of the above.

Under the Act, a member of staff will be protected if they:

- make the disclosure in good faith;
- reasonably believe that the relevant failure relates to 'the proper administration of charities and funds given, or held, for charitable purposes'; or
- reasonably believe that the information disclosed and any allegation contained in it are substantially true.

We take our responsibilities under the Act very seriously and the Trust was one of the first in the country to appoint a truly independent Freedom to Speak Up Guardian.

On 1 January 2019, Andy Pike was appointed as the Trust's Freedom to Speak Up Guardian, utilising his background in Patient Experience, Complaints, Quality Assurance and Clinical Effectiveness.

During 2019/20, two Freedom to Speak Up Guardian reports were received by the Board of Directors which outline the key themes associated with the role, with a particular emphasis on awareness raising.

Since 1 April 2019, 73 cases from members of staff have been received which required further action by the Freedom to Speak Up Guardian. This is an increase of 29 on the previous year and is a direct result of the awareness raising campaign that took place including the distribution of posters, social media campaigns and open drop in sessions at all Trust sites. As a consequence of this, many of the cases were historic.

In addition to the Freedom to Speak Up Guardian, a number of other routes are open for staff to voice concerns such as:

- Speak in Confidence – the anonymous dialogue system;
- Chaplaincy Service;
- Trust Contact Officers; and
- Directly with HR.

COUNTERING FRAUD

The Trust takes a proactive and robust stance against fraud, bribery and corruption.

This includes the professional investigation of suspicions of wrong doing and the protection of anyone who raises concerns of this nature.

This approach has seen a continual increase in referrals to the Fraud Team and demonstrable positive outcomes in terms of criminal sanctions, disciplinary sanctions and pursuing financial redress.

CODE OF GOVERNANCE

We apply the main and supporting principles of Monitor's Code of Governance (the 'Code') for NHS Foundation Trusts on a comply or explain basis. The Code, most recently revised in July 2014, is based on principles of the UK Corporate Governance Code issued in 2012 and most recently revised in 2019.

During 2019/20, the Board reviewed and considered the Code. The Trust considered that it complied with all recommended practice, including the identification of a Senior Independent Director (SID). This role is filled by Mr K Godfrey, Non-Executive Director, who commenced this role in November 2018.

The Board conducted a review of the effectiveness of our system of internal control and the details are set out in the Annual Governance Statement.

The Board of Directors provides effective and proactive leadership within a framework which enables risk to be assessed and managed appropriately (see Annual Governance Statement). The Board ensures compliance with the Terms of Authorisation, the constitution, mandatory guidance, relevant statutory requirements and contractual obligations. It sets the strategic ambitions of the Trust, taking into account the views of the Council of Governors, and ensures that the necessary resources are in place to meet priorities and objectives. There is periodic review of progress and management performance against the strategy.

Principles and standards of corporate and clinical governance are set and overseen by standing committees of the Board. Directors have overall responsibility for the effective, efficient and economical discharge of the functions of the Trust, taking joint responsibility for every decision of the Board, notwithstanding the particular responsibilities of the Chief Executive as Accounting Officer. Specific mechanisms are in place for the appointment, terms of service and removal of Executive Directors.

Non-Executive Directors are in the majority on the Board and are independent. They challenge and scrutinise the performance of the Executive Directors to satisfy themselves of the integrity of the financial, clinical and non-clinical information they receive, and to ensure that risk management and governance arrangements are robust and effective. There is a formal Scheme of Delegation and Reservation of Powers that defines which functions are reserved for the Board and which are delegated to committees and officers.

Members of the Board have an open invitation to attend all meetings of the Council of Governors. The constitution sets out the statutory responsibilities of Governors in relation to the appointment and removal of the Chairman and Non-Executive Directors, the appointment and removal of external auditors, approval of the appointment of the Chief Executive, receiving the annual Audit Letter, and providing input to the Annual Plan and its strategies. The Board determines which of its standing committees and panels may have Governors as members or in attendance.

NHS OVERSIGHT FRAMEWORK

NHS England and NHS Improvement's NHS Oversight Framework provides the framework for overseeing providers and identifying potential support needs.

The framework looks at five themes:

- quality of care;
- finance and the use of resources;
- operational performance;
- strategic change; and
- leadership and improvement capability (well-led).

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

The Trust was placed in segment 2 and this was the Trust's position as at 31 March 2020.

The Finance and Use of Resources theme is based on the scoring of five measures on a scale of 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 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 Q1 score | 2019/20 Q2 score | 2019/20 Q3 score | 2019/20 Q4 score |
|--------------------------|------------------------------|---------------------|---------------------|---------------------|---------------------|
| Financial sustainability | Capital Service capacity | 3 | 3 | 3 | 3 |
| | Liquidity | 1 | 1 | 1 | 1 |
| Financial efficiency | I&E Margin | 2 | 2 | 1 | 1 |
| Financial controls | Distance from financial plan | 1 | 2 | 2 | 1 |
| | Agency spend | 1 | 1 | 1 | 1 |
| Overall scoring | | 2 | 2 | 2 | 1 |

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Statement of the chief executive's responsibilities as the accounting officer of The Newcastle upon Tyne Hospitals NHS Foundation Trust and Group

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 Newcastle upon Tyne Hospitals 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 affairs of The Newcastle upon Tyne Hospitals NHS Foundation Trust and of its income and expenditure, other items of comprehensive income and cash flows for the financial year.

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

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

The accounting officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS

foundation trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned Act. The Accounting Officer is also responsible for safeguarding the assets of the NHS foundation trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

A handwritten signature in black ink, appearing to read 'J Daniel', with a large loop at the bottom.

Dame Jackie Daniel
Chief Executive
24 June 2020

ANNUAL GOVERNANCE STATEMENT

1.0. 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 and Group policies, aims and objectives, while 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 and Group 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 and Group Accounting Officer Memorandum.

2.0. The Purpose of the System of Internal Control

This system of internal control is designed to manage risk to a reasonable level rather than 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 policies, aims and objectives of The Newcastle upon Tyne Hospitals NHS Foundation Trust and Group, 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 Newcastle upon Tyne Hospitals NHS Foundation Trust and Group for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts.

3.0. Capacity to Handle Risk

The Chief Executive Officer has overall responsibility and accountability for all aspects of the Risk Management Policy, and delegates this responsibility to the Assistant Chief Executive. While the Assistant Chief Executive has a lead role in terms of reporting arrangements, all Executive Directors have a responsibility for effective management of risk within their own area of direct management responsibility, as well as corporate and joint responsibility for the management of risk across the organisation.

Structures and systems are in place to support the delivery of risk management, across the Trust and Group. Risk management training and support has been provided to staff throughout the year. This has included basic risk management training and Datix risk management system training as well as a repository of guidance accessible on the Trust Intranet.

Committees of the Board of Directors are in place to ensure effective governance for the strategic, corporate and operational risk processes and systems. The Executive Risk Group receives and considers a regular report on the Trust's Risk Register. The Executive Risk Group meets bi-monthly and consider the systems and processes in place for Trust-wide Risk Management. Each Committee of the Board

meet at least quarterly to review risks held on the Board Assurance Framework (BAF) relating to the committee's area of focus. In addition to this, each Committee considers the effectiveness and completeness of assurances within the BAF and ensure that documented controls are in place and are functioning effectively.

The Audit Committee meets five times per year as a minimum requirement and provides the Board with an independent and objective review of risk management systems and practice. As Accounting Officer, I delegate particular aspects of my role to Executive Directors. These arrangements are reflected in job descriptions and performance review mechanisms. As Accountable Officer, I am directly accountable to the Board of Directors, have overall responsibility and accountability for all aspects of Risk Management and Assurance, and delegate this responsibility to the senior managers of the Trust and Group as detailed in the Risk Management Policy.

4.0. The Risk and Control Framework

The Risk Management Policy sets out the structures and processes for the identification, evaluation and control of risk, as well as the system of internal control. Delivery of this strategy is overseen by the Audit Committee with individual officers having specific delegated responsibilities.

The key elements of the Risk Management Policy are:

- a clear framework for the accountability and delegated responsibility for the management of risk;
- an integrated document that sets out the overall purpose and processes, as well as an associated annual plan;
- a clearly defined committee structure that supports robust and timely decision making around key organisations risks;
- robust systems for the identification, analysis, prioritisation and actions in relation to risks affecting all areas of Trust activity;
- risk management processes that are integrated and embedded into the day-to-day activities of the Trust;
- a tailored training programme to address key risk areas; and
- comprehensive communication processes for risk management policies and procedures, and the dissemination of learning from lessons learned.

A Trust-wide risk register is maintained, which records when a risk has been identified, its' owners, likelihood of occurrence, potential impact and mitigating action. Directorate Managers, Clinical Directors and Heads of Departments are responsible for ensuring effective risk management in their areas, in line with the Trust and Group strategy and policies. This includes primary responsibility for the identification, investigation and follow-up of all risk related actions as defined in job descriptions and objectives.

The Trust and Group continually reviews its risk and control framework through its governance and operational structures. It has identified its major strategic risks, and these are monitored, maintained and managed through the Board Assurance Framework, Executive Oversight Register and supported by Directorate Risk Registers. The Trust and Group principal risks and mechanisms to control them are

identified through the BAF, which is reported to the Board of Directors regularly. These risks are reviewed and updated through the Trust's governance structure.

The table below details the top three risks identified in 2019/20 and continue to be risks to the strategic objectives pertinent to 2020/21. All risks have action plans in place and are effectively managed through the risk governance arrangements.

| Risk | Key Controls |
|--|---|
| Capacity and demand pressures could result in the Trust not achieving operational and quality standards. | <ul style="list-style-type: none"> • Monitoring of operational and quality standards; • Clinical e-record optimisation; • Performance Monitoring/Executive Risk Group Oversight; • Delivery of sustainability and improvement plan; • Review of staffing shortages; • National waiting list reduction initiatives; and • Develop System-wide health and social care joint capacity and demand plan. |
| If we fail to maintain Trust estates and environments, there is a risk to the safety of patients, staff and visitors which could impact on the quality of care and reputation of the organisation. | <ul style="list-style-type: none"> • Backlog maintenance action plans; • Estates strategy; • Planned preventative maintenance schedules; • Review of Estates Plans and priority areas; • Regular risk assessments; and • Property Maintenance Plans. |
| Inability to recruit and retain staff including qualified nurses, specialist staff and medics could result in the inability to provide safe, effective, high class services. | <ul style="list-style-type: none"> • Compliance with Nursing and Midwifery Guidelines; • International Recruitment Campaigns; • Use of Acuity and Dependency Tool; • Completion of action plans and work streams to improve recruitment and retention; • Recruitment and Retention Strategy; • Utilise social media to advertise specific staff group recruitment; and • Flourish at work campaigns to support retention of staff. |

The Trust and Group has adopted a risk appetite statement which shows the amount of risk the Board of Directors are willing to accept in seeking to achieve its Strategic Objectives. This risk appetite statement was agreed and implemented by the Trust Board of Directors in January 2020.

The Trust and Group risk appetite statement is shown below.

| Key Risk Category | Risk Appetite Level | Risk Tolerance Score | Risk Appetite Statement |
|--|----------------------------|-----------------------------|--|
| Financial/ VFM | Moderate | 12-16 | <p>We have a MODERATE appetite for measured risk taking to support growth whilst making the best use of resources, delivering value for money whilst minimising the possibility of financial loss allowing us to continue to develop and provide the highest standards of healthcare.</p> <p>We will not take any material financial risks which will have a negative impact on the overall financial sustainability of the Trust.</p> |
| Compliance/ regulatory | Moderate | 12-16 | <p>We have a MODERATE appetite and will take measured risks in relation to compliance and regulatory guidance where it is in the best interest of patient care. We will not take any risks which will impact our ability to meet our legislative requirements.</p> |
| Enterprise and Innovation | High | 20-25 | <p>We have a HIGH appetite for healthcare innovation and will take measured risks to maximise research, technological innovation and commercial opportunities to improve patient outcomes, transform services and ensure value for money.</p> |
| Quality Outcomes Safety Effectiveness Experience | Low | 6-10 | <p>We have a LOW appetite for risk taking in relation to Quality Outcomes. We will take measured and considered risks to improve and deliver quality outcomes where there is potential for long term benefit, however we will not compromise the quality of care we provide or the safety of the patients in our care.</p> |
| Reputation | Moderate | 12-16 | <p>We have a MODERATE appetite for risk taking that will enhance our reputation as an outstanding organisation now and in the future. We will not take any risks that will have a negative impact on the reputation of the Trust.</p> |

The Audit Committee is the core committee for ensuring there is a robust approach to risk management throughout the Trust. The Audit Committee is chaired by a Non-Executive Director and members of the Executive Team regularly attend. This committee has oversight of the Board Assurance Framework (BAF) and Trust-wide risk management arrangements.

The Trust and Group Quality Governance arrangements are delivered through the quality governance structure. There are established and robust Trust-wide systems to facilitate the monitoring, review and oversight of quality governance and ensure that the key commitments described in the Quality Strategy are delivered.

The Integrated Board Report is a standing agenda item for the Trust Board and is used for reporting on quality, performance, people and finance metrics to the Trust Board of Directors.

5.0. Quality Governance Structure

The Quality Committee have oversight of the Quality Governance framework. The Trust conducts a detailed annual self-assessment against the NHSI/CQC Well-Led Framework. Care Quality Commission (CQC) Registration compliance is managed through the quality governance structure. The Medical Director is responsible for the oversight of all compliance assessments and management of on-going compliance.

The Trust and Group has an established quality surveillance programme designed to provide assurance to the Board that high quality care is being delivered across all services to ensure areas requiring improvement are identified. The Patient Safety and Quality Review process was launched in 2015 and is regularly reviewed and aligned to the CQC inspection approach. This is also supplemented by a programme of 'Leadership Walkabout' visits to services across the Trust by the Executive Team members and Non-Executive Directors.

The Trust and Group is registered with the CQC and has maintained full CQC registration since 2010. The CQC conducted a full comprehensive inspection in 2019 and rated the Trust as 'Outstanding'.

6.0. Principal Risks to Compliance with NHS Foundation Trust Governance

The Newcastle upon Tyne Hospitals NHS Foundation Trust and Group ensures compliance with NHS Foundation Trust Licence condition FT4 Corporate Governance. The Board is satisfied that Trust has established and implemented all requirements of the licence condition with no material risks identified.

The Board of Directors, Audit Committee and Committees of the Board all play a role in ensuring the Trust has robust and effective governance structures in place. The constitution and terms of reference for all standing committees of the Board are reviewed periodically and any proposed amendments are subject to Board endorsement. The minutes of Board committees are presented to the Board as standing agenda items.

The responsibilities of Directors and committees are clarified in the Trust's governance structure, which includes clear reporting lines and the accountabilities of committees and individuals.

Systems are in place to ensure the Trust and Group complies with its duty to operate efficiently, effectively and economically, with timely and effective scrutiny and oversight by the Board, including securing compliance with healthcare standards as

specified by the Secretary of State for Health and Social Care, the Care Quality Commission, NHS England, NHS Improvement, and statutory regulators of healthcare professions.

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

The external auditors, through their audit of the Annual Report and Accounts, also provide a degree of assurance to the Audit Committee and Board that financial control systems are robust.

Effective financial decision making, management and control includes having appropriate systems and processes in place to ensure the Trust can continue as a going concern. Measures are also in place to provide accurate, comprehensive, timely and current information for Board and committee decision making, including the identification of material risks.

The Board receives business cases which are over a specified threshold. All business cases are reviewed at the Business Case Review Meeting which meets monthly. This process is underpinned by quarterly performance reviews and scrutiny by the Finance Committee.

There is periodic assessment of Board level capability to provide effective organisational leadership on the quality of care, planning and decision making processes. The Board receives monthly reports on quality and other care related matters, and takes part in regular walkabouts of services as part of the quality assurance processes.

The Trust and Group supports an open reporting culture and encourages staff to report incidents through its Datix internal reporting system. Policy, guidance and training are provided to staff on the reporting, management and dissemination of lessons learnt. The Trust and Group involves stakeholders in identifying and managing risks to its strategic objectives in a number of ways. These include:

- Partnership working with health and social care services, regional NHS care providers and good working relationships with Overview and Scrutiny Committees.
- Regular engagement with governors on strategic, service and quality risks as well as engagement on quality priorities and the development of the quality account.
- Active engagement with patient experience forums and staff and public members meetings working on quality improvement and service risks.

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

NHS Foundation Trusts are required to publish an up to date register of interests for decision-making staff within the past twelve months as per the 'managing conflicts of interest in the NHS' guidance. The Trust and Group has published its Board of Directors register of interests on its website. Declaration of interest forms are sent to all relevant staff on an annual basis and a register of interests is published in the Trust and Group Annual Report and Accounts.

6.1. Workforce Safeguards

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employers 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 regulation.

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 and Group workforce strategy is endorsed by the Trust Board with the principle objective to be the 'Employer of Choice'. A key aim within this strategy is to enhance the staff experience, promote the 'employee voice', and increase diversity and inclusion across all workforce groups. The strategy informs action plans and objectives which are measured through the Trust's performance management framework and appraisal processes.

The Trust and Group reviewed equality data annually in relation to:

- recruitment (applicants, shortlisted and appointed);
- staff currently in post;
- distribution of the workforce;
- employee relations events (including disciplinary, capability, grievance, dignity and respect);
- flexible working applicants;
- access to training; and
- leavers.

Monitoring provides data which informs plans and strategies to achieve an inclusive workplace and make improvements to the working environment for all staff. The outcomes are reported to the Trust Board annually and the equality and diversity action plan is updated as appropriate.

The Equality Duty requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations in the course of developing policies and delivering services. Equality Analysis is completed on all policies, procedures, strategies and service developments.

The Equality Delivery System is designed to specifically support service delivery that is fair, providing equality of access to employment and delivery of services that meets the needs of a diverse population. The Trust and Group introduced the audit tool a number of years ago and annually undertakes a full grading exercise. The outcomes are reported to the Trust Board annually and the equality and diversity action plan is updated as appropriate.

The Trust publishes its Gender Pay Gap Report annually on its own website and the designated government website. It has an action plan to address the issues identified.

The Trust and Group uses Workforce Race Equality Standard data to track progress against nine metrics to identify and help eliminate any differential in the treatment of staff. Information is presented to the Trust Board annually and a Workforce Race Equality Standard action plan is agreed. The Trust and Group is cognisant of the national requirements outlined in the NHSE/I 2019 'Model Employer' strategy to increase Black, Asian, Minority Ethnic (BAME) representation at senior level across the NHS and action plans are in place develop to achieve this ambition.

The Trust and Group has a Health Equality and Wellbeing Committee in place and the aims and objectives of the Committee include: ensuring the Trust is compliant with national and local legislation, initiatives, policies and standards; influencing the culture of the organisation to ensure that involvement and equality is embedded at every level; and ensuring the Trust contributes effectively to reducing health inequalities and promoting wellbeing. Staff networks are represented and the Committee provides a direct reporting route to the Trust Board.

The Trust and Group has established staff networks in place for BAME, disability and LGBT staff. These groups help review and inform the Trust's action plans, policies and procedures. The terms of reference for these groups include provision:

- to promote a work environment in which staff feel supported and valued, whilst enabling them to fulfil their potential and contribute fully to the benefit of the service and our patients.
- to challenge discrimination and to positively promote equality.
- to manage a network of staff that can offer advice and support to others.
- to ensure that good practice and initiatives to promote issues are shared.
- to provide a forum for discussion and debate which draws on knowledge and experience.
- to act as a driving force to promote continuous practice improvement.
- to develop and coordinate an action plan for positive change and ensure Trust policies are inclusive.
- to assist the Trust in meeting its obligations regarding its duty under the Equality Act and NHS Equality Delivery System (EDS).
- to provide a place for staff to receive peer support i.e. raise concerns and ideas in a safe and confidential environment.

Equality and Diversity is a Trust Mandatory Training requirement for all staff and is one of the Trust's and Group Human Resources Key Performance Indicators.

Compliance with requirements is monitored and reported throughout the year to managers, Staff-side representatives, and the Trust Board.

In January 2020, the Trust and Group were named as one of the most inclusive employers in the UK after being listed in the top 100 employers of LGBT equality charity Stonewall.

The Trust and Group 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.

The Trust and Group is committed to delivering sustainable healthcare at its very best, within available environmental and social resources, protecting and improving health now and for future generations. The Trust sustainability strategy concentrates on the delivery of three goals:

- Goal 1 – A healthier environment;
- Goal 2 – Communities and services are ready and resilient for changing times and climate; and
- Goal 3 – Every opportunity contributes to healthy lives, healthy communities and healthy environments.

A Board approved sustainability development management plan is in place which sets out how the key aims of the strategy will be achieved. A sustainability report is produced annually demonstrating progress towards the achievement of the sustainability goals.

The Trust and Group became the first NHS Trust to declare a Climate Emergency. The declaration made on 27 June 2019, demonstrates a clear and positive commitment to take action on climate change by aiming to become carbon neutral by 2020.

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

The Trust and Group has a range of processes to ensure that resources are used economically, efficiently and effectively. This includes regular reporting to Board on quality, operational performance, finance and safety with further review and scrutiny at committees of the Board and management levels throughout the Trust.

Systems are in place to ensure the Trust and Group complies with its duty to operate efficiently, effectively and economically including securing compliance with healthcare standards as specified by the Secretary of State for Health, the Care Quality Commission, NHS England, NHS Improvement, and statutory regulators of healthcare professions.

The Trust Board has agreed an annual audit programme with the Trust's internal auditors through delegated authority to the Trust Audit Committee. The Audit Committee receives internal audit reports in line with an agreed work plan that aims

to test the economy, efficiency and effectiveness of Trust systems and processes, including financial management and control. The audit plan is reviewed and agreed by the Audit Committee in April each year.

Any report which offers limited assurance results in the development of a management action plan with an agreed timescale for improvement, and progress is monitored by the Audit Committee. Serious issues are escalated to the Board of Directors.

8.0. Information Governance

The threat to digital services through cyber-attack is recognised by the Trust and Group and we are committed to ensuring the organisation complies with the UK Data Protection Act 2018, NHS Data Security Standards and achieving the Cyber Essentials Plus certification.

The Trust and Group has effective arrangements in place for Information Governance and monitoring of performance against the Data Protection and Security Toolkit with reporting through the Data Security Advisory Group, Compliance and Assurance Group, Quality Committee and reporting to the Board of Directors.

In May 2018, the UK Data Protection Act 2018 came into force. This act aligns with the NHS Data Security Standards and includes requirements for new or changed IT systems to be developed with data privacy by design as a pre-requisite with the starting point being the protection and security of the personal data held and processed by the Trust and Group. The Trust and Group has implemented processes and procedures to monitor the privacy throughout the lifecycle of developments.

The Data Protection and Security Toolkit is the mandated method for monitoring the Trust and Group performance in the key areas of Data Protection and technical/cyber security. This will be based on the NHS Data Security Standards and is focussed on ensuring the Trust and Group remains compliant with laws concerning personal information handling and sharing, along with remaining resilient to current and future cyber threats.

In 2019/2020, the Trust and Group reported 0 Information Governance incidents to the Information Commissioners Office (ICO).

The deadline date for the second Data Security and Protection Toolkit submission has been extended due to the COVID-19 pandemic until 30 September 2020; the Trust has one final assertion to complete and has been provided a high level of assurance of compliance with the control framework.

9.0. Data Quality and Governance

The Trust and Group have appropriate controls in place to assure the Board of Director of the accuracy and production of high quality data which supports the Trust to make informed decision making, both clinical and non-clinical.

The Trust Data Quality Policy outlines the roles and responsibilities of the Trust and its staff in order to maintain good data quality. The policy also provides staff with guidance on roles and responsibilities and states the importance of recording accurate information in a timely way to deliver quality patient care.

The core principles of the Trust and Group's Data Quality Policy is to improve and maintain the quality of patient related data and this is underpinned by a range of regular audit reports and initiatives such as regular validation of clinical and non-clinical data. The Trust has comprehensive computerised and manual systems in place to support pre and post data quality analysis of both non-clinical data and clinical data. Regular data quality reports are produced to identify and collect missing data items and errors.

There is a dedicated Data Quality function within the Trust Information Management and Technology Directorate that provides routine and ad-hoc data quality analysis, reporting and root cause analysis of all data issues which support the business and clinical needs of the Trust. National benchmarking resources such as the SUS+ Data Quality Dashboards and the Data Quality Maturity Index (DQMI) are used to compare and track the quality of data and allow for benchmarking against local Trusts and national peers to ensure that high standards are met and maintained.

The Trust Data Security Advisory Group reviews data quality and associated workflows to ensure that NHS data standards are adhered to. This provides assurance to the Board that data is regularly validated and reviewed.

The work of the group is evidenced through regular quality reports that are shared through the Compliance and Assurance Group and the Quality Committee. The Information Team continues to support and train system users and suppliers to improve real time validation. The Trust and Group has a robust Performance Management Framework to define the structure and process for effective management of performance throughout the Trust and Group and processes, roles and responsibilities are well defined at all levels of the organisation. The Performance Management Framework is firmly integrated throughout the Trust to ensure Directorate/Department level processes and systems feed into and support the high level organisational objectives and priorities. An Integrated Quality and Performance Report is produced and reported and is routinely reviewed by the Quality Committee and the Board of Directors which details performance against metrics and quality priorities.

Directorate Performance Reviews take place throughout the Trust at Directorate level which focuses on performance on a range of metrics. The purpose of Performance Review is to ensure that Trust Directorates and Departments are progressing in line with aims, objectives and priorities, as well as focussing on any outliers in performance metrics.

10.0. Review of Effectiveness of Internal Control

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 and Group who have responsibility for the development and maintenance of the internal control framework. I have drawn upon performance information available to me.

My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee, and Executive Risk Group, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the assurance framework and on the controls reviewed as part of the internal audit work. The Head of Internal Audit Opinion for the financial year 2019/20 provided a good level of assurance that there is a sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently.

Executive Team members within the organisation, who have responsibility for the development and maintenance of the system of internal control, provide me with assurance. The Board Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principle objectives have been reviewed.

My review is also informed by the programme of reviews undertaken by internal and external auditors, monitoring of actions related to previous controls assurance assessments, the clinical audit programme, Care Quality Commission monitoring of corporate and clinical governance development, risk management assessments aligned to the standards originally set in the Clinical Negligence Scheme for Trusts, external benchmarking processes, and a range of inspections by professional bodies and agencies.

The effectiveness of the system of internal control has been maintained and reviewed by the Board of Directors via its committees and individual management responsibilities at Director and senior manager level. I am satisfied that this Annual Governance Statement describes a system and approach which remained robust for the period from 1 April 2019 to 31 March 2020, and up to the date of approval of the Annual Report and Accounts, that supports preparation for the Annual Accounts on an ongoing basis.

Regular reports have been reviewed by the committees of the Board and individuals in relation to all key risks. Annual reports have been received by the Board of Directors in relation to all important areas of activity, as well as ad hoc reports as required.

Clinical governance and processes to ensure quality of patient care are overseen by the Quality Committee under the leadership of the Medical Director. Minutes of this Committee were received by the Board of Directors together with ad hoc reports, as required, and an annual report summarises the most significant issues in this area.

The Assistant Chief Executive has delegated lead responsibility for risk management across the Trust. Practical support and co-ordination is provided by the Corporate Risk and Assurance Manager. Individual Directors and senior managers are empowered to assess and manage risks within their own areas of responsibility, linking closely with wider Trust processes. Significant support was provided via training, advice and guidance documentation to enable senior staff to effectively fulfil their functions.

An analysis of controls and assurance in relation to key organisational risks has been undertaken via the assurance framework. Underpinning this, the Executive Risk Register has been further developed to provide a detailed assessment of specific risk for all departments and key functions. The Executive Risk Group scrutinised these processes and advised the Board of Directors in relation to the most significant risk and control issues arising from the assurance framework and risk registers. Regular reports from the Executive Risk Group have highlighted emerging and developing risks.

The Executive Risk Group is responsible for the implementation and further development of the Risk Management Policy and associated plans, ensuring systems are in place to identify and address key risks. This role is complemented by the Audit Committee, which is responsible for verifying that the system of internal control was effective in managing risks.

In addition, the Complaints Panel maintains an overview of the management of complaints and monitors action in response to specific risks identified via the Complaints Panel. The Patient Safety Group and Quality Committee provide oversight of incidents to ensure the integration of analysis of incidents and learning lessons from those incidents.

To support further development, the Trust and Group has taken advantage of opportunities to benchmark performance against national and international best practice. This included participation in formal and informal external processes including those supported by the Shelford Group of Trusts, the Department of Health and Social Care, the National Patient Safety Agency, Care Quality Commission, and National Audit Office.

Conclusion

I can conclude that no significant control issues have been identified.



Dame Jackie Daniel
Chief Executive Officer

24 June 2020

AUDIT & CONTROLS

Investment Managers – CCLA Investment Management Ltd & Newton Investment Management Ltd

Banker – HSBC, RBS (Government Banking Service, Yorkshire Bank)

Payroll – NHS Payroll Services

Legal Advisors

- Samuel Phillips Law Firm
- Ward Hadaway
- Sintons LLP
- Addleshaw Goddard LLP
- Capsticks Solicitors LLP
- DAC Beachcroft LLP
- Hempsons Solicitors
- Keating Chambers

External Auditor – Mazars LLP

The principal objective of the Independent Auditor was to carry out an audit in accordance with paragraph 24(s) of Schedule 7 of the National Health Service Act 2006 and the requirements of the Audit Code issued by NHS Improvement, the independent regulator of NHS Foundation Trusts, which by necessity ensures compliance with International Standards of Audit (UK & Ireland) issued by the Auditing Practice Board. This required an opinion on the Annual Accounts and a review of arrangements for legality, financial standing, internal financial control, and standards of financial conduct, including fraud and corruption.

The Audit Committee met on a regular basis to assess a range of studies and work programmes, including detailed value for money scrutinies. The internal and external auditors attended all meetings of the Audit Committee and on each occasion, there was the opportunity to meet privately with the Non-Executive Director membership. The auditors also had unrestricted access to the Audit Committee, its Chairman and individual members.

Sound corporate governance and all that entails was an over-riding priority.

ABBREVIATIONS & GLOSSARY OF TERMS

| | |
|----------|--|
| 2ww | Two Week Wait |
| AAGBI | Association of Anaesthetists of Great Britain & Ireland |
| ABC | Appointment Booking Centre |
| BAF | Board Assurance Framework |
| BRC | Biomedical Research Centre |
| BSGNA | British Society of Gastroenterology Nurses Association |
| CAV | Centre for Ageing & Vitality |
| CCG | Clinical Commissioning Group |
| CIP | Cost Improvement Programme |
| COVID-19 | Coronavirus disease 2019 – an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). |
| CQC | Care Quality Commission |
| CRN | Clinical Research Network |
| DCD | Donated After Circulatory Death |
| DToC | Delayed Transfer of Care |
| ECMO | Extra Corporeal Membrane Oxygenation |
| EFW | Energy from Waste |
| GNCH | Great North Children's Hospital |
| HPN | Home Parenteral Nutrition |
| IAPT | Improving Access to Psychological Therapies |
| ICOG | Integrated Care Operational Group |
| ICP | Integrated Care Partnership |
| ICS | Integrated Care System |
| IoT | Institute of Transplantation |
| HSJ | Health Service Journal |
| LAC | Local Awards Committee |
| LCEA | Local Clinical Excellence Awards |
| LGBT | Lesbian, Gay, Bisexual and Transsexual |
| LoS | Length of Stay |
| LSCD | Limbic Stem Cell Deficiency |
| LTP | Long Term Plan |
| MRET | Marginal Rate Emergency Tariff |
| MRSA | Methicillin-resistant Staphylococcus Aureus |
| NEAS | North East Ambulance Service |
| NED | Non-Executive Director |
| NAATTC | Northern Alliance Advanced Therapies Treatment Centre |
| NCCC | Northern Centre for Cancer Care |
| NENC | North East and North Cumbria |
| NGOC | Northern Gynaecological Oncology Centre |
| NHSE | NHS England |
| NHSI | NHS Improvement |
| NIHR | National Institute of Health Research |
| PbR | Payment by Results |
| PHE | Public Health England |
| PENG | Parenteral & Enteral Nutrition Group |
| PRC | Patient Recruitment Centre |
| PRES | Participant in Research Experience Survey |
| RIDDOR | Reporting of Injuries, Diseases and Dangerous Occurrences Regulations |
| RTT | Referral to Treatment |
| RVI | Royal Victoria Infirmary |
| SID | Senior Independent Director |
| SDAT | Sustainable Development Assessment Tool |
| TMG | Trust Management Group |
| VSM | Very Senior Manager |
| WRES | Workplace Race Equality Standard |

3. ANNUAL ACCOUNTS 2019/20

FOREWORD TO THE ACCOUNTS

THE NEWCASTLE UPON TYNE HOSPITALS NHS FOUNDATION TRUST

The accounts for the year ended 31 March 2020 are set out on the following pages and comprise the Consolidated Statement of Comprehensive Income, the NHS Foundation Trust Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the NHS Foundation Trust Statement of Financial Position, the Consolidated Statement of Changes in Taxpayers' and Others' Equity, the NHS Foundation Trust Statement of Changes in Taxpayers' Equity, the Statements of Cash Flows and the Notes to the Accounts.

The accounts have been prepared by The Newcastle upon Tyne Hospitals NHS Foundation Trust in accordance with Schedule 7, Paragraphs 24 and 25, of the National Health Services Act 2006, in the form which Monitor, the independent regulator of NHS Foundation Trusts has, with the approval of HM Treasury, directed.

The Consolidated Statement of Comprehensive Income has been presented in three columns for 2019/20 showing the Income & Expenditure of the NHS Foundation Trust (as shown in column 1), the impact of the Charitable Fund consolidation (column 2) and the consolidated final result for the year (column 3).



Dame J Daniel

Chief Executive

24 June 2020

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF GOVERNORS OF THE NEWCASTLE UPON TYNE HOSPITALS NHS FOUNDATION TRUST

Report on the financial statements

Opinion on the financial statements

We have audited the financial statements of The Newcastle upon Tyne Hospitals NHS Foundation Trust ('the Trust') and its subsidiary ('the Group') for the year ended 31 March 2020 which comprise the Group Consolidated Statement of Comprehensive Income, the NHS Foundation Trust Statement of Comprehensive Income, the Group Consolidated Statement of Financial Position, the NHS Foundation Trust Statement of Financial Position, the Group Consolidated Statement of Changes in Taxpayers' and Others' Equity, the NHS Foundation Trust Statement of Changes in Taxpayers' Equity, the Group and Trust Statement of Cash Flows, and notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by HM Treasury's Financial Reporting Manual 2019/20 as contained in the Department of Health and Social Care Group Accounting Manual 2019/20, and the Accounts Direction issued under the National Health Service Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Trust and Group as at 31 March 2020 and of the Trust's and the Group's income and expenditure for the year then ended;
- have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2019/20; and
- have been properly prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Trust and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Accounting Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | Our response and key observations |
|---|--|
| <p>Revenue recognition (Trust) <i>The Trust recognised £1,086 million of revenue (Total operating income) in the Statement of Comprehensive Income. The Trust's primary source of revenue is through contracts with commissioning bodies in respect of the provision of acute and community healthcare services. Notes 3 and 4 to the financial statements provide further information on the nature and source of the Trust's revenue.</i></p> <p>Auditing standards include a rebuttable presumption that there is a significant risk in relation to the timing of income recognition, and in relation to judgements made by management as to when income has been earned. The pressure to manage income to deliver forecast performance in a challenging economic environment increases the risk of fraudulent financial reporting leading to material misstatement and means that we are unable to rebut the presumption.</p> | <p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> Evaluating the Trust's accounting policy in respect of revenue recognition to ensure that it is in line with the requirements of the Group Accounting Manual (GAM). Testing revenue transactions that had been recorded by journal entries. Journals were selected for testing on the basis of meeting one or more fraud risk indicators that we determined to be applicable to the revenue recognition significant risk. Testing a sample of revenue around the year end by agreeing the transactions to appropriate source documentation and obtaining assurance that each item was recorded in the correct financial year and at the correct value. Testing a sample of year end receivables by agreeing the transactions to appropriate source documentation and obtaining assurance that each item was recorded in the correct financial year and at the correct value. Considering information provided by the Department of Health and Social Care in respect of year-end intra-NHS transactions. We identified any significant differences between the Trust's position and that of the counterparty and obtained assurance that the Trust's position was supported by appropriate evidence. <p>Key observations We obtained sufficient appropriate evidence to conclude that revenue recognised in the financial</p> |

statements is reasonable.

Property valuations (Trust)

Land and buildings are the Trust's highest value assets and Note 12 to the financial statements discloses information on the Trust's holding of property, plant and equipment (PPE). This includes £406 million of land and buildings held at current value at 31 March 2020. These assets are subject to periodic revaluation in line with the requirements of the Group Accounting Manual (GAM). Note 1.6 to the financial statements describes the Trust's accounting policy with respect to the valuation of land and buildings and note 12 discloses further information on the balance.

Management engage a valuation expert ('the valuer') to provide the Trust with current values of property and land in accordance with Royal Institution of Chartered Surveyors (RICS) requirements. Changes in the value of property may impact on the Statement of Comprehensive Income depending on the circumstances and the specific accounting requirements of the Group Accounting Manual. The valuations require judgement and a high level of estimation in determining current values. The significant risk of material misstatement is further increased due to the additional estimation uncertainty arising from the Covid-19 pandemic.

Our audit procedures included, but were not limited to:

- Obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the instructions to the valuer from the Trust.
- Obtaining an updated understanding of the basis of valuation applied by the valuer in the year. This included understanding and challenging the methodology applied to estimate the gross replacement cost of the Trust's operational land and buildings on a modern equivalent asset basis. Specifically, we evaluated the Trust's application of a 'single-site' valuation methodology which covers its existing hospital sites.
- Sample testing the completeness and accuracy of underlying data provided by the Trust and used by the valuer as part of their valuations.
- Testing the accuracy of how valuation movements were presented and disclosed in the financial statements.
- Making direct enquiries with the valuer to understand the nature of the material valuation uncertainty disclosed in his valuation report.
- Using relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2020. In doing so, we also considered relevant, publicly available valuation indices to assess the effect of any potential material valuation uncertainty related to the Covid-19 pandemic.
- Assessing the impact of the Trust's approach to estimating the Useful Economic Lives (UEL) of property assets, and considered it against the Royal Institution of Chartered Surveyors (RICS) guidance issued in 2018/19 relating to the assessment of UEL of assets for accounting purposes.

Key observations

We obtained sufficient appropriate evidence to conclude that the valuation of PPE included in the financial statements is reasonable. In respect of the estimates of UEL, we identified a cumulative non-material misstatement that was not adjusted by management.

Our application of 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 on the individual financial statement line items and disclosures, and in evaluating 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 follows:

| | Trust | Group |
|--|--|--------------|
| Overall materiality | £23.423m | £23.492m |
| Basis for determining materiality | 2% of Gross Operating Expenditure. | |
| Rationale for benchmark applied | Gross Operating Expenditure was chosen as the appropriate benchmark for overall materiality as this is a key measure of financial performance for users of the financial statements. | |
| Performance materiality | £18.738m | £18.793m |
| Reporting threshold | £0.300m | £0.300m |

The range of financial statement materiality across components, audited to the lower of local statutory audit materiality and materiality capped for group audit purposes, was between £0.096m and £23.423m, all being below group financial statement materiality.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the Accounting Officer made subjective judgements such as making assumptions on significant accounting estimates.

We gained an understanding of the legal and regulatory framework applicable to the Trust and the Group and the sector in which they operate. We considered the risk of acts by the Trust and Group which were contrary to the applicable laws and regulations including fraud. We designed our audit procedures to respond to those identified risks, including non-compliance with laws and regulations (irregularities) that are material to the financial statements.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the National Health Service Act 2006.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Trust's and the Group's accounting

processes and controls and their environments, and considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items. There were no changes to the scope of the current year audit from the scope in the prior year.

Our tests included, but were not limited to:

- obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by irregularities including fraud or error;
- review of minutes of board meetings in the year; and
- enquiries of management.

As a result of our procedures, we did not identify any Key Audit Matters relating to irregularities, including fraud (other than the key audit matter on revenue recognition outlined above).

The risks of material misstatement, including due to fraud, that had the greatest effect on our audit are discussed under 'Key audit matters' within this report. Our group audit scope included an audit of the Trust and Group financial statements. Based on our risk assessment, the NHS Foundation Trust entity, as a component within the Group, was subject to full scope audit which was performed by the Group audit team, and Newcastle Hospitals NHS Charity as the other component within the Group was subject to an audit of specific areas of expenditure, under direction from the Group audit team. At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 are also required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that

they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

We have nothing to report in these regards.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Accounting Officer is required to comply with the Department of Health and Social Care Group Accounting Manual and prepare the financial statements on a going concern basis, unless the Trust is informed of the intention for dissolution without transfer of services or function to another entity. The Accounting Officer is responsible for assessing each year whether or not it is appropriate for the Trust and Group to prepare financial statements on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

Opinion on other matters prescribed by the Code of Audit Practice

In our opinion:

- the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the requirements of the NHS Foundation Trust Annual Reporting Manual 2019/20; and
- the other information published together with the audited financial statements in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Annual Governance Statement

We are required to report to you if, in our opinion:

- the Annual Governance Statement does not comply with the NHS Foundation Trust Annual Reporting Manual 2019/20; or
- the Annual Governance Statement is misleading or is not consistent with our knowledge of the Trust and Group and other information of which we are aware from our audit of the financial statements.

We have nothing to report in respect of these matters.

Reports to the regulator and in the public interest

We are required to report to you if:

- we refer a matter to the regulator under Schedule 10(6) of the National Health Service Act 2006 because we have a reason to believe that the Trust, or a Director or officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency; or
- we issue a report in the public interest under Schedule 10(3) of the National Health Service Act 2006.

We have nothing to report in respect of these matters.

The Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We have nothing to report in this respect.

Responsibilities of the Accounting Officer

The Chief Executive as Accounting Officer is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Trust's use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required by 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. 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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary.

Use of the audit report

This report is made solely to the Council of Governors of The Newcastle upon Tyne Hospitals NHS Foundation Trust as a body in accordance with Schedule 10(4) of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Council of Governors of the Trust those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council of Governors of the Trust as a body for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of The Newcastle upon Tyne Hospitals NHS Foundation Trust and The Newcastle upon Tyne Hospitals NHS Foundation Trust Group in accordance with the requirements of chapter 5 of part 2 of the National Health Service Act 2006 and the Code of Audit Practice.



Cameron Waddell (Key Audit Partner)

For and on behalf of Mazars LLP

Salvus House

Aykley Heads

Durham

DH1 5TS

24 June 2020

| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | | | | |
|---|------|---|---------------------------------------|--------------------------|
| for the year ended 31 March 2020 | | | | |
| | | 2019/20 NHS Foundation Trust £000 | 2019/20 Charitable fund £000 | 2019/20 Total £000 |
| | Note | | | |
| OPERATING INCOME | | | | |
| Income from activities | 3 | 1,023,759 | 0 | 1,023,759 |
| Other operating income* | 4 | 155,519 | 3,844 | 159,363 |
| TOTAL OPERATING INCOME | | 1,179,278 | 3,844 | 1,183,122 |
| Operating expenses | 5 | (1,138,152) | (3,444) | (1,141,596) |
| OPERATING SURPLUS | | 41,126 | 400 | 41,526 |
| FINANCE INCOME AND COSTS | | | | |
| Finance income | 7 | 915 | 1,103 | 2,018 |
| Finance expense - financial liabilities | 8 | (25,828) | 0 | (25,828) |
| PDC dividends payable | 9 | (7,163) | 0 | (7,163) |
| Net finance costs | | (32,076) | 1,103 | (30,973) |
| Other gains and losses | 10.2 | (391) | (25) | (416) |
| SURPLUS FOR THE YEAR | | 8,659 | 1,478 | 10,137 |
| SURPLUS FOR THE YEAR | | 8,659 | 1,478 | 10,137 |
| Other Comprehensive Income | | | | |
| Will not be reclassified to income and expenditure: | | | | |
| Impairments | 10.1 | (7,853) | 0 | (7,853) |
| Revaluation gains on property, plant and equipment | | 0 | 0 | 0 |
| Other movements on reserves | | 0 | 0 | 0 |
| Total Other Comprehensive Income | | (7,853) | 0 | (7,853) |
| May be reclassified to income and expenditure when certain conditions are met: | | | | |
| Fair value gains/(losses) on financial assets mandated at FV through OCI | | 0 | (2,040) | (2,040) |
| TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR | | 806 | (562) | 244 |

* The other operating income for the NHS Foundation Trust is net of income eliminated on consolidation of £120k. This relates to cash donations made by the Charitable fund to the NHS Foundation Trust for the purchase of capital assets.

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**
for the year ended 31 March 2019

| | 2018/19 NHS Foundation restated** | 2018/19 Charitable fund restated** | 2018/19 Total restated** |
|---|--|---|--------------------------------|
| Note | £000 | £000 | £000 |
| OPERATING INCOME | | | |
| Income from activities | 3 | 927,113 | 0 |
| Other operating income* | 4 | 159,219 | 2,632 |
| TOTAL OPERATING INCOME | | 1,086,332 | 2,632 |
| Operating expenses | 5 | (1,041,250) | (3,284) |
| OPERATING SURPLUS | | 45,082 | (652) |
| FINANCE INCOME AND COSTS | | | |
| Finance income | 7 | 703 | 1,055 |
| Finance expense - financial liabilities | 8 | (25,634) | 0 |
| PDC dividends payable | 9 | (7,004) | 0 |
| Net finance costs | | (31,935) | 1,055 |
| Other gains and losses | 10.2 | 5,692 | 0 |
| SURPLUS FOR THE YEAR | | 18,839 | 403 |
| SURPLUS FOR THE YEAR | | 18,839 | 403 |
| Other Comprehensive Income | | | |
| Will not be reclassified to income and expenditure: | | | |
| Impairments | 10.1 | 1,128 | 0 |
| Other movements on reserves | | 0 | 0 |
| Total Other Comprehensive income | | 1,128 | 0 |
| May be reclassified to income and expenditure when certain conditions are met: | | | |
| Fair value gains/(losses) on financial assets mandated at FV through OCI | | 0 | 2,040 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 19,967 | 2,443 |
| | | 19,967 | 2,410 |

* The other operating income for the NHS Foundation Trust is net of income eliminated on consolidation of £385k. This relates to cash donations made by the Charitable fund to the NHS Foundation Trust for the purchase of capital assets.

** The other operating income and operating expenditure has been restated by £263k due to the previously understated benefit received by the NHS Foundation Trust from the apprenticeship levy fund.

**NHS FOUNDATION TRUST
STATEMENT OF COMPREHENSIVE
INCOME**

for the year ended 31 March 2020

| | Note | 2019/20 Total £000 | 2018/19 Total restated* £000 |
|--|------|--------------------------|---------------------------------------|
| OPERATING INCOME | | | |
| Income from activities | 3 | 1,023,759 | 927,113 |
| Other operating income | 4 | 155,639 | 159,604 |
| TOTAL OPERATING INCOME | | 1,179,398 | 1,086,717 |
| Operating expenses | 5 | (1,138,152) | (1,041,250) |
| OPERATING SURPLUS/(DEFICIT) | | 41,246 | 45,467 |
| FINANCE INCOME AND COSTS | | | |
| Finance income | 7 | 915 | 703 |
| Finance expense - financial liabilities | 8 | (25,828) | (25,634) |
| PDC dividends payable | 9 | (7,163) | (7,004) |
| Net finance costs | | (32,076) | (31,935) |
| Gains/losses on disposal of assets | 10.2 | (391) | 5,692 |
| SURPLUS FOR THE YEAR | | 8,779 | 19,224 |
| SURPLUS FOR THE YEAR | | 8,779 | 19,224 |
| Other Comprehensive Income | | | |
| Will not be reclassified to income and expenditure: | | | |
| Impairments (net) | 10.1 | (7,853) | 1,128 |
| Other reserve movements | | 0 | 0 |
| Total Other Comprehensive Income | | (7,853) | 1,128 |
| TOTAL COMPREHENSIVE INCOME | | 926 | 20,352 |

The Trust's performance for the year against the agreed NHS Improvement control total is detailed in Note 2.0

* The other operating income and operating expenditure has been restated by £263k due to the previously understated benefit received by the NHS Foundation Trust from the apprenticeship levy fund.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

GROUP

| | Note | 31 March 2020 £000 | 31 March 2019 £000 |
|--|------|--------------------------|--------------------------|
| NON-CURRENT ASSETS | | | |
| Intangible assets | 11 | 7,126 | 4,309 |
| Property, plant and equipment | 12 | 507,128 | 489,442 |
| Investments in subsidiaries and joint ventures | 13 | 0 | 0 |
| Other investments | 14 | 30,011 | 32,076 |
| Trade and other receivables | 16 | 14,566 | 13,740 |
| TOTAL NON-CURRENT ASSETS | | 558,831 | 539,567 |
| CURRENT ASSETS | | | |
| Inventories | 15 | 18,294 | 17,242 |
| Trade and other receivables | 16 | 93,116 | 94,535 |
| Non current assets held for sale | 17 | 0 | 0 |
| Cash and cash equivalents | 18 | 135,337 | 103,135 |
| TOTAL CURRENT ASSETS | | 246,747 | 214,912 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 19 | (132,603) | (105,718) |
| Other liabilities | 20 | (36,602) | (9,195) |
| Borrowings | 21 | (5,387) | (6,947) |
| Provisions | 22 | (2,475) | (1,706) |
| TOTAL CURRENT LIABILITIES | | (177,067) | (123,566) |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 21 | (223,247) | (228,907) |
| Provisions | 22 | (2,725) | (2,252) |
| TOTAL NON-CURRENT LIABILITIES | | (225,972) | (231,159) |
| TOTAL ASSETS EMPLOYED | | 402,539 | 399,754 |
| TAXPAYERS' EQUITY | | | |
| Public dividend capital * | | 241,352 | 238,811 |
| Revaluation reserve * | | 70,317 | 78,170 |
| Income and expenditure reserve * | | 50,696 | 41,917 |
| TOTAL TAXPAYERS' EQUITY | | 362,365 | 358,898 |
| OTHERS' EQUITY | | | |
| Charitable fund reserves * | | 40,174 | 40,856 |
| TOTAL TAXPAYERS' AND OTHERS' EQUITY | | 402,539 | 399,754 |

* Reserves:

a) Public dividend capital represents the Secretary of State for Health and Social Care's 'equity' investment in the NHS Foundation Trust.

b) The revaluation reserve is used to record revaluation gains and losses on property, plant and equipment. This reserve is currently used solely for tangible assets only.

c) The NHS Foundation Trust's surplus for the year is recognised in the Income and Expenditure reserve.

d) Charitable reserves relate to those held by the Newcastle upon Tyne Hospitals NHS Charity. Further analysis can be found in Note 34.

The accounts on pages 145 to 224 were approved by the Board on 24 June 2020 and signed on its behalf by:



Dame J Daniel
Chief Executive
24 June 2020

**NHS FOUNDATION TRUST STATEMENT
OF FINANCIAL POSITION
as at 31 March 2020**

NHS FOUNDATION TRUST

| | | 31 March 2020 £000 | 31 March 2019 £000 |
|--|----|------------------------------|------------------------------|
| NON-CURRENT ASSETS | | | |
| Intangible assets | 11 | 7,126 | 4,309 |
| Property, plant and equipment | 12 | 507,128 | 488,954 |
| Investments in subsidiaries and joint ventures | 13 | 0 | 0 |
| Trade and other receivables | 16 | <u>14,566</u> | <u>13,740</u> |
| TOTAL NON-CURRENT ASSETS | | <u>528,820</u> | <u>507,003</u> |
| CURRENT ASSETS | | | |
| Inventories | 15 | 18,269 | 17,216 |
| Trade and other receivables | 16 | 92,987 | 94,672 |
| Non current assets held for sale | 17 | 0 | 0 |
| Cash and cash equivalents | 18 | <u>125,322</u> | <u>94,724</u> |
| TOTAL CURRENT ASSETS | | <u>236,578</u> | <u>206,612</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 19 | (132,597) | (105,710) |
| Other liabilities | 20 | (36,602) | (9,195) |
| Borrowings | 21 | (5,387) | (6,947) |
| Provisions | 22 | <u>(2,475)</u> | <u>(1,706)</u> |
| TOTAL CURRENT LIABILITIES | | <u>(177,061)</u> | <u>(123,558)</u> |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 21 | (223,247) | (228,907) |
| Provisions | 22 | <u>(2,725)</u> | <u>(2,252)</u> |
| TOTAL NON-CURRENT LIABILITIES | | <u>(225,972)</u> | <u>(231,159)</u> |
| TOTAL ASSETS EMPLOYED | | <u><u>362,365</u></u> | <u><u>358,898</u></u> |
| TAXPAYERS' EQUITY | | | |
| Public dividend capital * | | 241,352 | 238,811 |
| Revaluation reserve * | | 70,317 | 78,170 |
| Income and expenditure reserve * | | <u>50,696</u> | <u>41,917</u> |
| TOTAL TAXPAYERS' EQUITY | | <u><u>362,365</u></u> | <u><u>358,898</u></u> |

* Reserves:

- a) Public dividend capital represents the Secretary of State for Health and Social Care's 'equity' investment in the NHS Foundation Trust.
- b) The revaluation reserve is used to record revaluation gains and losses on property, plant and equipment.
- c) The NHS Foundation Trust's surplus for the year is recognised in the Income and Expenditure reserve.

The accounts on pages 145 to 224 were approved by the Board on 24 June 2020 and signed on its behalf by:



Dame J Daniel
Chief Executive
24 June 2020

**CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS'
AND OTHERS' EQUITY**
for the year ended 31 March 2020

| GROUP 2019/20 | Note | Public dividend capital* £000 | Revaluation reserve* £000 | Income and expenditure reserve* £000 | Charitable fund reserves * £000 | Total taxpayers' and others' equity £000 |
|--|------|--|---------------------------------|---|--|--|
| Taxpayers' and others' equity at 1 April 2019 | | 238,811 | 78,170 | 41,917 | 40,856 | 399,754 |
| Total comprehensive income for 2019/20 | | | | | | |
| Surplus for the year | | 0 | 0 | 8,659 | 1,478 | 10,137 |
| Impairments and Revaluation gains on property, plant and equipment | 12.1 | 0 | (7,853) | 0 | 0 | (7,853) |
| Fair value gains on financial assets | | 0 | 0 | 0 | (2,040) | (2,040) |
| Transfer from revaluation reserve to I&E reserve for impairments arising from consumption of economic benefits | | 0 | 0 | 0 | 0 | 0 |
| Other reserve movements | | 0 | 0 | 0 | 0 | 0 |
| Other reserve movements - Charitable funds consolidation movement | | 0 | 0 | 120 | (120) | 0 |
| Total comprehensive income for 2019/20 | | 0 | (7,853) | 8,779 | (682) | 244 |
| Public dividend capital received | | 2,541 | 0 | 0 | 0 | 2,541 |
| Public dividend capital repaid | | 0 | 0 | 0 | 0 | 0 |
| Total reserve movements for 2019/20 | | 2,541 | (7,853) | 8,779 | (682) | 2,785 |
| Taxpayers' and others' equity at 31 March 2020 | | 241,352 | 70,317 | 50,696 | 40,174 | 402,539 |

**CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS'
AND OTHERS' EQUITY**
for the year ended 31 March 2019

| GROUP 2018/19 | Public dividend capital* £000 | Revaluation reserve* £000 | Income and expenditure reserve* £000 | Charitable reserves * £000 | Total taxpayers' and others' equity £000 |
|--|--|---------------------------------|---|----------------------------------|--|
| Taxpayers' and others' equity at 1 April 2018 | 232,957 | 86,698 | 13,037 | 38,798 | 371,490 |
| Total comprehensive expense for 2018/19 | | | | | |
| Surplus for the year | 0 | 0 | 18,839 | 403 | 19,242 |
| Impairments and Revaluation gains on property, plant and equipment 12.1 | 0 | 1,128 | 0 | 0 | 1,128 |
| Fair value gains on financial assets | 0 | 0 | 0 | 2,040 | 2,040 |
| Transfer from revaluation reserve to I&E reserve for impairments arising from consumption of economic benefits | 0 | (1,253) | 1,253 | 0 | 0 |
| Other reserve movements | 0 | (8,403) | 8,403 | 0 | 0 |
| Other reserve movements - Charitable funds consolidation movement | 0 | 0 | 385 | (385) | 0 |
| Total comprehensive expense for 2018/19 | 0 | (8,528) | 28,880 | 2,058 | 22,410 |
| Public dividend capital received | 6,480 | 0 | 0 | 0 | 6,480 |
| Public dividend capital repaid | (626) | 0 | 0 | 0 | (626) |
| Total reserve movements for 2018/19 | 5,854 | (8,528) | 28,880 | 2,058 | 28,264 |
| Taxpayers' and others' equity at 31 March 2019 | 238,811 | 78,170 | 41,917 | 40,856 | 399,754 |

* An explanation of the purpose of each reserve can be found in the Statement of Financial Position

**NHS FOUNDATION TRUST STATEMENT OF
CHANGES IN TAXPAYERS' EQUITY
for the year ended 31 March 2020**

| NHS FOUNDATION TRUST 2019/20 | Public dividend capital* | Revaluation reserve* | Income and expenditure reserve* | Total taxpayers' equity |
|--|---|---------------------------------|--|--|
| Note | £000 | £000 | £000 | £000 |
| Taxpayers' equity at 1 April 2019 | 238,811 | 78,170 | 41,917 | 358,898 |
| Total comprehensive income for 2019/20 | | | | |
| Surplus for the year | 0 | 0 | 8,779 | 8,779 |
| Impairments and Revaluation gains on property, plant and equipment | 0 | (7,853) | 0 | (7,853) |
| Transfer from revaluation reserve to I&E reserve for impairments arising from consumption of economic benefits | 0 | 0 | 0 | 0 |
| Other reserve movements | 0 | 0 | 0 | 0 |
| Total comprehensive income for 2019/20 | 0 | (7,853) | 8,779 | 926 |
| Public dividend capital received | 2,541 | 0 | 0 | 2,541 |
| Public dividend capital repaid | 0 | 0 | 0 | 0 |
| Total reserve movements for 2019/20 | 2,541 | (7,853) | 8,779 | 3,467 |
| Taxpayers' equity at 31 March 2020 | 241,352 | 70,317 | 50,696 | 362,365 |
| NHS FOUNDATION TRUST 2018/19 | Public dividend capital* | Revaluation reserve* | Income and expenditure reserve* | Total taxpayers' equity |
| | £000 | £000 | £000 | £000 |
| Taxpayers' equity at 1 April 2018 | 232,957 | 86,698 | 13,037 | 332,692 |
| Total comprehensive expense for 2018/19 | | | | |
| Surplus for the year | 0 | 0 | 19,224 | 19,224 |
| Impairments and Revaluation gains on property, plant and equipment | 0 | 1,128 | 0 | 1,128 |
| Transfer from revaluation reserve to I&E reserve for impairments arising from consumption of economic benefits | 0 | (1,253) | 1,253 | 0 |
| Other reserve movements | 0 | (8,403) | 8,403 | 0 |
| Total comprehensive expense for 2018/19 | 0 | (8,528) | 28,880 | 20,352 |
| Public dividend capital received | 6,480 | 0 | 0 | 6,480 |
| Public dividend capital repaid | (626) | 0 | 0 | (626) |
| Total reserve movements for 2018/19 | 5,854 | (8,528) | 28,880 | 26,206 |
| Taxpayers' equity at 31 March 2019 | 238,811 | 78,170 | 41,917 | 358,898 |

* An explanation of the purpose of each reserve can be found in the Statement of Financial Position

STATEMENTS OF CASH FLOWS
for the year ended 31 March 2020

| | | GROUP | | NHS FOUNDATION TRUST | |
|---|------|-----------------|----------|-----------------------------|---------------|
| | Note | 2019/20 | 2018/19 | 2019/20 | 2018/19 |
| | | £000 | £000 | £000 | £000 |
| Cash flows from operating activities | | | | | |
| Net cash generated from operating activities | 23 | 115,095 | 66,728 | 114,474 | 67,211 |
| Cash flows from investing activities | | | | | |
| Interest received | | 939 | 707 | 939 | 707 |
| Purchase of intangible assets | | (4,041) | (1,754) | (4,041) | (1,754) |
| Purchase of property, plant and equipment | | (42,316) | (37,016) | (42,316) | (37,016) |
| Sales of property, plant and equipment | | 35 | 14,876 | 35 | 14,876 |
| Receipt of cash donations to purchase capital assets | | 90 | 115 | 210 | 500 |
| NHS Charitable funds - net cash flows from investing activities | | 1,103 | (3,945) | 0 | 0 |
| Net cash used in investing activities | | (44,190) | (27,017) | (45,173) | (22,687) |
| Cash flows from financing activities | | | | | |
| Public dividend capital received | | 2,541 | 6,480 | 2,541 | 6,480 |
| Public dividend capital repaid | | 0 | (626) | 0 | (626) |
| Loans repaid to the Department of Health and Social Care | 21 | (1,750) | (3,500) | (1,750) | (3,500) |
| Capital element of private finance initiative obligations | | (5,454) | (5,182) | (5,454) | (5,182) |
| Interest paid | | (26) | (129) | (26) | (129) |
| Other interest | 8 | 0 | (1) | 0 | (1) |
| Interest element of private finance initiative obligations | | (25,794) | (25,532) | (25,794) | (25,532) |
| Public dividend capital dividend paid | | (8,220) | (6,977) | (8,220) | (6,977) |
| Net cash used in financing activities | | (38,703) | (35,467) | (38,703) | (35,467) |
| (Decrease)/increase in cash and cash equivalents | | 32,202 | 4,244 | 30,598 | 9,057 |
| Cash and cash equivalents at 1 April | | 103,135 | 98,891 | 94,724 | 85,667 |
| Cash and cash equivalents at 31 March | 18 | 135,337 | 103,135 | 125,322 | 94,724 |

NOTES TO THE ACCOUNTS

1 Accounting policies and other information

NHS Improvement, in exercising the statutory functions conferred on Monitor, has directed that the financial statements of the NHS Foundation Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2019/20 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards (IFRS) 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 (FRAB). Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the 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

Following enquiries the directors have an expectation that the NHS Foundation Trust has adequate resources to continue in operation for the foreseeable future. The accounts therefore continue to be prepared on a going concern basis. The late impact of Covid-19 towards the end of 2019/20 is not thought to have an impact on the previous assessment.

1.1 Accounting convention

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

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

The preparation of the annual report and accounts requires the use of certain critical accounting estimates and also requires the NHS Foundation Trust's directors and senior managers to exercise their judgement in the process of applying the NHS Foundation Trust's accounting policies.

The directors and senior managers make estimates and assumptions concerning the future. As a result the accounting estimates may not equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

a) Incomplete patient spells at the year end:

The NHS Foundation Trust prepares an estimate of income generated for incomplete in-patient spells at the year end. This work in progress estimate is based on an equivalent month end date occurring earlier in the year to provide a basis for calculation.

b) Legal claims:

Legal claims are based upon professional assessments, which are uncertain to the extent that they are an estimate of the likely outcome of individual cases.

c) Indices:

The valuation of land and buildings is based on building cost indices provided by the Royal Institution of Chartered Surveyors (RICS) and used by the District Valuer in his valuation work. These indices are based on an indication of trend of accepted tender prices within the local construction industry as applied to the Public Sector.

NOTES TO THE ACCOUNTS (continued)

1.1 Accounting convention (continued)

d) Private Finance Initiative (PFI) schemes:

As part of the Transforming Newcastle Hospitals (TNH) PFI scheme, the NHS Foundation Trust is required to pay the operator for lifecycle replacement assets. A judgement has been made that payment for these assets is accounted for in equal annual instalments over the period of the scheme, rather than when payments are made. This results in a prepayment for assets being established in the early years of the scheme, which is used in later years when the asset replacement occurs.

As part of a negotiated settlement with the PFI provider the final stage of the TNH scheme was excluded from the agreement with regard to completion, service charge and lifecycle payments. The capital element continues to be repayable over the remaining life of the agreement.

e) Valuation of land and buildings

The directors have made the assumption that the NHS Foundation Trust's PFI and relevant exchequer buildings should be valued exclusive of VAT. This is based on the assumption that any new provision of these buildings would be procured via a special purpose vehicle or via an alternative to PFI/PF2 route attracting VAT exemption. The directors have also assumed that the NHS Foundation Trust would provide services from a single site if the opportunity arose as a single site would provide advantages for patient care. Therefore the district valuer was instructed to prepare a valuation of the NHS Foundation Trust's land and buildings at 31 March 2020 which excludes VAT on relevant buildings and uses a single site approach.

1.2 Consolidation and investments in subsidiaries and joint ventures

1.2.1 Charitable Fund

The NHS Foundation Trust is the corporate trustee to the Newcastle Upon Tyne Hospitals NHS charitable fund. The NHS Foundation Trust has assessed its relationship to the charitable fund and determined it to be a subsidiary because the NHS 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 31 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 NHS Foundation Trust's accounting policies; and
- eliminate intra-group transactions, balances, gains and losses.

1.2.2 Other investments in subsidiaries and joint ventures

Subsidiary entities are those over which the NHS 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. Joint ventures are arrangements in which the NHS Foundation Trust has joint control with one or more other parties, and where it has the rights to the net assets of the arrangement.

The NHS Foundation Trust consolidates the results of investments in subsidiaries and joint ventures where results are material to the NHS Foundation Trust's financial position. The consolidated accounts do not incorporate the results of the additional subsidiaries and joint ventures detailed in Note 13 on the grounds of immateriality to the Group. As a consequence the investments in subsidiaries and joint ventures are stated at cost less impairment losses.

NOTES TO THE ACCOUNTS (continued)

1.3 Revenue from contracts with customers

Where income is derived from contracts with customers, it is accounted for under IFRS15. The GAM expands the definition of a contract to include legislation and regulations which enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS).

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

1.3.1 Revenue from NHS contracts

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

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

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

The NHS Foundation Trust does not receive income where a patient is readmitted within 30 days of discharge from a previous planned stay. This is considered an additional performance obligation to be satisfied under the original transaction price. An estimate of readmissions is made at the year end and this portion of revenue is deferred as a contract liability.

For partially completed patient spells, which commenced prior to the financial year end and for which the date of discharge is not known, the income relating to the activity is accrued. The accrued income is estimated based on the length of stay in the financial year multiplied by a standard income per day differentiated by speciality.

For patient income where the spell has been completed at the year end but not invoiced, an accrual is calculated based on the relevant transaction price by activity.

Other contracts particularly those for specialised services, those with local authorities in respect of Public Health services and CCGs in respect of Community services are agreed predominantly on a block (fixed price) basis.

NOTES TO THE ACCOUNTS (continued)

1.3.2 CQUIN income

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

1.3.3 NHS injury cost recovery scheme

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

1.3.4 Revenue from research contracts

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

1.3.5 Grants and other contributions to expenditure

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.

1.3.6 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 of the benefit.

1.4 Expenditure on goods and services

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

Expenditure with a value below £1k, not aligned to a purchase order and which is non routine, is not accrued.

NOTES TO THE ACCOUNTS (continued)

1.5 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the NHS Foundation 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 NHS Foundation Trust and where the cost of the asset can be measured reliably.

Internally generated intangible assets

Expenditure on research is not capitalised. Expenditure on development is capitalised when it meets the requirements set out in IAS38.

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 and software licences, is capitalised as an intangible asset when expenditure of at least £5,000 is incurred.

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 amortised replacement cost and the value in use where the asset is income generating. Revaluation gains and losses and impairments are treated in the same manner as for property, plant and equipment. (See 1.6 below). An intangible asset which is surplus with no plan to bring it back into use is valued at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

Amortisation

Intangible assets are amortised over their expected useful economic lives in a manner consistent with the consumption of economic or service delivery benefits, normally between 5-10 years.

Intangible assets under development are not amortised.

NOTES TO THE ACCOUNTS (continued)

1.6 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if it is capable of being used for a period which exceeds one financial year, it is probable that future economic benefits will flow to, or service potential be supplied to the NHS Foundation Trust, the cost of the item can be measured reliably and it is held for use in delivering services or for administrative purposes.

Also the assets:

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

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

Subsequent expenditure

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be determined reliably. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance, is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Measurement

Valuation

All property, plant and equipment is 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. Property assets are measured subsequently at valuation, plant and equipment is held at depreciated historic cost.

Assets which are held for their service potential and are in use (i.e. operational assets used to deliver either front line services or back office functions) are measured at their current value in existing use. Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are measured at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying values are not materially different from those that would be determined at the end of the reporting period. Valuations are carried out by professionally qualified valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) *Appraisal and Valuation Manual*. The latest full asset valuation exercise concluded as at 31 March 2018 when the District Valuer prepared an updated valuation, a desktop exercise has been carried out as at 31 March 2020 to update the asset valuation for all changes since the latest full valuation exercise.

NOTES TO THE ACCOUNTS (continued)

1.6 Property, plant and equipment (continued)

Current values in existing use are determined as follows:

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

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

Valuation guidance issued by the Royal Institute of Chartered Surveyors states that valuations are performed net of VAT where the VAT is recoverable by the entity. This basis has been applied to the NHS Foundation Trust's Private Finance Initiative (PFI) scheme where the construction is completed by a special purpose vehicle and that the costs have recoverable VAT for the NHS Foundation Trust.

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

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

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 expenditure.

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

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

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

NOTES TO THE ACCOUNTS (continued)

1.6 Property, plant and equipment (continued)

De-recognition

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

The sale must be highly probable and the asset available for immediate sale in its present condition.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'current value less costs to sell'. Depreciation ceases to be charged. 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 useful life is adjusted. The asset is derecognised when scrapping or demolition occurs.

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 which is normally on a straight line basis. The useful economic lives and hence depreciation rates for equipment assets are determined by staff within the Medical Electronics department. Freehold land is considered to have an infinite life and is not depreciated.

Assets in the course of construction and payments on account are not depreciated until the property is brought into use. Property, plant and equipment reclassified as 'Held for sale' ceases to be depreciated upon reclassification.

Buildings, installations and fittings are depreciated on their modern equivalent asset value over their estimated accountancy based lives. Accountancy based lives differ from the remaining life of the asset as assessed by the NHS Foundation Trust's professional valuers and RICS guidance. The impact is to increase the asset life of building components and therefore reduce annual depreciation. The accountancy based approach to asset lives was agreed by the Trust Board prior to implementation on the basis it provides a more realistic representation of the remaining useful life of the Trust's buildings.

Equipment is depreciated on current value evenly over the estimated life of the asset. Useful economic lives reflect the total life of an asset and not the remaining life of an asset.

- Land - Not depreciated
- Buildings - 24 years - 90 years
- Dwellings - 31 years - 39 years
- Assets under construction - Not depreciated
- Plant and machinery - 5 years - 11 years
- Transport equipment - 3 years - 7 years
- Information technology - 5 years - 10 years
- Furniture and fittings - 5 years - 10 years

NOTES TO THE ACCOUNTS (continued)

1.7 Donated and grant funded assets

Donated and grant funded property, plant and equipment assets are capitalised at their current value on receipt. The donation or 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 or grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

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

1.8 Private Finance Initiative (PFI) transactions

PFI transactions which meet the IFRIC12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as "on-Statement of Financial Position" by the NHS Foundation Trust. In accordance with HM Treasury's FReM the underlying assets are recognised as property, plant and equipment, together with an equivalent liability. Subsequently the assets are accounted for as property, plant and equipment.

The annual contract payments are apportioned into the following component parts, using appropriate estimation techniques where necessary:

- a) payment for the fair value of services received;
- b) payment for the PFI asset, including finance costs;
- c) payment for the replacement of components of the asset during the contract (lifecycle replacement).

An element of the annual unitary payment increase due to cumulative indexation is treated as contingent rent and is expensed as incurred.

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

PFI asset

The PFI assets are recognised as property, plant and equipment when the unitary payment becomes payable. The assets are measured at fair value which is kept up to date in accordance with the NHS Foundation Trust's approach for each relevant class of asset in accordance with the principles of IAS16, Property, Plant and Equipment.

NOTES TO THE ACCOUNTS (continued)

1.8 Private Finance Initiative (PFI) transactions (continued)

PFI liability

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

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

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

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

Lifecycle replacement

An amount is set aside from the unitary payment each year into a lifecycle replacement prepayment to reflect the fact that the NHS Foundation Trust is effectively pre-funding some elements of future lifecycle replacement by the PFI operator.

When the operator replaces a capital asset, the fair value of this replacement item is recognised as property, plant and equipment.

Where the item was planned for replacement and therefore its value is being funded through the unitary payment, the lifecycle prepayment is reduced by the amount of the fair value.

The prepayment is reviewed annually to ensure that its carrying amount will be realised through future lifecycle components to be provided by the operator. Any unrecoverable balance is written out of the prepayment and charged to operating expenses.

Where the lifecycle item was not planned for replacement during the contract it is effectively being provided free of charge to the NHS Foundation Trust. A deferred income balance is therefore recognised instead and this is released to operating income over the life of the replacement component.

1.9 Non-current assets held for sale

The NHS Foundation Trust has no non-current assets held for sale.

NOTES TO THE ACCOUNTS (continued)

1.10 The NHS Foundation Trust as a lessee

Finance leases

Where substantially all risks and rewards of ownership of a leased asset are transferred to 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.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially in other liabilities and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Leases of land and buildings

Where a lease is for land and buildings, the land and building components are separated and the classification for each is assessed separately.

1.11 The NHS Foundation Trust as a lessor

Operating leases

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are 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 Inventories

Inventories are valued at the lower of cost and net realisable value, by reference to supplier information on a first-in first-out basis. This is considered to be a reasonable approximation to fair value due to the high turnover of inventory. The de minimis level for inventory items is £100 inclusive of VAT.

Obsolete and defective stock are charged to the Statement of Comprehensive Income as an expense.

1.13 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Statement of Cash Flows, cash and bank balances are recorded at the current values of these balances in the NHS Foundation Trust's cash book. Interest earned on bank accounts is recorded as 'finance income' in the year to which it relates. Bank charges are recorded as operating expenditure in the years to which they relate.

As the NHS Foundation Trust has no bank overdrafts there is no difference between the amount disclosed as cash and cash equivalents in the Statement of Financial Position and in the Statement of Cash Flows.

NOTES TO THE ACCOUNTS (continued)

1.14 Provisions

The NHS Foundation Trust recognises a provision where it has a present legal obligation 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 where 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 operates a risk pooling scheme under which the NHS Foundation Trust pays an annual contribution to NHS Resolution which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the NHS Foundation Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the NHS Foundation Trust is disclosed in Note 22 but is not recognised in the NHS Foundation Trust's accounts.

Annual premiums under the scheme are charged to operating expenses and provision is made for the 'excess' payable on a case when the liability arises.

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 NHS Foundation Trust pays an annual contribution to NHS Resolution and, in return, receives assistance with the costs of claims arising. The annual membership contributions, and any 'excesses' payable in respect of specific claims, are charged to operating expenses as and when the liability arises.

Other provisions

Other provisions relate predominantly to potential remedial building works resulting from on-going developments. The provision and amount is recognised and determined following professional advice from independent qualified property surveyors. The timing of payments is dependent on work programme estimates.

NOTES TO THE ACCOUNTS (continued)

1.15 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 NHS Foundation Trust's control) are not recognised as assets, but are disclosed in Note 26 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the accounts but are disclosed in Note 26, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

- a) 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 NHS Foundation Trust's control; or
- b) 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.

NOTES TO THE ACCOUNTS (continued)

1.16 Expenditure on employee benefits

Short term employee benefits

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

Pension costs

Past and present employees are covered by the provisions of the two NHS Pensions Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care, in England and Wales. The schemes are not designed in a way that would enable the NHS Foundation Trust to identify its share of the underlying scheme assets and liabilities. Therefore the schemes are accounted for as though they are a defined contribution scheme: the cost to the NHS Foundation Trust is taken as equal to the employer's pension contributions payable to the schemes for the accounting period. The contributions are charged to operating expenses as they become due. The schemes are subject to a full actuarial valuation every four years and an accounting valuation every year.

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

1.17 Value Added Tax (VAT)

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 non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.18 Corporation tax

NHS Foundation Trusts are exempt from corporation tax on their principal health care income under section 519A Income and Corporation Taxes Act 1988. The NHS Foundation Trust does not have any corporation tax liability in the current or prior year.

The Newcastle upon Tyne Hospitals NHS Charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits for investments, and surpluses on trading activities carried out in furtherance of the charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

1.19 Foreign exchange

The functional and presentational currency of the NHS Foundation Trust is 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.

The NHS Foundation Trust has no monetary assets or liabilities denominated in a foreign currency at the Statement of Financial Position date.

1.20 Third party assets

Assets belonging to third parties in which the NHS Foundation Trust has no beneficial interest (such as money held on behalf of patients) are not recognised in the accounts. However, they are disclosed in Note 31 to the accounts in accordance with the requirements of the HM Treasury Financial Reporting Manual.

NOTES TO THE ACCOUNTS (continued)

1.21 Public Dividend Capital and Public Dividend Capital - Dividend

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

The Secretary of State can issue new PDC to, and require repayments of PDC from the NHS Foundation Trust. PDC is recorded at the value received.

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

- (i) donated and grant funded assets,
- (ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility,
- (iii) any PDC dividend balance receivable or payable, and
- (iv) any expenditure related to Covid-19

In accordance with the requirements laid down by the Department of Health and Social Care (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the 'pre-audit' version of the annual accounts. The dividend calculated is not revised should any adjustments to net assets occur as a result of the audit of the annual accounts. However any movement in net assets would be reflected in the calculation for the following year.

1.22 Losses and special payments

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

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis.

The losses and special payments note (Note 32) is compiled directly from the losses and compensations register which reports on an accruals basis with the exception of provisions for future losses.

NOTES TO THE ACCOUNTS (continued)

1.23 Financial assets and financial liabilities

Recognition

Financial assets and financial liabilities which arise where the NHS Foundation Trust is party to the contractual provisions of a financial instrument and as a result has a legal right to receive or a legal obligation to pay cash or another financial instrument. The GAM expands the definition of a contract to include legislation and regulations which give rise to arrangements that in all other respects would be a financial instrument and do not give rise to transactions classified as a tax by ONS.

This includes the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the NHS Foundation Trust's normal purchase, sale or usage requirements and are recognised when, and to the extent which, performance occurs, i.e. when receipt or delivery of the goods or service is made.

Classification and measurement

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

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

Financial assets are predominantly classified as subsequently measured at amortised cost. The Charity however, holds some financial assets at fair value through profit and loss.

Financial liabilities classified as subsequently measured at amortised cost.

Financial assets and financial liabilities at amortised cost

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

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

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

Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets or assets measured at fair value through other comprehensive income, the NHS Foundation Trust recognises an allowance for expected credit losses.

The NHS Foundation Trust adopts the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses as at an amount equal to lifetime expected losses. For other financial assets, the loss allowance is initially measured at an amount equal to 12-month expected credit losses (stage 1) and subsequently at an amount equal to lifetime expected credit losses if the credit risk assessed for the financial asset significantly increase (stage 2).

NOTES TO THE ACCOUNTS (continued)

1.23 Financial assets and financial liabilities (continued)

The expected credit loss is arrived at by reviewing the length of time a specific debt has been outstanding. Generally the NHS Foundation Trust will recognise an impairment against a receivable if i) it is older than 90 days for non-NHS customers and ii) it is older than 180 days for NHS customers. In addition further credit losses may be recognised sooner if there is a known factor that will influence the customers ability to pay the debt due to the NHS Foundation Trust.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate.

Expected losses are charged to operating expenditure within the Statement of Comprehensive Income and reduce the net carrying value of the financial asset in the Statement of financial Position.

De-recognition

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

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

1.24 Trade payables

Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method.

1.25 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. As detailed in note 1.23 Impairment of Financial Assets, a provision for impairment of trade receivables is established when there is an expectation that the NHS Foundation Trust will not be able to collect all amounts due according to the original terms of the receivables. Future expected credit losses are determined by; significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delay in payments (more than 90 days overdue Non NHS and 180 days overdue NHS) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's gross carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Income within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Comprehensive Income.

1.26 Carbon Reduction Commitment (CRC) scheme

The CRC scheme is a mandatory cap and trade scheme for non-transport CO₂ emissions. The scheme was closed as of 31 March 2019. The NHS Foundation Trust was registered with the CRC scheme, and was therefore required to surrender to the Government an allowance for every tonne of CO₂ it emits during the financial year. Allowances acquired under the scheme were recognised as intangible assets.

The carrying amount of the liability at the financial year end will therefore reflect the CO₂ emissions that have been made during that financial year, less the allowances (if any) surrendered voluntarily during the financial year in respect of that financial year.

The liability will be measured at the amount expected to be incurred in settling the obligation. This will be the cost of the number of allowances required to settle the obligation.

NOTES TO THE ACCOUNTS (continued)

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

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. No adjustments will be made on 1 April 2021 for existing finance leases.

For leases commencing in 2021/22, the trust will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

The trust has estimated the impact of applying IFRS 16 in 2021/22 on the opening statement of financial position and the in-year impact on the statement of comprehensive income and capital additions as follows:

| | |
|---|---------------------|
| Estimated impact on 1 April 2021 statement of financial position | £000 |
| Additional right of use assets recognised for existing operating leases | 45,264 |
| Additional lease obligations recognised for existing operating leases | -43,124 |
| Changes to other statement of financial position line items | 0 |
| Estimated impact on net assets on 1 April 2021 | <u>2,140</u> |
| Estimated in-year impact in 2021/22 | |
| Additional depreciation on right of use assets | -5,677 |
| Additional finance costs on lease liabilities | -523 |
| Lease rentals no longer charged to operating expenditure | 5,771 |
| Other impacts on income / expenditure | -10 |
| Estimated impact on surplus/deficit in 2021/22 | <u>-439</u> |
| Estimated increase in capital additions in 2021/22 | <u>0</u> |

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 effect of the adoption of this standard in future years is not expected to have a material impact.

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

NOTES TO THE ACCOUNTS (continued)

2.0 Provider Sustainability Funding (PSF) receipts and control total

The NHS Foundation Trust receives contributions from the provider sustainability fund and marginal rate emergency tariff subject to the delivery of agreed operational and financial performance. These amounts are credited to income in the year in which they are earned. In the year 2019/20 the NHS Foundation Trust earned £15,253k (2018/19 £24,207k). Detail is noted below:

During 2019/20 the Group and NHS Foundation Trust earned the following PSF monies:

| | 2019/20 | 2018/19 |
|---|-----------------|-----------------|
| | £000 | £000 |
| Core award | 13,552 | 12,947 |
| Incentive bonus - over achievement of control total | 0 | 473 |
| Bonus PSF | 0 | 2,605 |
| General distribution | 0 | 8,182 |
| Marginal rate emergency tariff (MRET) funding | 547 | 0 |
| PSF - 2018/19 post accounts reallocation | 1,154 | 0 |
| Total PSF receivable | 15,253 | 24,207 |
| | 2019/20 | 2018/19 |
| | £000 | £000 |
| Reconciliation to control total | | |
| Surplus for the year (SOCI Trust) | 8,779 | 19,224 |
| Less/Add: Reversal of impairments/impairments | 3,724 | 4,446 |
| Less: PSF monies receivable | (14,099) | (24,207) |
| Less: Impact of prior year PSF post accounts reallocation | (1,154) | 0 |
| Add: Donated asset depreciation | 1,070 | 1,164 |
| Less: Donated income received for asset purchases | (210) | (500) |
| Underlying result | (1,890) | 127 |
| Plan control total (2018/19 break even) | 13,203 | 0 |
| Underlying result plus PSF funding | 12,209 | 24,334 |

NOTES TO THE ACCOUNTS (continued)

2.1 Segmental Analysis

The NHS Foundation Trust has determined that the Chief Operating Decision Maker is the Board of Directors, on the basis that all strategic decisions are made by the Board. Segmental information is not provided to the Board of Directors and therefore it has been determined that there is only one business segment, that of Healthcare.

The NHS Foundation Trust conducts the majority of its business with Health Bodies in England. Transactions with entities in Scotland, Ireland and Wales are conducted in the same manner as those within England. The NHS Foundation Trust generates its income predominantly from the provision of secondary care services.

Organisations that contributed 5% or more of the NHS Foundation Trust's operating income in either year are set out in the table below. Further information can be found in Note 27, Related Party Transactions. Operating income used in the calculation is before the impact of impairments and consolidation.

| | 2019/20 | 2018/19 |
|-----------------------------|---------|---------|
| | % | % |
| NHS England | 41 | 42 |
| NHS Newcastle Gateshead CCG | 24 | 24 |
| NHS Northumberland CCG | 6 | 6 |
| NHS North Tyneside CCG | 6 | 6 |
| Health Education England | 4 | 5 |

The following is an analysis of the financial information provided to the Board of Directors in relation to the years ended 31 March 2020 and 31 March 2019.

| | 2019/20 | 2018/19 |
|--|--------------------|--------------------|
| | £000 | £000 |
| Operating income (within EBITDA) | 1,179,188 | 1,085,887 |
| Operating expenses (within EBITDA) | (1,114,039) | (1,017,654) |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | 65,149 | 68,233 |
| Operating expenses (outside EBITDA) | (27,536) | (27,772) |
| Non-operating income | 1,125 | 1,203 |
| Non-operating expenditure | (33,681) | (26,886) |
| Surplus for the year excluding reversal of impairments | 5,057 | 14,778 |
| Net (impairments)/reversal of impairments | 3,724 | 4,446 |
| Surplus for the year after impairments | 8,781 | 19,224 |

Differences between the amounts presented to the Board in May 2020 and those included within these accounts are purely presentational. See note 2.

The figures presented to the Board of Directors do not include those of the Newcastle upon Tyne Hospitals NHS Charity.

NOTES TO THE ACCOUNTS (continued)

3. Operating income

3.1 Income from activities by nature

GROUP and NHS FOUNDATION TRUST

| | 2019/20 £000 | 2018/19 £000 |
|---|-------------------------|-----------------------|
| <u>Acute Trusts</u> | | |
| Elective income | 172,593 | 165,037 |
| Non elective income | 194,953 | 169,590 |
| First outpatient income | 74,223 | 75,318 |
| Follow up outpatient income | 52,748 | 51,021 |
| A & E income | 20,049 | 17,140 |
| High cost drugs income from commissioners | 146,289 | 132,809 |
| Other NHS clinical income * | <u>261,653</u> | <u>244,812</u> |
| | 922,508 | 855,727 |
| <u>Community Trusts</u> | | |
| Income from CCGs and NHS England | 42,727 | 35,684 |
| Income from other sources | <u>11,021</u> | <u>10,833</u> |
| | 53,748 | 46,517 |
| <u>All Services</u> | | |
| Private patient income | 3,648 | 3,759 |
| Additional pension contribution central funding | 25,774 | 0 |
| Agenda for change pay award central funding | 0 | 8,302 |
| Other clinical income ** | <u>18,081</u> | <u>12,808</u> |
| | 47,503 | 24,869 |
| | <u>1,023,759</u> | <u>927,113</u> |
| Of which: | | |
| Income from Commissioner Requested services | 1,001,687 | 908,924 |
| Income from Non-Commissioner Requested services *** | <u>22,072</u> | <u>18,189</u> |
| | <u>1,023,759</u> | <u>927,113</u> |

The NHS Foundation Trust's Terms of Authorisation set out the mandatory goods and services that the NHS Foundation Trust is required to provide. All of the income from activities shown above, excluding private patient income and other clinical income, is derived from the provision of mandatory services.

* Other NHS clinical income consists primarily of income received outside of the 'Payment by Results' payment mechanism, e.g., specialised services activity, services unbundled from tariff and income for drugs and devices.

** Other clinical income comprises non-protected clinical income and relates to the NHS Injury Compensation Scheme and overseas patients.

*** Non-Commissioner Requested services includes overseas patient income, private patient income, income from Scottish, Welsh and Irish Health bodies and NHS Injury Scheme income.

NOTES TO THE ACCOUNTS (continued)

3. Operating income (continued)**3.2 Income from activities by source****GROUP and NHS FOUNDATION TRUST**

| | 2019/20 | 2018/19 |
|---|-------------------------|-----------------------|
| | £000 | £000 |
| NHS Foundation Trusts | 4,920 | 5,291 |
| NHS Trusts | 109 | 148 |
| CCGs | 494,503 | 461,051 |
| NHS England | 485,672 | 418,383 |
| Local Authorities | 11,376 | 11,151 |
| Department of Health and Social Care | 0 | 8,361 |
| NHS Other | 5,107 | 4,539 |
| Non NHS (including non-English NHS): | | |
| - Private patients | 3,648 | 3,759 |
| - Overseas patients (chargeable to patient) | 484 | 821 |
| - Injury cost recovery scheme* | 4,578 | 4,016 |
| - Other ** | 13,362 | 9,593 |
| | <u>1,023,759</u> | <u>927,113</u> |

All income relates to continuing operations

* Injury Cost Recovery Scheme income is subject to a provision for impaired receivables to reflect expected rates of collection. The provision is based on the value of receivables not recovered in previous years which is assessed at 21.79% (2018/19 21.89%). Any movement in year is adjusted against the receivable balance in the Statement of Financial Position.

** Non-NHS other income relates primarily to healthcare activity income from Scottish, Welsh and Irish health bodies.

3.3 Income from overseas visitors

| | 2019/20 | 2018/19 |
|---|---------------------|------------|
| | £000 | £000 |
| Income recognised in the year | <u>484</u> | <u>821</u> |
| Cash payments received in-year (relating to invoices raised in the current and previous years) | <u>1,777</u> | <u>502</u> |
| Amounts added to the provision for impairment of receivables (relating to invoices raised in the current and prior years) | <u>416</u> | <u>595</u> |
| Amounts written off in-year (relating to invoices raised in the current and previous years) | <u>224</u> | <u>85</u> |

NOTES TO THE ACCOUNTS (continued)

4. Other operating income

| | GROUP | | NHS FOUNDATION TRUST | |
|---|-----------------|--------------------------------|----------------------|--------------------------------|
| | 2019/20 £000 | 2018/19 £000 ***restated | 2019/20 £000 | 2018/19 £000 ***restated |
| Other operating income recognised in accordance with IFRS 15 | | | | |
| Research and development | 40,794 | 34,332 | 40,794 | 34,332 |
| Education and training | 50,030 | 55,781 | 50,030 | 55,781 |
| Non-patient care services to other bodies * | 20,006 | 16,081 | 20,006 | 16,081 |
| Sustainability and Transformation Fund income | 15,253 | 24,207 | 15,253 | 24,207 |
| Income in respect of employee benefits accounted on a gross basis | 0 | 26 | 0 | 26 |
| Other income ** | 28,311 | 27,821 | 28,311 | 27,821 |
| Other operating income recognised in accordance with other standards | | | | |
| Cash donations for the purchase of capital assets - received from NHS charities | 0 | 0 | 120 | 385 |
| Cash donations for the purchase of capital assets - received from other bodies | 90 | 115 | 90 | 115 |
| Rental revenue from operating leases | 466 | 526 | 466 | 526 |
| Education and training - notional income from apprenticeship fund | 569 | 330 | 569 | 330 |
| Charitable fund incoming resources | 3,844 | 2,632 | 0 | 0 |
| | <u>159,363</u> | <u>161,851</u> | <u>155,639</u> | <u>159,604</u> |

* Non-patient care services to other bodies includes the hosting of Northern Medical Physics and Clinical Engineering (NMPCE) (formerly known as Regional Medical Physics Department (RMPD) Services) and Regional Drugs and Therapeutics Services.

** Other income includes Department of Health and Social Care funding for clinical excellence awards, clinical test income, property utilities income and catering and nursery income.

* Education and training - notional income from apprenticeship fund has been restated by £263k due to the previously understated benefit received by the NHS Foundation Trust.

4.1 Fees and charges

The Group and NHS Foundation Trust had no schemes which individually had a cost exceeding £1,000k in the current or preceding year.

4.2 Additional information on contract revenue (IFRS 15) recognised in the period

| | 2019/20 £000 |
|--|-----------------|
| Revenue recognised in the reporting period that was previously included in the contract liability balance (i.e. release of deferred IFRS 15 income) | <u>2,482</u> |
| Revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods (e.g. changes in transaction price) | <u>0</u> |

NOTES TO THE ACCOUNTS (continued)

4. Other operating income (continued)

4.3 Operating lease income

GROUP and NHS FOUNDATION TRUST

| | 2019/20 £000 | 2018/19 £000 |
|---|-----------------|-----------------|
| Building rental recognised in other income | <u>466</u> | <u>526</u> |
| Future minimum lease payments due | | |
| - not later than one year | 464 | 452 |
| - later than one year and not later than five years | 695 | 815 |
| - later than five years | 167 | 184 |
| | <u>1,326</u> | <u>1,451</u> |

The NHS Foundation Trust acts as lessor of certain buildings and office accommodation, principally for healthcare purposes.

NOTES TO THE ACCOUNTS (continued)

5. Operating Expenses

| 5.1 Operating expenses comprise: | GROUP | | NHS FOUNDATION TRUST | |
|--|------------------|------------------|----------------------|------------------|
| | 2019/20 £000 | 2018/19 £000 | 2019/20 £000 | 2018/19 £000 |
| | | ** restated | | ** restated |
| Purchase of healthcare from NHS and DHSC bodies | 10,995 | 8,105 | 10,995 | 8,105 |
| Purchase of healthcare from non NHS bodies | 15,069 | 9,156 | 15,069 | 9,156 |
| Employee expenses - non-executive directors | 181 | 173 | 181 | 173 |
| Employee expenses - staff and executive directors | 642,036 | 584,911 | 642,036 | 584,911 |
| Supplies and services - clinical (excluding drugs costs) | 110,088 | 114,522 | 110,088 | 114,522 |
| Supplies and services - general | 9,471 | 12,376 | 9,471 | 12,376 |
| Establishment | 7,340 | 4,684 | 7,340 | 4,684 |
| Research and development - staff costs | 21,728 | 18,339 | 21,728 | 18,339 |
| Research and development - non staff costs | 16,047 | 15,187 | 16,047 | 15,187 |
| Transport - other | 4,370 | 4,942 | 4,370 | 4,942 |
| Transport - business | 1,875 | 1,799 | 1,875 | 1,799 |
| Premises - business rates payable to Local Authorities | 6,389 | 6,353 | 6,389 | 6,353 |
| Premises - other | 41,452 | 40,554 | 41,452 | 40,554 |
| Movement in credit loss allowance: contract receivables/assets (Note 16.2) | 1,532 | (971) | 1,532 | (971) |
| Movement in credit loss allowance: all other receivables & investments (Note 16.2) | (75) | (250) | (75) | (250) |
| Provisions arising /(released) in year | 1,007 | 724 | 1,007 | 724 |
| Change in provisions - discount rate | 300 | (58) | 300 | (58) |
| Inventories written down (net, including inventory drugs) | 333 | 564 | 333 | 564 |
| Charges to operating expenditure for on-SoFP IFRIC 12 schemes on an IFRS basis - PFI schemes | 7,446 | 7,820 | 7,446 | 7,820 |
| Drugs inventories consumed | 190,726 | 166,611 | 190,726 | 166,611 |
| Rentals under operating leases - minimum lease payments (Note 5.3) | 2,286 | 2,088 | 2,286 | 2,088 |
| Amortisation on intangible assets (Note 11) | 1,235 | 971 | 1,235 | 971 |
| Depreciation on property, plant and equipment (Note 12) | 18,853 | 17,909 | 18,853 | 17,908 |
| NHS Charitable funds: Depreciation and amortisation on charitable fund assets (Note 12) | 0 | 22 | 0 | 0 |
| Net impairments of property, plant and equipment * (Note 12) | 3,724 | 4,446 | 3,724 | 4,446 |
| External audit fees - Statutory audit | 65 | 65 | 65 | 65 |
| External audit fees - Audit related assurance services | 4 | 11 | 4 | 11 |
| External audit fees - Charitable fund accounts | 12 | 11 | 0 | 0 |
| Clinical negligence - amounts payable to NHS Resolution (premium) | 20,933 | 17,273 | 20,933 | 17,273 |
| Clinical negligence - excesses payable and premiums due to alternative insurers | 284 | 0 | 284 | 0 |
| Internal audit costs not included within employee expenses | 238 | 235 | 238 | 235 |
| Legal fees | 758 | 589 | 758 | 589 |
| Consultancy costs | 1,176 | 922 | 1,176 | 922 |
| Education and training - non-staff | 2,026 | 1,355 | 2,026 | 1,355 |
| Education and training - notional expenditure funded from apprenticeship fund | 569 | 330 | 569 | 330 |
| Insurance | 528 | 609 | 528 | 609 |
| Losses ex-gratia and special payments | 0 | 0 | 0 | 0 |
| Redundancy costs - non-staff | 0 | 0 | 0 | 0 |
| NHS Charitable fund - other resources expended | 3,432 | 3,250 | 0 | 0 |
| Other | (2,837) | (1,093) | (2,837) | (1,093) |
| | 1,141,596 | 1,044,534 | 1,138,152 | 1,041,250 |

* Net impairments total £3,724k (2018/19 £4,446k credit).

** Education and training - notional expenditure funded from apprenticeship fund has been restated by £263k due to the previously understated benefit received by the NHS Foundation Trust.

NOTES TO THE ACCOUNTS (continued)

5. Operating Expenses (continued)

5.2 Auditors' remuneration

The amounts paid by the Newcastle Upon Tyne Hospitals NHS Foundation Trust for auditors' remuneration are disclosed inclusive of VAT.

'Statutory audit' remuneration excludes the charge for the limited assurance of the NHS Foundation Trust's Quality Report which is included within 'Other auditors' remuneration.'

'Audit related assurance services' of £4k (2018/19 £11k) was paid in the year for the limited assurance of the NHS Foundation Trust's Quality Report. The lower fee was as a consequence of the limited assurance work ceasing due to the impact of Covid-19 and central guidance issued by NHS Improvement.

The NHS Foundation Trust has approved the principal terms of engagement with its auditors, Mazars, covering the period of 1 October 2018 to 30 September 2021 as auditors.

NOTES TO THE ACCOUNTS (continued)

5. Operating Expenses (continued)

5.3 Arrangements containing an operating lease:

GROUP and NHS FOUNDATION TRUST

| | 2019/20 | 2018/19 |
|-----------------------|--------------|--------------|
| | £000 | £000 |
| Minimum lease rentals | <u>2,286</u> | <u>2,088</u> |

| | 2019/20 | 2019/20 | 2019/20 | 2018/19 | 2018/19 | 2018/19 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| | Buildings | Other leases | Total | Buildings | Other leases | Total |
| Future minimum lease payments due: | | | | | | |
| - not later than one year | 782 | 1,643 | 2,425 | 626 | 1,504 | 2,130 |
| - later than one year and not later than five years | 1,378 | 4,838 | 6,216 | 1,251 | 3,149 | 4,400 |
| - later than five years | 0 | 1,026 | 1,026 | 0 | 1,853 | 1,853 |
| Total | <u>2,160</u> | <u>7,507</u> | <u>9,667</u> | <u>1,877</u> | <u>6,506</u> | <u>8,383</u> |

The NHS Foundation Trust leases certain buildings and equipment under operating leases where financial assessment has provided evidence that leasing provides better value for money than outright purchase. Operating leases for buildings are predominantly for residential and office space. Significant equipment operating leases relate to managed service contracts, as detailed below:

Picture Archiving and Communication System

The NHS Foundation Trust entered into a 10 year PACS contract with Carestream during 2015/16. The contract expires on 31 January 2026.

Laboratory managed equipment services

The NHS Foundation Trust entered into a managed services contract with Roche Diagnostics Limited from 1 April 2010 for a period of 10 years for laboratory services. The provision of the equipment under this contract has been assessed as an operating lease under the requirements of IAS 17, Leases.

Print managed service contract

The NHS Foundation Trust entered into a seven year print managed service contract with Xerox on 31 August 2012. The provision of the equipment under this contract has been assessed as an operating lease under the requirements of IAS 17, Leases.

NOTES TO THE ACCOUNTS (continued)

5. Operating Expenses (continued)

5.4 Directors' remuneration and other benefits

GROUP and NHS FOUNDATION TRUST

The single total figure table, the total pension entitlement disclosures and the fair play multiple are included within the remuneration report.

| | 2019/20 | 2018/19 |
|---|---------------------|---------------------|
| | £000 | £000 |
| Executive directors' remuneration | 999 | 912 |
| Employer's contribution to pension | <u>56</u> | <u>53</u> |
| | 1,055 | 965 |
| Non-executive director's remuneration * | 181 | 173 |
| Total | <u><u>1,236</u></u> | <u><u>1,138</u></u> |

The remuneration costs disclosed above exclude employer's national insurance contributions.

**The total number of directors
accruing benefits under the NHS
Pension Scheme**

| | |
|-----------------|-----------------|
| <u><u>3</u></u> | <u><u>2</u></u> |
|-----------------|-----------------|

* Non-executive directors are not members of the NHS Pension Scheme.

Highest paid executive director

| | | |
|--------------------|-------------------|-------------------|
| Total remuneration | <u><u>282</u></u> | <u><u>245</u></u> |
|--------------------|-------------------|-------------------|

NOTES TO THE ACCOUNTS (continued)

5. Operating Expenses (continued)

5.5. Staff costs and numbers

5.5.1 Staff costs

GROUP AND NHS FOUNDATION TRUST

| | 2019/20 | 2018/19 |
|---|----------------|----------------|
| | £000 | £000 |
| Salaries and wages * | 538,018 | 507,741 |
| Social security costs | 45,030 | 42,894 |
| Apprenticeship levy | 2,370 | 2,255 |
| Pension cost - employer contributions to NHS pension schemes | 58,885 | 55,720 |
| Pension cost - employer contributions paid by NHSE on provider's behalf (6.3%) | 25,774 | 0 |
| Pension cost - Other | 178 | 105 |
| Termination benefits | 0 | 0 |
| Agency and contract staff | 3,973 | 3,710 |
| Total gross staff costs | 674,228 | 612,425 |
| Recoveries from DHSC Group bodies in respect of staff cost netted off expenditure | (3,844) | (4,949) |
| Recoveries from Other bodies in respect of staff cost netted off expenditure | (6,614) | (4,226) |
| Total staff costs | 663,770 | 603,250 |
| included within: | | |
| Costs capitalised as part of assets | 6 | 0 |
| Analysed into operating expenditure - Note 5.1 | | |
| Employee expenses - staff and executive directors | 642,036 | 584,911 |
| Research and development | 21,728 | 18,339 |
| Total employee benefits excluding capitalised costs | 663,764 | 603,250 |

* Included within salaries and wages is an amount of £38,320k (2018/19 £35,031k) relating to recharges from Northumbria NHS Foundation Trust, the host body for Junior Doctors in training.

5.5.2 Staff numbers

Staff numbers are included within the staff report section of the Annual Report.

5.5.3 Retirements due to ill-health

During 2019/20 there were 5 (2018/19 4) early retirements from the NHS Foundation Trust agreed on the grounds of ill-health.

The estimated additional pension liabilities of these ill-health retirements will be £222k (2018/19 £96k).

The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

NOTES TO THE ACCOUNTS (continued)

5. Operating Expenses (continued)

5.5.4 Reporting of other compensation packages

During 2019/20 there were no compulsory redundancies at a cost of £Nil. (2018/19 No redundancies at a cost of £Nil). There was 1 exit payment for contractual payments in lieu of notice at a cost of £32k made in the current year. (2018/19 2 exit payments following employment tribunals or court orders at a cost of £301k).

Further details can be found within the staff report section of the Annual Report.

6. Better payment practice code

6.1 Better payment practice code - measure of compliance

GROUP and NHS FOUNDATION TRUST

| | 2019/20 Number | 2019/20 Value £000 |
|--|-------------------|--------------------------|
| Total Non-NHS trade invoices paid in the year | 193,446 | 475,448 |
| Total Non NHS trade invoices paid within target | <u>176,474</u> | <u>427,352</u> |
| Percentage of Non-NHS trade invoices paid within target | 91% | 90% |
| Total NHS trade invoices paid in the year | 5,495 | 95,300 |
| Total NHS trade invoices paid within target | <u>3,965</u> | <u>83,170</u> |
| Percentage of NHS trade invoices paid within target | 72% | 87% |
| | 2018/19 Number | 2018/19 Value £000 |
| Total Non-NHS trade invoices paid in the year | 223,891 | 492,079 |
| Total Non NHS trade invoices paid within target | <u>205,496</u> | <u>442,509</u> |
| Percentage of Non-NHS trade invoices paid within target | 92% | 90% |
| Total NHS trade invoices paid in the year | 5,574 | 95,777 |
| Total NHS trade invoices paid within target | <u>4,092</u> | <u>87,024</u> |
| Percentage of NHS trade invoices paid within target | 73% | 91% |

The Better Payment Practice Code requires the NHS Foundation 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.

6.2 The Late Payment of Commercial Debts (Interest) Act 1998

GROUP and NHS FOUNDATION TRUST

| | 2019/20 £000 | 2018/19 £000 |
|--|-----------------|-----------------|
| Total liability accruing in year under this legislation as a result of late payments | <u>3,821</u> | <u>4,111</u> |
| Amounts included within interest payable arising from claims made under this legislation | <u>0</u> | <u>1</u> |
| Compensation paid to cover debt recovery costs under this legislation | <u>0</u> | <u>0</u> |

NOTES TO THE ACCOUNTS (continued)

7. Finance income

Finance income represents interest received on assets and investments in the period

| | GROUP | | NHS FOUNDATION TRUST | |
|---|-----------------|-----------------|----------------------|-----------------|
| | 2019/20 £000 | 2018/19 £000 | 2019/20 £000 | 2018/19 £000 |
| Interest on bank accounts | 913 | 698 | 913 | 698 |
| Interest on loans and receivables | 2 | 5 | 2 | 5 |
| NHS Charitable fund - investment income | 1,103 | 1,055 | 0 | 0 |
| Total finance income | 2,018 | 1,758 | 915 | 703 |

8. Finance expense - financial liabilities

Finance expenditure represents interest and other charges involved in the borrowing of money.

GROUP and NHS FOUNDATION TRUST

| | 2019/20 £000 | 2018/19 £000 |
|---|-----------------|-----------------|
| PFI - Main finance costs | 15,125 | 15,523 |
| PFI - Contingent finance costs | 10,685 | 10,009 |
| Capital loans from the Department of Health and Social Care | 11 | 99 |
| Interest on the late payment of commercial debt | 0 | 1 |
| Total interest expense | 25,821 | 25,632 |
| Unwinding of discount on provisions | 7 | 2 |
| Total finance expense | 25,828 | 25,634 |

9. PDC dividends payable

GROUP and NHS FOUNDATION TRUST

The NHS Foundation Trust is required to pay a dividend to the Department of Health and Social Care equal to 3.5% of the average of opening and closing net relevant assets for the year. As set out in the Foundation Trust Annual Reporting Manual, the calculation of the dividend excludes donated assets.

PDC dividend payable for the year is £7,163k (2018/19 £7,004k).

NOTES TO THE ACCOUNTS (continued)

10. Impairments and gains/(losses) on disposal

10.1 Impairments of assets

GROUP and NHS FOUNDATION TRUST

| | 2019/20 £000 | 2019/20 £000 | 2019/20 £000 | 2018/19 £000 | 2018/19 £000 | 2018/19 £000 |
|--|--------------------|-----------------|-----------------|--------------------|-----------------|-----------------|
| | Net impairments | Impairments | Reversals | Net impairments | Impairments | Reversals |
| Changes in market price and optimal site valuation | 3,724 | 4,217 | (493) | (707) | 44 | (751) |
| Other * | 0 | 0 | 0 | 5,153 | 5,153 | 0 |
| Total impairments (credited)/charged to operating surplus | 3,724 | 4,217 | (493) | 4,446 | 5,197 | (751) |
| Net impairments credited to the revaluation reserve | 7,853 | 8,532 | (679) | (1,128) | 148 | (1,276) |
| Total impairments | 11,577 | 12,749 | (1,172) | 3,318 | 5,345 | (2,027) |

* Other impairments are due to loss of economic benefit from buildings declared surplus following the sale of Land.

10.2 Gains/(losses) on disposal/derecognition of assets

GROUP and NHS FOUNDATION TRUST

| | GROUP | | NHS FOUNDATION TRUST | |
|--|-----------------|-----------------|----------------------|-----------------|
| | 2019/20 £000 | 2018/19 £000 | 2019/20 £000 | 2018/19 £000 |
| Gains on disposal of other property, plant and equipment | 10 | 5,503 | 10 | 5,503 |
| Gains on disposal of assets held for sale | 0 | 281 | 0 | 281 |
| Losses on disposal of other property, plant and equipment | (401) | (92) | (401) | (92) |
| Fair value gains/(losses) on charitable fund investments & investment properties | (25) | 0 | 0 | 0 |
| | (416) | 5,692 | (391) | 5,692 |

NOTES TO THE ACCOUNTS (continued)

11. Intangible Assets

| GROUP AND NHS FOUNDATION TRUST | Software licences £000 | Under development £000 | Total £000 |
|--|------------------------------|------------------------------|---------------|
| Cost at 1 April 2019 | 9,391 | 1,340 | 10,731 |
| Additions purchased | 804 | 3,237 | 4,041 |
| Reclassifications* | 11 | 0 | 11 |
| Disposals | 0 | 0 | 0 |
| Cost at 31 March 2020 | 10,206 | 4,577 | 14,783 |
| Accumulated amortisation at 1 April 2019 | 6,422 | 0 | 6,422 |
| Provided during the year | 1,235 | 0 | 1,235 |
| Disposals | 0 | 0 | 0 |
| Accumulated amortisation at 31 March 2020 | 7,657 | 0 | 7,657 |
| Net book value | | | |
| Purchased | 2,549 | 4,577 | 7,126 |
| Donated | 0 | 0 | 0 |
| Total at 31 March 2020 | 2,549 | 4,577 | 7,126 |
| Cost at 1 April 2018 | 7,766 | 1,417 | 9,183 |
| Additions purchased | 1,091 | 663 | 1,754 |
| Reclassifications | 615 | (474) | 141 |
| Disposals | (81) | (266) | (347) |
| Cost at 31 March 2019 | 9,391 | 1,340 | 10,731 |
| Accumulated amortisation at 1 April 2018 | 5,532 | 0 | 5,532 |
| Provided during the year | 971 | 0 | 971 |
| Disposals | (81) | 0 | (81) |
| Accumulated amortisation at 31 March 2019 | 6,422 | 0 | 6,422 |
| Net book value | | | |
| Purchased | 2,969 | 1,340 | 4,309 |
| Donated | 0 | 0 | 0 |
| Total at 31 March 2019 | 2,969 | 1,340 | 4,309 |

There is no difference between the Group and the NHS Foundation Trust's intangible assets.

The NHS Foundation Trust does not hold any donated or leased intangible assets (31 March 2019 £Nil) and has no intangibles funded by government grant (31 March 2019 £Nil).

Reclassifications*

Reclassifications relate to the transfer of software costs to information technology within note 12.

Revaluations

At the year end a review was carried out to determine if the fair value of intangible assets was still appropriately stated. No adjustment to fair value was deemed necessary.

NOTES TO THE ACCOUNTS (continued)

12. Property, Plant and Equipment

12.1 Property, plant and equipment at the Statement of Financial Position date comprise the following elements:

2019/20 Financial Year

GROUP

| | Land £000 | Buildings £000 | Dwellings £000 | Assets under construction £000 | Plant and Machinery £000 | Transport Equipment £000 | Information Technology £000 | Furniture & fittings £000 | Charity assets £000 | Total £000 |
|---|---------------|-------------------|-------------------|--------------------------------------|--------------------------------|--------------------------------|-----------------------------------|---------------------------------|---------------------------|-----------------|
| Cost or valuation at 1 April 2019 | 19,660 | 394,769 | 545 | 12,830 | 169,922 | 482 | 22,544 | 837 | 555 | 622,144 |
| Additions purchased | 0 | 6,022 | 0 | 32,871 | 9,136 | 0 | 802 | 0 | 0 | 48,831 |
| Additions purchased from cash donations | 0 | 0 | 0 | 0 | 197 | 0 | 13 | 0 | 0 | 210 |
| Reclassifications | 0 | 4,050 | 0 | (9,871) | 4,899 | 0 | 911 | 0 | 0 | (11) |
| Impairments charged to operating expenses | 0 | (4,217) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (4,217) |
| Impairments charged to the revaluation reserve | 0 | (8,532) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (8,532) |
| Reversal of impairments credited to the revaluation reserve | 169 | 480 | 30 | 0 | 0 | 0 | 0 | 0 | 0 | 679 |
| Depreciation eliminated on revaluation | 0 | (7,390) | (16) | 0 | 0 | 0 | 0 | 0 | 0 | (7,406) |
| Reversal of impairments credited to operating expenses | 0 | 493 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 493 |
| Transfer to assets held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | (10,497) | 0 | (191) | 0 | (555) | (11,243) |
| Cost or valuation at 31 March 2020 | 19,829 | 385,675 | 559 | 35,830 | 173,657 | 482 | 24,079 | 837 | 0 | 640,948 |

NOTES TO THE ACCOUNTS (continued)

12. Property, Plant and Equipment (continued)

12.1 Property, plant and equipment at the Statement of Financial Position date comprise the following elements (continued)

2019/20 Financial Year

GROUP

| | Land | Buildings | Dwellings | Assets under construction | Plant and Machinery | Transport Equipment | Information Technology | Furniture & fittings | Charity assets | Total |
|---|---------------|----------------|------------|---------------------------------|------------------------|------------------------|---------------------------|-------------------------|-------------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Accumulated Depreciation at 1 April 2019 | 0 | 43 | 0 | 0 | 112,713 | 423 | 18,633 | 823 | 67 | 132,702 |
| Provided during the year | 0 | 7,501 | 16 | 0 | 9,980 | 16 | 1,333 | 7 | 0 | 18,853 |
| Depreciation eliminated on revaluation | 0 | (7,390) | (16) | 0 | 0 | 0 | 0 | 0 | 0 | (7,406) |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | (10,071) | 0 | (191) | 0 | (67) | (10,329) |
| Accumulated Depreciation at 31 March 2020 | 0 | 154 | 0 | 0 | 112,622 | 439 | 19,775 | 830 | 0 | 133,820 |
| Net book value | | | | | | | | | | |
| As at 31 March 2020 | 19,829 | 385,521 | 559 | 35,830 | 61,035 | 43 | 4,304 | 7 | 0 | 507,128 |
| Net book value | | | | | | | | | | |
| As at 31 March 2019 | 19,660 | 394,726 | 545 | 12,830 | 57,209 | 59 | 3,911 | 14 | 488 | 489,442 |
| Financing of property, plant and equipment | | | | | | | | | | |
| Owned | 19,829 | 200,862 | 559 | 35,830 | 57,501 | 43 | 4,237 | 7 | 0 | 318,868 |
| PFI | 0 | 176,034 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 176,034 |
| Government granted | 0 | 274 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 276 |
| Donated | 0 | 8,351 | 0 | 0 | 3,532 | 0 | 67 | 0 | 0 | 11,950 |
| Total at 31 March 2020 | 19,829 | 385,521 | 559 | 35,830 | 61,035 | 43 | 4,304 | 7 | 0 | 507,128 |

NOTES TO THE ACCOUNTS (continued)

12. Property, Plant and Equipment (continued)

12.1 Property, plant and equipment at the Statement of Financial Position date comprise the following elements (continued)

2019/20 Financial Year

Reclassifications

The reclassifications relate to transfers from assets under construction to other asset categories once the projects to which they relate to have been completed.

Impairments and revaluations

During 2019/20 the following took place which resulted in movements to the statement of comprehensive income, the revaluation reserve and the income and expenditure reserve.

A desktop update of the NHS Foundation Trust's estate was carried out as at 31 March 2020 by a qualified valuer within the Valuation Office Agency. The resulting valuation was based on both national and regional Building Cost Indices. The district valuer was instructed, as in the prior year, to prepare the valuation on a single site basis. This recognises any efficiencies that could be obtained if the NHS Foundation Trust's buildings were to be rebuilt maintaining the current level of service provision on a single site. In addition the district valuer was instructed to prepare the valuation excluding VAT from the value of buildings acquired via PFI procurement methods and NHS Foundation Trust direct purchases. The valuation resulted in the following income and reserve movements:

Statement of Comprehensive Income

i) a £4,217k (2018/19 £7,948k) charge to operating expenditure relating to impairments in year.

ii) a £493k (2018/19 £10,690k) credit to operating expenditure reversing prior year impairments.

Revaluation reserve

i) an £8,532k (2018/19 £3,377k) charge to the revaluation reserve for impairments in year.

ii) a £679k (2018/19 £10,720k) credit to the revaluation reserve relating to an increase in asset values.

Depreciation

Depreciation eliminated on revaluation amounted to £7,406k (2018/19 £7,896k).

The dwelling held by the Charitable Trust was disposed of in the financial year. During 2018/19 the dwelling held by the Charitable Trust was not included within the NHS Foundation Trust's year end valuation exercise. This dwelling was valued under a separate exercise by Sanderson Weatherall, Chartered Surveyors every five years.

Donated assets

None of the assets donated during the financial year have had restrictions in use imposed upon them by the donor.

There is no difference between the cash donated and the fair value of the assets acquired.

NOTES TO THE ACCOUNTS (continued)

12. Property, Plant and Equipment (*continued*)

12.1 Property, plant and equipment at the Statement of Financial Position date comprise the following elements (*continued*)

2019/20 Financial Year

NHS FOUNDATION TRUST

The only differences between the Group property, plant and equipment and the NHS Foundation Trust property, plant and equipment is in the treatment of donated assets.

For the NHS Foundation Trust this would result in a movement of £120k (2018/19 £385k) between additions purchased and additions donated in the financial year. As a result the NHS Foundation Trust's property, plant and equipment note has not been included within the accounts.

NOTES TO THE ACCOUNTS (continued)

12. Property, Plant and Equipment (continued)

12.1 Property, plant and equipment at the Statement of Financial Position date comprise the following elements (continued)

2018/19 Financial Year

GROUP

| | Land £000 | Buildings £000 | Dwellings £000 | Assets under construction £000 | Plant and Machinery £000 | Transport Equipment £000 | Information Technology £000 | Furniture & fittings £000 | Charity assets £000 | Total £000 |
|--|---------------|-------------------|-------------------|--------------------------------------|--------------------------------|--------------------------------|-----------------------------------|---------------------------------|---------------------------|-----------------|
| Cost or valuation at 1 April 2018 | 28,063 | 394,946 | 700 | 9,315 | 162,839 | 316 | 19,947 | 826 | 555 | 617,507 |
| Additions purchased | 0 | 9,867 | 0 | 12,080 | 7,823 | 0 | 2,804 | 0 | 0 | 32,574 |
| Additions leased | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions purchased from cash donations | 0 | 0 | 0 | 0 | 484 | 0 | 16 | 0 | 0 | 500 |
| Reclassifications | 0 | 1,221 | 0 | (8,565) | 6,817 | 166 | 209 | 11 | 0 | (141) |
| Impairments charged to operating expenses | 0 | (5,197) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (5,197) |
| Impairments charged to the revaluation reserve | (115) | (33) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (148) |
| Reversal of impairments credited to the revaluation reserve | 0 | 1,260 | 16 | 0 | 0 | 0 | 0 | 0 | 0 | 1,276 |
| Depreciation eliminated on revaluation | 0 | (7,386) | (16) | 0 | 0 | 0 | 0 | 0 | 0 | (7,402) |
| Transfers to /from asset held for sale | (5,000) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (5,000) |
| Reversal of impairments credited to operating expenses | 0 | 751 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 751 |
| Disposals | (3,288) | (660) | (155) | 0 | (8,041) | 0 | (432) | 0 | 0 | (12,576) |
| Cost or valuation at 31 March 2019 | 19,660 | 394,769 | 545 | 12,830 | 169,922 | 482 | 22,544 | 837 | 555 | 622,144 |

NOTES TO THE ACCOUNTS (continued)

12. Property, Plant and Equipment (continued)

12.1 Property, plant and equipment at the Statement of Financial Position date comprise the following elements (continued)

2018/19 Financial Year

GROUP

| | Land £000 | Buildings £000 | Dwellings £000 | Assets under construction £000 | Plant and Machinery £000 | Transport Equipment £000 | Information Technology £000 | Furniture & fittings £000 | Charity assets £000 | Total £000 |
|---|---------------|-------------------|-------------------|--------------------------------------|--------------------------------|--------------------------------|-----------------------------------|---------------------------------|---------------------------|----------------|
| Accumulated Depreciation at 1 April 2018 | 0 | 0 | 0 | 0 | 111,670 | 237 | 17,812 | 800 | 44 | 130,563 |
| Provided during the year | 0 | 7,439 | 17 | 0 | 8,990 | 20 | 1,419 | 23 | 23 | 17,931 |
| Depreciation eliminated on revaluation | 0 | (7,386) | (16) | 0 | 0 | 0 | 0 | 0 | 0 | (7,402) |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 166 | (166) | 0 | 0 | 0 |
| Disposals | 0 | (10) | (1) | 0 | (7,947) | 0 | (432) | 0 | 0 | (8,390) |
| Accumulated Depreciation at 31 March 2019 | 0 | 43 | 0 | 0 | 112,713 | 423 | 18,633 | 823 | 67 | 132,702 |
| Net book value as at 31 March 2019 | 19,660 | 394,726 | 545 | 12,830 | 57,209 | 59 | 3,911 | 14 | 488 | 489,442 |
| Net book value as at 31 March 2018 | 28,063 | 394,946 | 700 | 9,315 | 51,169 | 79 | 2,135 | 26 | 511 | 486,944 |
| Financing of property, plant and equipment | | | | | | | | | | |
| Owned | 19,660 | 204,443 | 545 | 12,830 | 52,954 | 59 | 3,798 | 14 | 488 | 294,791 |
| PFI | 0 | 181,348 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 181,348 |
| Government granted | 0 | 303 | 0 | 0 | 12 | 0 | 0 | 0 | 0 | 315 |
| Donated | 0 | 8,632 | 0 | 0 | 4,243 | 0 | 113 | 0 | 0 | 12,988 |
| Total at 31 March 2019 | 19,660 | 394,726 | 545 | 12,830 | 57,209 | 59 | 3,911 | 14 | 488 | 489,442 |

NOTES TO THE ACCOUNTS (continued)

12. Property, Plant and Equipment (continued)

12.2 Assets held at open market value

Of the closing balances at 31 March 2020 £6,621k (2018/19 £6,452k) related to land valued at open market value.

12.3 Analysis of assets held under PFI contracts

| PFI assets | £000 |
|--|------------------------------|
| Valuation at 1 April 2019 | 181,390 |
| Additions | 1,415 |
| Revaluation - including depreciation eliminated | <u>(6,618)</u> |
| Valuation at 31 March 2020 | <u>176,187</u> |
| Accumulated Depreciation at 1 April 2019 | 42 |
| Provided during the year | 3,377 |
| Depreciation eliminated on revaluation | <u>(3,266)</u> |
| Accumulated Depreciation at 31 March 2020 | <u>153</u> |
| Net book value at 31 March 2020 | <u><u>176,034</u></u> |
| Valuation at 1 April 2018 | 183,292 |
| Additions | 1,381 |
| Revaluation - including depreciation eliminated* | <u>(3,283)</u> |
| Valuation at 31 March 2019 | <u>181,390</u> |
| Accumulated Depreciation at 1 April 2018 | 0 |
| Provided during the year | 3,446 |
| Depreciation eliminated on revaluation | <u>(3,404)</u> |
| Accumulated Depreciation at 31 March 2019 | <u>42</u> |
| Net book value at 31 March 2019 | <u><u>181,348</u></u> |

The PFI arrangements relate to the Transforming Newcastle Hospitals scheme and the Boiler Houses at the RVI and Freeman sites. See Note 21 for further information.

The PFI assets detailed above are included within the column headed 'Buildings excluding dwellings' in Note 12.1.

VAT is excluded from the valuation of the Trust's PFI buildings in both the current and prior year.

NOTES TO THE ACCOUNTS (continued)

13. Investments in Subsidiaries and Joint Ventures

GROUP AND NHS FOUNDATION TRUST

| | 2019/20 £000 | 2018/19 £000 |
|---|-----------------|-----------------|
| Cost and NBV at 1 April and 31 March | 0 | 0 |

The investments relate to the shareholdings detailed below. The investments in companies which would qualify as subsidiaries have not been consolidated into the group accounts on the basis of immateriality. The results of the Newcastle upon Tyne Hospitals NHS Charity are consolidated.

The investments in subsidiaries and joint ventures are not supported by the underlying net assets of these companies and therefore the investments are impaired to £Nil (2018/19 £Nil).

Pulse Diagnostics Limited

The NHS Foundation Trust holds 89% (2018/19 89%) of the total share capital of Pulse Diagnostics Limited (86% of the ordinary share capital and 93% of the preference share capital). The company is incorporated in the UK for the purpose of developing a method of measuring and analysing pulse wave data for application in early detection of Peripheral Vascular Disease. The NHS Foundation Trust's investment at cost of £113k (2018/19 £113k) has previously been impaired. The company has not yet commenced trading.

Newgene Limited

The NHS Foundation Trust owns 55% of the £100 ordinary share capital of Newgene Limited, a company incorporated in the UK for the purpose of providing DNA diagnostics and rapid DNA sequencing services. The company was closed in July 2019 and is not currently trading. During the year the company made a loan repayment to the NHS Foundation Trust of £75k. There is no longer any outstanding loan balance owed at 31 March 2020 (2018/19 £75k). The services which were previously provided by Newgene moved into the NHS Foundation Trust during 2019/20.

NOTES TO THE ACCOUNTS (continued)

13. Investments in Subsidiaries and Joint Ventures (continued)

The NHS Foundation Trust also has a shareholding in the following dormant company

Newcastle Healthcare Property Company Limited

The NHS Foundation Trust owns 100% of the £1 ordinary share capital of Newcastle Healthcare Property Company Limited, a company incorporated in the UK for general commercial activities. The company has not yet commenced trading.

The NHS Foundation Trust acts as Corporate Trustee for the Newcastle upon Tyne Hospitals NHS Charity the results of which are consolidated into the Group accounts.

NOTES TO THE ACCOUNTS (continued)

14. Other investments

GROUP

| | 2019/20 £000 | 2018/19 £000 |
|--|-----------------|-----------------|
| Carrying value at 1 April | 32,076 | 25,036 |
| Additions | 0 | 5,000 |
| Fair value gains / (losses) taken to income and expenditure. | (25) | 0 |
| Fair value movement taken to Other Comprehensive Income | (2,040) | 2,040 |
| Fair value at 31 March | <u>30,011</u> | <u>32,076</u> |

*The fair value movement in 2019/20 has been taken to income and expenditure (fair value through income and expenditure), but also includes a reversal in 2019/20 of the movement taken to Other Comprehensive Income (fair value through Other Comprehensive Income) during 2018/19 incorrectly.

The 'other investments' are held within the Newcastle upon Tyne Hospitals NHS Charity. The NHS Foundation Trust does not hold any 'other investments'.

The Investments are held in a (i) Charities Ethical Investment Fund* and a (ii) Growth & Income Fund for Charities ** and are administered on behalf of the Newcastle upon Tyne Hospitals NHS Charity by CCLA Investment Management Ltd* and Newton Investment Management**. The investments include equities, property and cash. The equities comprise shareholdings in public companies with stock market quotations, however the portfolio manager refrains from direct investment in companies that derive a substantial amount of their profit from investment in tobacco.

NOTES TO THE ACCOUNTS (continued)

15. Inventories

| GROUP | 2019/20 | 2019/20 | 2019/20 | 2019/20 |
|--|---------------|--------------|---------------|----------------------------|
| | £000 | £000 | £000 | £000 |
| | Total | Drugs | Consumables | Charitable funds inventory |
| As at 1 April | 17,242 | 7,373 | 9,843 | 26 |
| Additions | 303,459 | 191,478 | 111,981 | 0 |
| Inventories recognised in expenses | (302,073) | (190,337) | (111,736) | 0 |
| Write down of inventories | (333) | (333) | 0 | 0 |
| Movement in Charitable funds inventories | (1) | 0 | 0 | (1) |
| As at 31 March | 18,294 | 8,181 | 10,088 | 25 |

| | 2018/19 | 2018/19 | 2018/19 | 2018/19 |
|--|---------------|--------------|--------------|----------------------------|
| | £000 | £000 | £000 | £000 |
| | Total | Drugs | Consumables | Charitable funds inventory |
| As at 1 April | 14,756 | 6,444 | 8,288 | 24 |
| Additions | 284,906 | 166,727 | 118,179 | 0 |
| Inventories recognised in expenses | (281,858) | (165,560) | (116,298) | 0 |
| Write down of inventories | (564) | (238) | (326) | 0 |
| Movement in Charitable funds inventories | 2 | 0 | 0 | 2 |
| As at 31 March | 17,242 | 7,373 | 9,843 | 26 |

NHS FOUNDATION TRUST

| | 2019/20 | 2019/20 | 2019/20 |
|------------------------------------|---------------|--------------|---------------|
| | £000 | £000 | £000 |
| | Total | Drugs | Consumables |
| As at 1 April | 17,216 | 7,373 | 9,843 |
| Additions | 303,459 | 191,478 | 111,981 |
| Inventories recognised in expenses | (302,073) | (190,337) | (111,736) |
| Write down of inventories | (333) | (333) | 0 |
| As at 31 March | 18,269 | 8,181 | 10,088 |

| | 2018/19 | 2018/19 | 2018/19 |
|------------------------------------|---------------|--------------|--------------|
| | £000 | £000 | £000 |
| | Total | Drugs | Consumables |
| As at 1 April | 14,732 | 6,444 | 8,288 |
| Additions | 284,906 | 166,727 | 118,179 |
| Inventories recognised in expenses | (281,858) | (165,560) | (116,298) |
| Write down of inventories | (564) | (238) | (326) |
| As at 31 March | 17,216 | 7,373 | 9,843 |

All stock is held at the lower of cost and net realisable value.

NOTES TO THE ACCOUNTS (continued)

16. Receivables

16.1 Receivables

| | GROUP | | NHS FOUNDATION TRUST | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2020 £000 | 31 March 2019 £000 | 31 March 2020 £000 | 31 March 2019 £000 |
| Current | | | | |
| Contract receivables invoiced | 39,344 | 37,435 | 39,344 | 37,435 |
| Contract receivables not yet invoiced | 39,730 | 44,470 | 40,020 | 45,033 |
| Contract assets | 8,468 | 8,271 | 8,468 | 8,271 |
| Allowance for impaired contract receivables / assets | (5,501) | (5,770) | (5,501) | (5,770) |
| PFI prepayment (lifecycle replacement) | 1,801 | 1,415 | 1,801 | 1,415 |
| Other prepayments | 4,375 | 5,743 | 4,375 | 5,743 |
| PDC dividend receivable | 1,399 | 342 | 1,399 | 342 |
| VAT receivable | 2,744 | 2,025 | 2,744 | 2,025 |
| Clinician pension tax provision reimbursement funding from NHSE | 27 | 0 | 27 | 0 |
| Interest receivable | 16 | 40 | 16 | 40 |
| Other receivables | 294 | 138 | 294 | 138 |
| NHS Charitable funds: Receivables | 419 | 426 | 0 | 0 |
| Total current receivables | 93,116 | 94,535 | 92,987 | 94,672 |
| Non-current | | | | |
| PFI prepayment (lifecycle replacement) | 13,992 | 13,225 | 13,992 | 13,225 |
| Other prepayments | 347 | 515 | 347 | 515 |
| Other receivables - revenue | 0 | 75 | 0 | 75 |
| Allowance for impaired other receivables | 0 | (75) | 0 | (75) |
| Clinician pension tax provision reimbursement funding from NHSE | 227 | 0 | 227 | 0 |
| Total non - current receivables | 14,566 | 13,740 | 14,566 | 13,740 |
| Total receivables | 107,682 | 108,275 | 107,553 | 108,412 |
| Of which: | | | | |
| NHS and DHSC group bodies | 55,235 | 54,261 | 55,235 | 54,261 |
| Non NHS and DHSC group bodies | 52,447 | 54,014 | 52,318 | 54,151 |
| | 107,682 | 108,275 | 107,553 | 108,412 |

NOTES TO THE ACCOUNTS (continued)

16. Receivables (continued)

16.2 Allowances for credit losses (doubtful debts)

GROUP and NHS FOUNDATION TRUST

| | 2019/20 £000 | 2019/20 £000 | 2019/20 £000 | 2018/19 £000 |
|-------------------------------------|-----------------|---|--------------------------|-----------------|
| | Total | Contract receivables and contract assets | All other receivables | Total |
| At 1 April | 5,845 | 5,770 | 75 | 8,519 |
| New allowances arising | 4,369 | 4,369 | 0 | 4,341 |
| Reversals of allowances | (2,912) | (2,837) | (75) | (5,562) |
| Utilisation of allowances | (1,801) | (1,801) | 0 | (1,453) |
| At 31 March | 5,501 | 5,501 | 0 | 5,845 |
| Loss/gain recognised in expenditure | 1,457 | 1,532 | (75) | (1,221) |

Included within the above is a provision of £1,731k (2018/19 £1,542k) relating to the NHS Injury Cost Recovery Scheme. The Compensation Recovery Unit have advised that the probability of not receiving income is 21.79% (2018/19 21.89%).

16.3 Receivables past due but not impaired

| | 2019/20 £000 |
|-----------------------|-----------------|
| 31 to 90 days | 11,136 |
| 91 to 180 days | 4,382 |
| By more than 180 days | 6,858 |
| Total | 22,376 |

NOTES TO THE ACCOUNTS (continued)

17. Non current assets held for sale

The Group does not hold any "non current assets held for sale" as at 31 March 2020.

18. Cash and cash equivalents

| | GROUP | | NHS FOUNDATION TRUST | |
|---|-----------------|-----------------|----------------------|-----------------|
| | 2019/20 £000 | 2018/19 £000 | 2019/20 £000 | 2018/19 £000 |
| Balance at 1 April | 103,135 | 98,891 | 94,724 | 85,667 |
| Net change in year | 32,202 | 4,244 | 30,598 | 9,057 |
| Balance at 31 March | 135,337 | 103,135 | 125,322 | 94,724 |
| Made up of: | | | | |
| Cash at commercial banks and in hand | 10,123 | 11,421 | 108 | 3,010 |
| Government Banking Service | 125,214 | 91,714 | 125,214 | 91,714 |
| Deposits with the National Loans Fund | 0 | 0 | 0 | 0 |
| Cash and cash equivalents as per the Statement of Financial Position | 135,337 | 103,135 | 125,322 | 94,724 |

There is no difference between cash and cash equivalents as detailed above and cash and cash equivalents in the Statement of Cash Flows.

NOTES TO THE ACCOUNTS (continued)

19. Trade and other payables

| | GROUP | | NHS FOUNDATION TRUST | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2020 £000 | 31 March 2019 £000 | 31 March 2020 £000 | 31 March 2019 £000 |
| Current | | | | |
| Receipts in advance | 0 | 19,928 | 0 | 19,928 |
| Other taxes payable | 12,173 | 6 | 12,173 | 6 |
| Accruals | 69,064 | 45,016 | 69,064 | 45,016 |
| Capital payables | 10,083 | 2,205 | 10,083 | 2,205 |
| Trade payables | 17,551 | 18,143 | 17,551 | 18,143 |
| Other payables | 23,726 | 20,412 | 23,726 | 20,412 |
| NHS Charitable funds: | | | | |
| Trade and other payables | 6 | 8 | 0 | 0 |
| Total trade and other payables | 132,603 | 105,718 | 132,597 | 105,710 |
| Of which payable to NHS and DHSC group bodies - current | 6,915 | 2,845 | 6,915 | 2,845 |

The Group and NHS Foundation Trust have no non-current trade and other payables.

20. Other liabilities

GROUP and NHS FOUNDATION TRUST

| | 31 March 2020 £000 | 31 March 2019 £000 |
|--------------------------------|--------------------------|--------------------------|
| Current | | |
| Deferred income | 36,602 | 9,195 |
| Total other liabilities | 36,602 | 9,195 |

The NHS Foundation Trust has now categorised some balances that were previously categorised as Receipts in advance in 2018/19 as Deferred income in 2019/20.

NOTES TO THE ACCOUNTS (continued)

21. Borrowings

21.1 Total Borrowings

GROUP and NHS FOUNDATION TRUST

| | 31 March 2020 £000 | 31 March 2019 £000 |
|----------------------------------|-----------------------------------|--------------------------|
| Current | | |
| Capital loans from DHSC | 0 | 1,765 |
| Obligations under PFI agreements | 5,387 | 5,182 |
| Total current borrowings | <u>5,387</u> | <u>6,947</u> |
| Non-current | | |
| Obligations under PFI agreements | 223,247 | 228,907 |
| Total non-current borrowings | <u>223,247</u> | <u>228,907</u> |
| Total borrowings | <u>228,634</u> | <u>235,854</u> |

21.2 Loans

GROUP and NHS FOUNDATION TRUST

| | 31 March 2020 £000 | 31 March 2019 £000 |
|--------------------|-----------------------------------|--------------------------|
| Current | 0 | 1,765 |
| Total loans | <u>0</u> | <u>1,765</u> |

During 2009/10 the NHS Foundation Trust entered into a £28,000k loan agreement with the Department of Health and Social Care. The loan bore interest at a fixed rate of 2.92%. Repayments commenced in December 2011 and were payable in 16 equal six monthly instalments. The final repayment was made in June 2019.

NOTES TO THE ACCOUNTS (continued)

21. Borrowings (continued)

21.3 Reconciliation of liabilities arising from financing activities - 2019/20

GROUP and NHS FOUNDATION TRUST

| | 31 March 2020 £000 | 31 March 2020 £000 | 31 March 2020 £000 |
|--|--------------------------|--------------------------|--------------------------|
| | DHSC loans | PFI obligations | Total |
| Carrying value at 31 March 2019 brought forward | 1,765 | 234,089 | 235,854 |
| Cash movements | | | |
| Financing cash flows - principal | (1,750) | (5,454) | (7,204) |
| Financing cash flows - interest (for liabilities measured at amortised cost) | (26) | (15,126) | (15,152) |
| Non-cash movements | | | |
| Application of effective interest rate (interest charge arising in year) | 11 | 15,125 | 15,136 |
| Carrying value at 31 March 2020 | <u><u>0</u></u> | <u><u>228,634</u></u> | <u><u>228,634</u></u> |

NOTES TO THE ACCOUNTS (continued)

21. Borrowings (continued)

21.4 Obligations under PFI arrangements

GROUP and NHS FOUNDATION TRUST

| | 31 March 2020 £000 | 31 March 2019 £000 |
|---|-----------------------------------|--------------------------|
| Gross liabilities which are due: | | |
| Not later than one year | 20,075 | 20,317 |
| Later than one year and not later than five years | 79,220 | 81,277 |
| Later than five years | 335,247 | 353,637 |
| Total gross liabilities | 434,542 | 455,231 |
| Finance charges allocated to future periods | (205,908) | (221,142) |
| Net obligations | 228,634 | 234,089 |
| Net PFI obligations which are due: | | |
| Not later than one year | 5,387 | 5,182 |
| Later than one year and not later than five years | 24,891 | 25,106 |
| Later than five years | 198,356 | 203,801 |
| | 228,634 | 234,089 |

21.5 PFI schemes

The NHS Foundation Trust has three PFI schemes which are included within the Statement of Financial Position.

The NHS Foundation Trust has determined that in accordance with the relevant accounting standards, it should recognise an asset of the relevant buildings as an item of property, plant and equipment and a corresponding finance lease liability. This then requires the NHS Foundation Trust to apportion the Unitary Payment for accounting purposes only into the following components: (a) a finance lease rental/asset financing component, (b) a services component and (c) a component in respect of funding for the replacement of parts of the asset over the life of the contract (lifecycle replacement).

NOTES TO THE ACCOUNTS (continued)

21. Borrowings (continued)

21.5 PFI schemes (continued)

Transforming Newcastle Hospitals (TNH) PFI scheme:

| | |
|------------------------------------|-----------|
| Capitalised value to 31 March 2020 | £281,635k |
| Contract Start date | May 2005 |
| Contract End date | May 2043 |

The Transforming Newcastle Hospitals PFI scheme, for a major service configuration at the Freeman Hospital and Royal Victoria Infirmary, reached financial close on 27 April 2005. After a negotiated settlement the final phase of the scheme, Phase 9, was handed over to the NHS Foundation Trust during 2016/17.

The initial Unitary Payment became payable from April 2005, when the scheme became partly operational (Freeman Multi-Storey Car Park). Construction of the Freeman Multi-Storey Car Park commenced prior to contract completion and was subsequently incorporated into the scheme. The District Valuer has prepared a Modern Equivalent Asset valuation for the separate elements of the scheme and this value was used when capitalising the assets.

The NHS Foundation Trust pays the operator a monthly Unitary Payment covering the provision of the assets and services. These cash flows can vary due to the following factors:

- a) The Unitary payment is adjusted each year for the effects of price changes by applying changes in the RPI to the whole Unitary Payment.
- b) The contract provides for the NHS Foundation Trust to deduct amounts from the Unitary Payment to the extent that any part of the buildings are unavailable for use, or if services are not provided to the standards set out in the contract.

The operator is responsible for ensuring the buildings remain in the required condition over the life of the contract, undertaking property maintenance and replacement of components of assets when required. The contract does not include the provision of any 'soft' facilities management provision, e.g. security, cleaning or portering.

At the completion of the PFI contract the buildings will revert to the NHS Foundation Trust at no additional cost. There is no option in the contract for its extension.

NOTES TO THE ACCOUNTS (continued)

21. Borrowings (continued)

21.5 PFI schemes (continued)

RVI Boiler House PFI scheme:

| | |
|---------------------|--------------|
| Capitalised value | £5,704k |
| Contract Start date | October 2002 |
| Contract End date | June 2023 |

The RVI Boiler House PFI scheme is for the provision of energy through the RVI Boiler House. The scheme commenced on 22 December 2000, with the NHS Foundation Trust paying the PFI contractor to run the transferred plant.

The Unitary Payment became payable from October 2002 when the PFI scheme became fully operational.

Freeman Boiler House PFI scheme:

| | |
|---------------------|---------------|
| Capitalised value | £5,428k |
| Contract Start date | December 1997 |
| Contract End date | June 2027 |

The Freeman Boiler House PFI scheme covers two stages, both for the upgrade of facilities and the provision of energy through the Freeman Boiler House. The first stage became operational on 1 December 1997 and the second on 1 January 2008.

21.6 Analysis of amounts payable to service concession operators

| | 31 March 2020 £000 | 31 March 2019 £000 |
|---|-----------------------------------|--------------------------|
| Unitary payment payable to service concession operators | <u>41,279</u> | <u>41,040</u> |
| Consisting of: | | |
| Service element | 7,446 | 7,820 |
| Repayment of finance lease liability | 5,454 | 5,182 |
| Interest charge | 15,125 | 15,523 |
| Contingent rent | 10,685 | 10,009 |
| Capital lifecycle costs- including prepayment element | <u>2,569</u> | <u>2,506</u> |
| Total amount paid to service concession operators | <u>41,279</u> | <u>41,040</u> |

The NHS Foundation Trust made no additional payments to the PFI operator during the current or prior year and recognised no PFI support income within the Statement of Comprehensive Income in the current or prior year.

NOTES TO THE ACCOUNTS (continued)

21. Borrowings (continued)

21.7 Total PFI arrangements - commitments

Maturity analysis of unitary payments

The NHS Foundation Trust is committed to make the following Unitary Payments over the remaining period of the PFI schemes:

| | 31 March 2020 £000 | 31 March 2019 £000 |
|---|-----------------------------------|--------------------------|
| Total future payments committed | <u>1,200,521</u> | <u>1,239,565</u> |
| Of which payments due: | | |
| Not later than one year | 43,053 | 41,878 |
| Later than one year and not later than five years | 176,291 | 175,596 |
| Later than five years | <u>981,177</u> | <u>1,022,091</u> |
| | <u><u>1,200,521</u></u> | <u><u>1,239,565</u></u> |

The amounts shown in the category 'Not later than one year' include an actual inflation rate charge of 2.5% (2018/19 2.5%). Other amounts are shown inclusive of an anticipated annual inflation rate of 2.5% as per the contract. The actual inflation rate incorporated into the Unitary Payment is based on the Retail Price Index (RPI) issued in the February preceding the financial year, therefore the figures above will vary depending on the actual rate issued.

NOTES TO THE ACCOUNTS (continued)

21. Borrowings (continued)

21.8 Asset financing component of PFI schemes

| | Gross payments | | Present value of payments | |
|---|--------------------------|--------------------------|---------------------------|--------------------------|
| | 31 March 2020 £000 | 31 March 2019 £000 | 31 March 2020 £000 | 31 March 2019 £000 |
| Not later than one year | 20,075 | 20,317 | 5,387 | 5,182 |
| Later than one year and not later than five years | 79,220 | 81,277 | 24,891 | 25,106 |
| Later than five years | 335,247 | 353,637 | 198,356 | 203,801 |
| Sub-total | <u>434,542</u> | <u>455,231</u> | <u>228,634</u> | <u>234,089</u> |
| Less: finance cost attributable to future periods | (205,908) | (221,142) | | |
| Total | <u>228,634</u> | <u>234,089</u> | | |

The RPI indexation increase which would be applied to the lease element of the unitary payment is not included in payments detailed above. Instead, and in accordance with IAS17, the RPI indexation amount is treated as contingent rent when paid and, because in substance it is part of the cost of financing, it is treated and disclosed as a finance cost.

During 2019/20 £10,685k (2018/19 £10,009K) was expensed as a contingent finance cost.

21.9 Services component of PFI schemes

| | Gross payments | |
|---|--------------------------|--------------------------|
| | 31 March 2020 £000 | 31 March 2019 £000 |
| Not later than one year | 8,350 | 8,088 |
| Later than one year and not later than five years | 31,654 | 31,185 |
| Later than five years | 128,510 | 132,560 |
| | <u>168,514</u> | <u>171,833</u> |

The services component excludes the impact of inflation in future years.

The amount charged to operating expenses during the year in respect of services was £7,446k (2018/19 £7,820k).

The actual amounts paid vary to forecast due to inflation, contract variations and credits received for service failures.

NOTES TO THE ACCOUNTS (continued)

21. Borrowings (continued)

21.10 Lifecycle replacement component of PFI schemes

| | Gross payments | |
|---|--------------------------|--------------------------|
| | 31 March 2020 £000 | 31 March 2019 £000 |
| Not later than one year | 2,638 | 2,569 |
| Later than one year and not later than five years | 10,554 | 10,276 |
| Later than five years | 47,486 | 48,806 |
| | <u>60,677</u> | <u>61,651</u> |

The lifecycle component excludes the impact of inflation in future years.

NOTES TO THE ACCOUNTS (continued)

22. Provisions

GROUP and NHS FOUNDATION TRUST

| | 31 March 2020 £000 | 31 March 2019 £000 |
|-------------------------------------|--------------------------|--------------------------|
| Pensions - Injury benefits | 2,614 | 2,365 |
| Legal claims - other | 643 | 664 |
| Clinician pension tax reimbursement | 254 | 0 |
| Other | 1,689 | 929 |
| Total | 5,200 | 3,958 |

Analysed by:

| | | |
|--------------|--------------|--------------|
| Current | 2,475 | 1,706 |
| Non-current | 2,725 | 2,252 |
| Total | 5,200 | 3,958 |

| | Pensions - Injury benefits | Legal claims - other | Other | Clinician pension tax reimburse ment | Total |
|---------------------------------|----------------------------------|----------------------------|--------------|--|--------------|
| | £000 | £000 | £000 | £000 | £000 |
| Movement in year: | | | | | |
| At 1 April 2019 | 2,365 | 664 | 929 | 0 | 3,958 |
| Change in the discount rate | 300 | 0 | 0 | 0 | 300 |
| Arising during the year | 55 | 148 | 900 | 254 | 1,357 |
| Utilised in the year - accruals | (26) | 0 | 0 | 0 | (26) |
| Utilised during the year - cash | (87) | (73) | (140) | 0 | (300) |
| Reversed unused | 0 | (96) | 0 | 0 | (96) |
| Unwinding of discount * | 7 | 0 | 0 | 0 | 7 |
| At 31 March 2020 | 2,614 | 643 | 1,689 | 254 | 5,200 |

Expected timing of cash flows

| | | | | | |
|--|--------------|------------|--------------|------------|--------------|
| -not later than one year | 116 | 643 | 1,689 | 27 | 2,475 |
| -later than one year and not later than five years | 2,498 | 0 | 0 | 107 | 2,605 |
| -later than five years | 0 | 0 | 0 | 120 | 120 |
| Total | 2,614 | 643 | 1,689 | 254 | 5,200 |

Pensions - relates to sums payable to former employees having retired prematurely due to injury at work. The outstanding liability is based upon current and expected benefits advised by the NHS Pensions Agency and the computed life expectancies of pension recipients.

Legal Claims - based upon professional assessments, which are uncertain to the extent that they are an estimate of the likely outcome of individual cases. Due dates of settlement of claims are based upon estimates supplied by the NHS Litigation Authority and/or Legal Advisers.

NOTES TO THE ACCOUNTS (continued)

22. Provisions (continued)

Other - the opening balance relates to building related provisions resulting from the on-going development of the Royal Victoria Infirmary (RVI), Freeman and the Campus for Ageing and Vitality (CAV) sites.

The NHS Foundation Trust has an insurance arrangement through the NHS Litigation Authority in respect of clinical negligence, with liabilities covered by an annual insurance premium payment. Excluded from this note therefore is a sum of £473,655k (2018/19 £435,176k) which is included within the provisions of the NHS Litigation Authority in respect of clinical negligence liabilities of the NHS Foundation Trust.

Where it is not considered probable that a payment will be made, non-provided amounts are disclosed in Note 26, Contingent Liabilities.

* Unwinding of discount relates to the inflation effect on existing provisions of their payment in the future.

23. Notes to the Statement of Cash Flows

23.1 Reconciliation of operating surplus to net cash flow from operating activities

| | GROUP | | NHS FOUNDATION TRUST | |
|--|-----------------|-----------------|----------------------|-----------------|
| | 2019/20 £000 | 2018/19 £000 | 2019/20 £000 | 2018/19 £000 |
| Total operating surplus/(deficit) | 41,526 | 44,430 | 41,246 | 45,467 |
| Depreciation and amortisation | 20,088 | 18,902 | 20,088 | 18,879 |
| Net impairments | 3,724 | 4,446 | 3,724 | 4,446 |
| Income recognised in relation to donated assets - cash | (90) | (115) | (210) | (500) |
| (Increase) in inventories | (1,053) | (2,484) | (1,053) | (2,484) |
| (Increase)/decrease in trade and other receivables | 2,772 | (5,764) | 3,045 | (6,065) |
| Increase in trade and other payables | 19,009 | 8,694 | 19,009 | 8,694 |
| Decrease in other liabilities | 27,407 | 1,508 | 27,407 | 1,508 |
| Decrease in provisions | 1,235 | (3,003) | 1,235 | (3,003) |
| Other movements in operating cash flows | (17) | 269 | (17) | 269 |
| NHS Charitable funds - net adjustments for working capital movements, non-cash transactions and non-operating cash flows | 494 | (155) | 0 | 0 |
| Net cash generated from operating activities | 115,095 | 66,728 | 114,474 | 67,211 |

NOTES TO THE ACCOUNTS (continued)

24. Financial Commitments

24.1 Contractual Capital Commitments

Commitments under capital expenditure contracts as at 31 March 2020 amount to £27,636k (2018/19 £16,109k).

| | 31 March 2020 £000 | 31 March 2019 £000 |
|-------------------------------|-----------------------------------|--------------------------|
| Property, plant and equipment | 26,073 | 12,390 |
| Intangible assets | 1,563 | 3,719 |
| | <u>27,636</u> | <u>16,109</u> |

24.2 Other financial commitments

The NHS Foundation Trust is committed to making payments under non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangement), analysed by the period during which the payment is made:

| | 31 March 2020 £000 | 31 March 2019 £000 |
|---|-----------------------------------|--------------------------|
| not later than 1 year | 15,405 | 19,740 |
| after 1 year and not later than 5 years | 17,579 | 15,283 |
| paid thereafter | 4,897 | 1,913 |
| Total | <u>37,881</u> | <u>36,936</u> |

25. Events after the Reporting Date

There were no events after the reporting date which are required to be incorporated into the accounts in the current or prior year.

26. Contingent Liabilities

GROUP and NHS FOUNDATION TRUST

| | 31 March 2020 £000 | 31 March 2019 £000 |
|--|-----------------------------------|--------------------------|
| Gross and net value of contingent liabilities- other | <u>(38)</u> | <u>(27)</u> |

The contingent liability figure relates to the non-provided risks for Employer and Public Liability claims based upon risk assessments supplied by the NHS Litigation Authority.

26.1 Flowers versus East of England Ambulance Trust Case

The NHS Foundation Trust is aware of the on-going "Flowers" case which is currently referred to the Supreme Court with no date of review as at the date of the production of the Annual Accounts. The outcome of the case is not yet clear, however, there is a possible obligation for the NHS Foundation Trust dependent upon the outcome. It should also be noted that if the outcome was in the favour of "Flowers" there is uncertainty as to whether the obligation would be statutory or contractual and therefore the potential liability cannot be accurately estimated. The potential liability has numerous ranges of values that could range between £Nil and £4,300k.

NOTES TO THE ACCOUNTS (continued)

27. Related Party Transactions

27.1 Ultimate parent

The NHS Foundation Trust is a public benefit corporation established under the National Health Service Act 2006. Monitor (operating as NHS Improvement) the Independent Regulator for NHS Foundation Trusts, has the power to control the NHS Foundation Trust within the meaning of IAS 27 Consolidated and Separate Financial Statements. Monitor does not prepare group accounts but does prepare separate NHS Foundation Trust Consolidated Accounts. The NHS Foundation Trust Consolidated Accounts are included within the Whole of Government Accounts. Monitor is accountable to the Secretary of State for Health and Social Care (DHSC) and therefore the NHS Foundation Trust's parent department is the DHSC and ultimate parent is HM Government.

27.2 Whole of Government Accounts Bodies

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

27.3 Transactions with other related parties

The NHS Foundation Trust had no transactions with board members in the current or previous financial year and had no outstanding payable or receivable balances at 31 March 2020 or 31 March 2019. The table below details the total value of other related party transactions in the current and previous year and the outstanding balances as at 31 March 2020 and 31 March 2019. Further details can be found in note 27.7. This table excludes balances with other whole of government entities.

| | 31 March 2020 £000 Payables | 31 March 2020 £000 Receivables | 31 March 2020 £000 Income | 31 March 2020 £000 Expenditure |
|---|--|---|--|---|
| Non-consolidated subsidiaries and associates/joint ventures | 0 | 0 | 0 | 233 |
| Other bodies or persons outside of the whole of government accounting boundary | 1,467 | 2,310 | 8,155 | 7,028 |
| Total value of transactions with other related parties and balances as at 31 March | 1,467 | 2,310 | 8,155 | 7,261 |

NOTES TO THE ACCOUNTS (continued)

27. Related Party Transactions (continued)

27.3 Transactions with other related parties (continued)

| | 31 March 2019 £000 Payables | 31 March 2019 £000 Receivables | 31 March 2019 £000 Income | 31 March 2019 £000 Expenditure |
|---|--------------------------------------|---|------------------------------------|---|
| Non-consolidated subsidiaries and associates/joint ventures | 3 | 837 | 1,005 | 949 |
| Other bodies or persons outside of the whole of government accounting boundary | 853 | 1,971 | 9,868 | 10,652 |
| Total value of transactions with other related parties and balances as at 31 March | 856 | 2,808 | 10,873 | 11,601 |

27.4 Significant transactions and balances with other NHS and whole of government bodies

The table below identifies the ten organisations with which the NHS Foundation Trust has had the largest value of revenue transactions during the current and previous year. The NHS Pension Scheme and HM Revenues and Customs (excluding VAT) are also included due to the material value of payments made.

| | 31 March 2020 £000 Payables | 31 March 2020 £000 Receivables | 31 March 2020 £000 Income | 31 March 2020 £000 Expenditure |
|---|--------------------------------------|---|------------------------------------|---|
| NHS England | 66 | 29,176 | 487,607 | 2 |
| NHS Newcastle Gateshead CCG | 0 | 6,980 | 280,695 | 123 |
| NHS North Tyneside CCG | 0 | 1,140 | 65,422 | 9 |
| NHS Northumberland CCG | 0 | 623 | 67,867 | 4 |
| Health Education England | 0 | 438 | 51,246 | 0 |
| DOHSC (excluding PDC) | 0 | 240 | 26,437 | 14 |
| NHS North Durham CCG | 0 | 846 | 17,422 | 0 |
| NHS South Tyneside CCG | 0 | 401 | 14,912 | 0 |
| NHS North Cumbria CCG | 0 | 969 | 13,592 | 0 |
| NHS Sunderland CCG | 0 | 812 | 11,770 | 0 |
| NHS Pension Scheme (Employer's contributions) | 8,516 | 0 | 0 | 84,659 |
| HM Revenues and Customs (excluding VAT) | 12,173 | 0 | 0 | 47,400 |

NOTES TO THE ACCOUNTS (continued)

27. Related Party Transactions (continued)

27.4 Significant transactions and balances with other NHS and whole of government bodies (continued)

| | 31 March 2019 £000 Payables | 31 March 2019 £000 Receivables | 31 March 2019 £000 Income | 31 March 2019 £000 Expenditure |
|---|--------------------------------------|---|------------------------------------|---|
| NHS England | 11 | 27,515 | 451,410 | 69 |
| NHS Newcastle Gateshead CCG | 853 | 10,923 | 259,834 | (338) |
| NHS North Tyneside CCG | 27 | 1,358 | 65,444 | (210) |
| NHS Northumberland CCG | 295 | 0 | 63,509 | (453) |
| Health Education England | 0 | 424 | 56,581 | 2 |
| DOHSC (excluding PDC) | 0 | 248 | 35,100 | 0 |
| NHS North Durham CCG | 0 | 147 | 15,908 | (83) |
| NHS South Tyneside CCG | 0 | 7 | 14,002 | (137) |
| NHS North Cumbria CCG | 0 | 689 | 12,719 | 18 |
| NHS Sunderland CCG | 0 | 69 | 11,099 | 0 |
| NHS Pension Scheme (Employer's contributions) | 7,916 | 0 | 0 | 55,720 |
| HM Revenues and Customs (excluding VAT) | 6 | 0 | 0 | 45,149 |

None of the receivable or payable balances are secured. Amounts are usually due within 30 days and will be settled in cash.

NOTES TO THE ACCOUNTS (continued)

27. Related Party Transactions (continued)

27.5 Commitments at 31 March 2020

The NHS Foundation Trust continues to negotiate income contracts with the organisations detailed above. Negotiations are expected to be concluded at an overall value not significantly different to those entered into for 2019/20. In addition, the NHS Foundation Trust was eligible for additional Covid-19 related funding up to 31 March 2020, the overall value is not expected to differ from those used in the 2019/20 accounts.

27.6 Charitable funds

The NHS Foundation Trust receives revenue and capital payments from a number of charitable funds, including the Newcastle upon Tyne Hospitals NHS Charity, for which the NHS Foundation Trust acts as 'Corporate Trustee'. The results for this Charity are consolidated within these group accounts.

27.7 Directors

Mr E Weir resigned as a non-executive director during the year. Mr E Weir is the Director for People for Newcastle City Council. During the year the NHS Foundation Trust had the following transactions with Newcastle City Council. Income of £2,835k (2018/19 £9,380k) and expenditure of £6,726k (2018/19 £1,355k). The year end receivable balance was £238k (2018/19 £433k) and payable balance was £610k (2018/19 £49k).

The NHS Foundation Trust's Chairman, Professor Sir J Burn holds the post of Senior Strategic Advisor with Newcastle University and Professor D Burn holds the post of Pro -Vice chancellor, Faculty of Medical Sciences . Transactions with the University were both financial and non financial relating principally to income received of £4,776k (2018/19 £6,125k) and expenditure of £6,935k (2018/19 £10,999k) in relation to staff who work across both organisations. The year end receivable balance was £1,759k (2018/19 £982k) and payable balance was £1,467k (2018/19 £807k).

The NHS Foundation Trust's finance director Mrs A Dragone and senior manager Dr M J Wright were directors of Newgene Limited during the year. Transactions during the year were income of £Nil (2018/19 £370k) and expenditure of £232k (2018/19 £694k). Year end balances were £Nil (2018/19 £53k) receivable and £Nil (2018/19 £3k) payable. All transactions were undertaken on a commercial basis, however, it should be noted that Newgene ceased trading in July 2019.

The NHS Foundation Trust's deputy chief executive / medical director Mr A Welch and estates director Mr R Smith were directors of Newcastle Healthcare Property Company Limited during the year. The company has not started trading.

The NHS Foundation Trust's chairman, Professor Sir John Burn, continues as a director of Pulse Diagnostics Limited alongside senior manager Dr A J Sims. The company is not currently trading.

NOTES TO THE ACCOUNTS (continued)

27. Related Party Transactions (continued)

27.7 Directors (continued)

The NHS Foundation Trust's Chief Executive Dame Jackie Daniel is a directors of Academic Health Science Network North East and North Cumbria (AHSN NENC). The NHS Foundation Trust provides financial services support to AHSN NENC. Transactions during the year, including funds transfers in respect of receipts and payments made to and by the NHS Foundation Trust on behalf of AHSN NENC, were income of £ 3,377k (2018/19 £3,550k) and expenditure of £56k (2018/19 £34k). Year end balances were £551k (2018/19 £570k) receivable and £Nil (2018/19 £24k) payable.

The NHS Foundation Trust's Chief Executive Dame Jackie Daniel and non-executive director, Professor D Burn, are a Director and Board member respectively of Northern Health Science Alliance (NHSA). During the year the NHS Foundation Trust had transactions of £36k of expenditure with NHSA (2018/19 £18k). There were no outstanding balances at the Year end.

A non-executive director, Professor K McCourt is a Convenor of Fellows of Royal College of Nursing. During the year the NHS Foundation Trust had the following transaction with Royal College of Nursing, income of £2k (2018/19 £Nil) and expenditure of £1k (2018/19 £2k). There were no outstanding balances at the Year end.

27.8 Remuneration of key management personnel

The remuneration of the executive and non-executive directors, who are the key management personnel of the NHS Foundation Trust, is set out in Note 5.4. Further information about the remuneration of individual directors is provided in the Remuneration report.

There were no amounts owing to key management personnel at the beginning or end of the financial year.

NOTES TO THE ACCOUNTS (continued)

28 Financial Instruments and Financial Risk Management

IFRS 7 requires disclosure of the role that financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service-provider relationship that the NHS Foundation Trust has with local Clinical Commissioning Groups (CCGs) and the way those CCGs are financed, the NHS Foundation 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 the listed companies to which the financial reporting standards mainly apply. Financial assets and liabilities are generated by day-to-day operational activities rather than being held in order to change the risks facing the NHS Foundation Trust.

The NHS Foundation Trust's capital and treasury management operations are carried out by the finance department, within parameters defined formally within the NHS Foundation Trust's standing financial instructions and policies agreed by the Board of Directors.

The impact of Covid-19 towards the end of 2019/20 is not thought to have any significant impact on the financial risk management.

IFRS 7 also requires disclosures relating to the risks associated with financial instruments. There are three types of risk which the NHS Foundation Trust has assessed which are detailed below:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. For the NHS Foundation Trust, credit risk arises mainly from NHS and other receivable balances. Credit risk is mitigated as a substantial part of the NHS Foundation Trust's activity is carried out with other Health Bodies. For other transactions specific checks are made regarding credit worthiness before the NHS Foundation Trust enters into any new contracts. The NHS Foundation Trust manages this risk by regular review of aged receivable balances, prompt follow up on those which are overdue and provides for any deemed to be impaired. Once the balance is determined to be irrecoverable the amount is written off.

Of the Group's cash and cash equivalents balance at the year end, 93% was held with the Government Banking Service and the remaining 7% with the NHS Foundation Trust's and Charity's bankers, HSBC, Barclays and Clydesdale Bank plc. (Yorkshire Bank). The credit risk arising, i.e., that the banks may default on repayment, is considered to be low.

The NHS Foundation Trust held no short term deposits at the year end. During the current the NHS Foundation Trust placed deposits with the National Loans Fund, however, when the Bank of England base rate reduced, investment ceased. During the prior year the NHS Foundation Trust placed no cash on deposit with the National Loans Fund.

An analysis of aged and impaired receivables is given in Note 16.2.

The credit risk associated with all other financial instruments is considered to be low. The Group's maximum exposure to credit risk at the balance sheet date is £248,372k (2018/19 £211,810k restated). There are no amounts held as collateral against these balances.

At 31 March 2020 a review was undertaken of financial assets not past their due date. Those where the credit risk was anticipated to be significant were impaired. Therefore the credit risk of those remaining financial assets neither past their due date nor impaired is deemed to be low.

At 31 March 2020 there are £Nil (2018/19 £Nil) financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

NOTES TO THE ACCOUNTS (continued)

28 Financial Instruments and Financial Risk Management (*continued*)

Liquidity risk

Liquidity risk is the risk that the NHS Foundation Trust will encounter difficulty in meeting obligations associated with financial liabilities. The NHS Foundation Trust's net operating costs are incurred under contracts with various commissioning bodies, which are financed from resources voted annually by Parliament. The NHS Foundation Trust receives such income month by month, based on a contracted annual level of activity, with quarterly corrections made to adjust for actual activity carried out and resultant income due.

The NHS Foundation Trust largely finances its capital expenditure from internally generated resources. Funds have also been made available from Government, in the form of additional Public Dividend Capital, to progress specific capital schemes. In addition, the NHS Foundation Trust can borrow from commercial sources to finance capital schemes. Such financing would be drawn down to match the spend profile of the scheme concerned and the NHS Foundation Trust is not, therefore, exposed to significant liquidity risk in this area.

The NHS Foundation Trust had a loan agreement with the Department of Health and Social Care, however, this was fully repaid on 30 June 2019 (balance at 31 March 2019 £1,765k). Further details can be found in Note 21. An extended five year plan was prepared and submitted to Monitor prior to this loan being authorised.

The NHS Foundation Trust is also subject to liquidity risk in relation to the long term PFI contracts into which it has entered. The maturity analysis for payments under these schemes can be found in Note 21. Expenditure savings have been identified to mitigate the liquidity risk of the PFI contracts. Prior to the contract being entered into the scheme was reviewed by HM Treasury and, subsequently, by Monitor when the NHS Foundation Trust was applying for Foundation Trust status.

NOTES TO THE ACCOUNTS (continued)

28 Financial Instruments and Risk Management (continued)**Market Risk - Interest-rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Of the NHS Foundation Trust's cash and cash equivalents predominantly all of the funds attracted variable rates throughout the year until the Bank of England base rate reduced on 19th March 2020 to 0.10% amid concerns linked with Covid-19. Deposits held with HSBC attracted no interest throughout 2019/20, however, these are minimal. Deposits with the Government banking service (RBS) attracted no interest from 19th March 2020 following the decrease in the Bank of England base rate. Any reduction in the base rate or interest rate would have an immaterial impact on cash flows and hence interest rate risk on these financial assets is deemed to be immaterial.

An element of the Newcastle upon Tyne Hospitals NHS Charity's cash balance is held on a 95 day fixed term deposit with Yorkshire Bank plc. The interest rate on this deposit is currently fixed at 0.9%. The Newcastle upon Tyne Hospitals NHS Charity also holds a variable cash balance with HSBC which attracts an interest rate at 0.28%.

The cash previously held within a Charities' Deposit Fund account was amalgamated with the Newcastle upon Tyne Hospitals NHS Charity investment portfolio on 1st April 2018 and, therefore, no interest has been earned in 2019/20.

A significant area of uncertainty that affects the carrying value of assets held by the Charity is the performance of investment markets. The Charity utilises Investment advisors and regularly reviews their performance in line with the Charity Investment Policy.

The NHS Foundation Trust had a loan agreement with the Department of Health and Social Care, which was fully repaid in June 2019. This loan bears interest at a fixed rate of 2.92%.

The NHS Foundation Trust's PFI arrangements are on fixed interest terms.

Other than as described above, none of the other remaining NHS Foundation Trust financial assets or liabilities carry interest rates which vary with market rates and therefore interest rate risk is not deemed material and a sensitivity analysis is not considered necessary.

29. Financial Assets and Liabilities**29.1 Carrying values of financial assets**

| | GROUP | | NHS FOUNDATION | |
|---|--------------------------|---------------------------------------|--------------------------|--------------------------|
| | 31 March 2020 £000 | 31 March 2019 £000 *restated | 31 March 2020 £000 | 31 March 2019 £000 |
| Receivables (excluding non financial assets) - with NHS and DHSC bodies | 53,484 | 45,180 | 53,484 | 45,180 |
| Receivables (excluding non financial assets) - with other bodies | 29,121 | 30,993 | 29,411 | 31,556 |
| Cash and cash equivalents | 125,322 | 94,724 | 125,322 | 94,724 |
| Consolidated NHS Charitable fund financial assets - Investments | 30,011 | 32,076 | 0 | 0 |
| Consolidated NHS Charitable fund financial assets - Cash and cash equivalents | 10,434 | 8,837 | 0 | 0 |
| Total | 248,372 | 211,810 | 208,217 | 171,460 |

The Group and NHS Foundation Trust financial assets are held at amortised costs, with the exception of the Charitable Investments which are held at fair value through profit and loss.

*Note 14 further explains the reason behind the restatement.

NOTES TO THE ACCOUNTS (continued)

29. Financial Assets and Liabilities (continued)

29.2 Carrying values of financial liabilities

| | GROUP | | NHS FOUNDATION TRUST | |
|--|--------------------------|---------------------------------------|--------------------------|---------------------------------------|
| | 31 March 2020 £000 | restated* 31 March 2019 £000 | 31 March 2020 £000 | restated* 31 March 2019 £000 |
| Other financial liabilities | | | | |
| DHSC loans | 0 | 1,765 | 0 | 1,765 |
| Trade and other payables (excluding non financial liabilities) - with other bodies | 110,793 | 62,604 | 110,793 | 62,604 |
| Trade and other payables (excluding non financial liabilities) - with NHS and DHSC bodies | 6,301 | 2,760 | 6,301 | 2,760 |
| IAS 37 provisions which are financial liabilities | 0 | 0 | 0 | 0 |
| PFI finance lease obligations | 228,634 | 234,089 | 228,634 | 234,089 |
| NHS Charitable fund - financial liabilities | 0 | 8 | 0 | 0 |
| Total | 345,728 | 301,226 | 345,728 | 301,218 |

All of the Group and NHS Foundation Trust other financial liabilities are carried at amortised cost. Fair value is not considered significantly different from book value.

* 2018/19 figures restated to exclude provisions from financial liabilities.

Maturity of financial liabilities

| | | | | |
|---|----------------|----------------|----------------|----------------|
| In one year or less | 122,481 | 72,319 | 122,481 | 72,311 |
| In more than one year but not more than two years | 6,265 | 6,006 | 6,265 | 6,006 |
| In more than two years but not more than five years | 18,626 | 19,100 | 18,626 | 19,100 |
| In more than five years | 198,356 | 203,801 | 198,356 | 203,801 |
| Total | 345,728 | 301,226 | 345,728 | 301,218 |

NOTES TO THE ACCOUNTS (continued)

30. Application of new standards

The NHS Foundation Trust did not adopt any new standards during 2019/20.

31. Third Party Assets

The NHS Foundation Trust held £1k (2018/19 £2k) cash at bank, which relates to monies held by the NHS Foundation Trust on behalf of patients. These monies have not been included in the cash and cash equivalents figure reported in the accounts.

32. Losses and Special Payments

There were 267 cases of losses and special payments totalling £935k during the year (2018/19 198 cases totalling £842k). No cases in the current year or prior year cost the NHS Foundation Trust £300k or more. Losses and special payments are accounted for on an accruals basis but excluding provisions for future losses. An analysis of losses and special payments by category is given in the table below.

Analysis of losses and special payments by category

| Category | 2019/20 | 2019/20 | 2018/19 | 2018/19 |
|--|-----------------------------|----------------------------|-----------------------------|----------------------------|
| | Total number of cases | Total value of cases | Total number of cases | Total value of cases |
| | No | £000 | No | £000 |
| Losses | | | | |
| Cash losses - theft and fraud | 1 | 0 | 3 | 1 |
| Cash losses - overpayment of salaries | 21 | 11 | 26 | 41 |
| Bad debts and claims abandoned in relation to : | | | | |
| a. private patients | 10 | 12 | 1 | 2 |
| b. overseas visitors | 35 | 224 | 21 | 85 |
| c. other | 66 | 272 | 17 | 30 |
| Damage to buildings, property etc. (including stores losses) due to: | | | | |
| a. theft, fraud etc. | 0 | 0 | 0 | 0 |
| b. stores losses | 2 | 333 | 9 | 564 |
| c. other | 69 | 12 | 66 | 26 |
| Total losses | 204 | 864 | 143 | 749 |
| Special payments | | | | |
| Ex-gratia payments in respect of: | | | | |
| a. loss of personal effects | 27 | 7 | 27 | 7 |
| b. personal injury with advice | 10 | 51 | 9 | 80 |
| c. other | 26 | 13 | 19 | 6 |
| d. maladministration, no financial loss | 0 | 0 | 0 | 0 |
| Total special payments | 63 | 71 | 55 | 93 |
| Total losses and special payments | 267 | 935 | 198 | 842 |

NOTES TO THE ACCOUNTS (continued)

33.1 NHS Retirement Benefit Scheme

Past and present employees are covered by the provisions of the two NHS Pensions Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsba.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 Foundation Trust of participating in each scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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

a) Accounting valuation

A valuation of 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 at 31 March 2019, updated to 31 March 2020 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account their recent demographic experience), and to recommend the contribution rates payable by employees and employers. The latest published actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016.

The results of this valuation set the employer contribution rate payable from April 2019. The Department of Health and Social Care have recently laid Scheme Regulations confirming that the employer contribution rate will increase to 20.6% of pensionable pay from this date.

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.

The NHS Foundation Trust estimates that its employer contributions into the scheme in 2020/21 will be £59,721k, which is based on the 14.38% contribution. The additional contributions from 14.38% to 20.6%, estimated to be £25,832k is expected to be paid directly by the Department of Health and Social Care on behalf of the NHS Foundation Trust during the financial year 2020/21.

33.2 National Employment Savings Trust (NEST)

During the year the NHS Foundation Trust made contributions into the National Employment Savings Trust. This is a defined contribution scheme into which eligible staff are automatically enrolled. These employees are not eligible to join the NHS Retirement Benefit scheme. Employers contributions by the NHS Foundation Trust for the year were £178k (2018/19 £105k).

NOTES TO THE ACCOUNTS (continued)

34. The Newcastle upon Tyne Hospitals NHS Charity

34.1 Funds

| | 31 March | 31 March |
|--------------|-----------------|----------|
| | 2020 | 2019 |
| | £000 | £000 |
| Restricted | 11,911 | 11,339 |
| Unrestricted | 28,263 | 29,517 |
| | 40,174 | 40,856 |

As at 31 March 2020 the total funds as disclosed in the Newcastle Upon Tyne Hospitals NHS Charity accounts amount to £33,556k. This balance has been adjusted for IFRS accounting policies and is disclosed in the group accounts as £40,174k. The adjustment to funds of £6,618k has been included within unrestricted funds.

Restricted funds

Restricted funds are those funds on which a legal restriction has been placed for the purpose to which the fund may be put.

Unrestricted funds

Unrestricted funds are those funds on which no legal restriction has been placed for the purpose to which the fund may be put.

The aim of the Charitable fund is to use the available funds to complement NHS resources in The Newcastle upon Tyne Hospitals NHS Foundation Trust to increase patient comfort and enhance facilities for both patients and staff.

34.2 Further information

Further information relating to the use of the Charitable funds and the Trustees' report can be found within the Newcastle upon Tyne Hospitals NHS Charity Annual Report and Accounts which form part of The Newcastle upon Tyne Hospitals NHS Foundation Trust Annual Report and Accounts.

