# Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust

## Annual Report and Accounts 2019–2020

# Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust

## Annual Report and Accounts for the period of 1 April 2019 to 31 March 2020

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

# Contents

# ANNUAL REPORT

# INTRODUCTION

## Statement of Chairman, Substantive and Acting Chief Executive

At The Robert Jones and Agnes Hunt NHS FT we aspire to deliver world-class patient care. As a high quality specialist orthopaedic hospital our core purpose is to care for our patients, our staff and our finances. We are a leading orthopaedic centre of excellence with a reputation for innovation. Our staff pride themselves on the standards we achieve and in the feedback we receive from our patients on the quality of the care and services that we provide.

The following Annual Report details our performance for the 2019/20 financial year. The report outlines our key objectives and how we have progressed against these; it describes our governance arrangements, and provides detail on the important aspects of quality and finance which underpin our organisational achievements. The full performance report across all these areas is contained within this document.

There is plenty from the last year to look back on with pride – not least being able to announce the news that the country's first dedicated orthopaedic centre for Armed Forces veterans is to be built at RJAH – thanks to a £6 million charitable grant. The Trust had initially launched a £1.5 million appeal in October 2018 to build a more modest outpatient facility for veterans, but is set to realise a grander vision thanks to the support of the Headley Court Charity. The new facility will be known as the Headley Court Veterans' Orthopaedic Centre.

We were also delighted with the excellent feedback we received from our own patients over the past year. The annual Adult Inpatient Survey carried out by the CQC once again highlighted RJAH as one of the best hospitals in the country – and named one of just eight to be rated as performing "much better than expected". The same survey also saw food at RJAH rated as the best in the country for the fourth year running, as well as the wards being highlighted as the cleanest in the country.

Then there was the National NHS Staff Survey – where staff gave a ringing endorsement to the care provided at their own organisation. A total of 94.8% of staff completing the survey said they would be happy with the standard of care provided by the organisation if a friend or relative needed treatment there. That score has improved year-on-year since 2016, and was once again the highest of all the 300-plus NHS organisations taking part in the survey for the third consecutive year. While, 77% of staff recommended RJAH as a place to work – a score that ranked the Trust among the top 10 Trusts in the country.

Another milestone for us was our staff being highlighted as some of the very best in the NHS, after the Trust was awarded Highly Commended at the Health Service Journal 2019 Awards in the Acute or Specialist Trust of the Year category.

Thanks to our capital programme, as well as support from our League of Friends and the hospital's own charity – the RJAH Charity, a number of important improvements and investments were made across the Trust, including the new and improved Theatre Sterile Services Unit (TSSU) being

unveiled, as well as a brand new, state-of-the-art bone density scanner being installed at the beginning of the financial year.

Other improvements included the Occupational Therapy flat, used to support patient rehabilitation was given a much-needed upgrade, thanks to a £20,000 investment from the Estates budget and the RJAH Charity. While, a cottage that provides refuge for the loved ones of long-term patients at RJAH underwent a major renovation, thanks to a £16,000 investment by the League of Friends, and families of patients on the children's ward started to benefit from a more comfortable stay following a £60,000 refurbishment of the paediatric parent's bathroom.

It was particularly pleasing to share the news that award-winning surgeon Mr Geraint Thomas had been appointed in the new post of Consultant Senior Lecturer of Population Orthopaedics. This was a joint appointment by the Trust and Keele University. Mr Thomas started as a Senior Lecturer, with the intention of progressing through to a full Professorship over a three-year period

Our quality focus is essentially underpinned by robust business management, which is demonstrated in our delivery of a control total surplus of £2.2 million in 2019/20. This surplus was in line with our control total set by NHS Improvement and therefore made us eligible for additional provider sustainability funding worth a further £0.4 million. This will provide a basis for our future growth and development, enabling re-investment to improve care for patients.

The Coronavirus pandemic took hold in the UK during March 2020, and it was at that time that the Trust took on trauma patients from our partners at The Shrewsbury and Telford Hospital NHS Trust (SaTH) and Betsi Cadwaladr University Health Board in North Wales, and our routine elective surgery was halted to enable us to support that.

We know that coronavirus is going to be with us for quite some time yet, and despite that we will look to further build on our successes, and continue to grow and work towards our vision of aspiring to deliver world-class patient care. The current climate and pandemic continues to pose difficulties, but we are confident that, with the support of our system partners, we are well equipped to meet those challenges.

Frank Collins
Chairman

Mark Brandreth
Chief Executive

Stacey Keegan
Acting Chief Executive

# Highlights of the year

The Trust had plenty of reasons to celebrate in 2019/20. Here are just a few of our many highlights from the year:

- In February 2020, it was announced that the country's first dedicated orthopaedic centre for Armed Forces veterans is to be built at RJAH – thanks to a £6 million charitable grant from the Headley Court Charity.

- Staff at RJAH were highlighted as some of the very best in the NHS, after the Trust was awarded Highly Commended at the Health Service Journal 2019 Awards in the Acute or Specialist Trust of the Year category. The Trust was also a finalist in a new category – the Reservist Support Initiative Award

- The annual Adult Inpatient Survey highlighted RJAH as one of the best hospitals in the country – and one of just eight to be rated as performing "much better than expected" The same survey also saw food at RJAH rated as the best in the country for the fourth year running, as well as the wards being highlighted as the cleanest in the country.

- RJAH shone in the NHS Staff Survey 2019. A total of 94.8% of RJAH staff said they would be happy with the standard of care provided by their organisation if a friend or relative needed treatment there, while 77% recommended it as a place to work – a score that ranked RJAH among the top 10 Trusts in the country.

- Coronavirus took hold in the UK during March 2020, and it was at that time that the Trust took on trauma patients from our partners at The Shrewsbury and Telford Hospital NHS Trust and our routine elective surgery was halted to enable us to support.

- RJAH was rated as one of the best in the country in almost every area of the latest patient led assessment of the care environment (PLACE) survey. The Trust scored strongly in a number of areas which focusses on the environment in which care is provided, as well as non-clinical aspects of services, such as cleanliness, food, hydration, and privacy, dignity and wellbeing

- The new Theatre Sterile Services Unit at RJAH was unveiled in October 2019, following a six-month long project to modernise and improve working conditions and safety

- A brand new, bone density scanner was unveiled in April 2019, following an investment of almost £110,000

- The Occupational Therapy flat used to support patient rehabilitation was given a much-needed upgrade thanks to a £20,000 investment from the Estates budget and the RJAH Charity.

- A cottage that provides refuge for the loved ones of long-term patients at RJAH underwent a major renovation, thanks to a £16,000 investment by the League of Friends.

- Families of patients on the children's ward started to benefit from a more comfortable stay following a £60,000 refurbishment of the paediatric parent's bathroom, which was unveiled in July 2019.

- Award-winning surgeon Mr Geraint Thomas was appointed in the early summer of 2019. Mr Thomas was joint appointment by the Trust and Keele University in the new post of Consultant Senior Lecturer of Population Orthopaedics.

- The patient safety culture at RJAH was recognised – for the second year running – with certification as a Quality Data Provider by the National Joint Registry.

- The Trust's Research team won the Clinical Research Impact Award at the Clinical Research Network's (CRN) West Midlands 2019 Awards, and were also awarded Highly Commended in the Best Overall Performance category.

# PERFORMANCE REPORT

## Overview of Performance

### Statement from the Chief Executive

This section of the report provides an opportunity to highlight some of the considerable work that has been undertaken to enhance the Trust's services and to improve patient care and experience in the last year, centred on our key strategic themes. It also highlights the key risks to the achievement of the Trust's objectives.

We can be proud of the performance we have delivered in 2019/20. Below I have summarised some of our key items in terms of the impact on our patients, our staff and our finances.

There are some notable successes and I am proud of each and every one. Across them all, however, is the quality of care we deliver.

Over the last 12 months we have really placed an emphasis on patient safety. We want to be the safest specialist hospital in the world. We were rated as 'good' for safety by the Care Quality Commission, which was a notable achievement.

We want to be compared with the best of the world. We still have work to do to realise this ambition but we remain committed to our journey of improvement.

### Caring for Patients

We were delighted with the excellent feedback we received from our patients over the past year. The annual Adult Inpatient Survey carried out by the Care Quality Commission (CQC) once again highlighted RJAH as one of the best hospitals in the country – and named the Trust one of just eight to be rated as performing "much better than expected". The same survey also saw food at the hospital rated as the best in the country for the fourth year running, as well as the wards being highlighted as the cleanest in the country.

In February 2020 we were able to announce the news that the country's first dedicated orthopaedic centre for Armed Forces veterans is to be built at RJAH – thanks to a £6 million charitable grant from Headley Court.

### Caring for Staff

Our staff gave a ringing endorsement to the care provided at their own organisation in the National NHS Staff Survey. A total of 94.8% of staff completing the survey said they would be happy with the standard of care provided by the organisation if a friend or relative needed treatment there. That score has improved year-on-year since 2016, and was once again the highest of all the 300-plus NHS organisations taking part in the survey for the third consecutive year.

While, 77% of staff recommended RJAH as a place to work – a score that ranked the Trust among the top 10 Trusts in the country.

### Caring for Finances

NHS organisations continue to experience pressure to reduce costs. Providers and commissioners alike have run up record-breaking deficits in recent years and the situation has got no better in the past 12 months.

However, in 2019/20, we delivered a control total surplus of £2.2 million. This surplus was in line with our control total set by NHS Improvement and therefore made us eligible for additional provider sustainability funding worth a further £0.4 million. This will provide a basis for our future growth and development, enabling re-investment to improve care for patients.

## Looking ahead

We have to keep improving and keep growing. We must think about how we can continue to flourish in what is a difficult time for the NHS, both locally and nationally.

We continue to focus on our strategic aims, which are:


**Operational Excellence**

- getting a real grip on the operational things that will make a significant difference to our patients.

**Local Musculoskeletal Services**

- establishing RJAH as a central part of the local health system, rather than a fringe specialist provider.

**Specialist Work**

- being a national voice in our area of expertise, working in partnership with our specialist neighbours.

Underpinning the above outlined aims is one more important aim: **Culture and Leadership**. We must be a patient-focused, clinically-led organisation that is spoken of as an extraordinary place to work.

# The Trust

## Purpose and Activities

The Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust (RJAH) is one of the UK's five Specialist Orthopaedic Centres. It is a leading orthopaedic centre of excellence with a reputation for innovation.

The Trust provides both specialist and routine orthopaedic care to its local catchment area and nationally. It is a specialist centre for the treatment of spinal injuries and disorders and also provides specialist treatment for children with musculoskeletal disorders.

The hospital has nine inpatient wards including a private patient ward; 12 operating theatres, including a day case surgery unit; and full outpatient and diagnostic facilities.

In addition to the above, the Trust works with partner organisations to provide specialist treatment for bone tumours and community-based rheumatology services.

The Trust is based on a single site in Oswestry, close to the border with Wales. The surrounding geographical area includes Shropshire, Wales, Cheshire and the Midlands. As such, we serve the people of both England and Wales, as well as a wider national catchment. We also host some local services which support the communities in and around Oswestry. We value our links with the local community, who are strong supporters of the hospital. The Trust has contracts with a number of commissioners.

The largest English commissioner is the Shropshire Clinical Commissioning Group (Shropshire CCG). The Betsi Cadwaladr University Hospital Board is the largest Welsh Commissioner followed by Powys Teaching Health Board. Commissioning for our specialised services is undertaken by NHS England, which is represented locally by the Birmingham and Black Country Local Area Team.

## Brief History and Background

The orthopaedic hospital has been in existence as an independent hospital since 1900. It was taken into the NHS in 1948 and achieved NHS Trust status in 1994. In August 2011 the hospital was awarded NHS Foundation Trust status. This means that RJAH can better shape healthcare services around local needs and priorities and the requirements of commissioners of healthcare.

Sir Robert Jones

Dame Agnes Hunt

# The Vision and Goals of the Trust


| | | |
|---|---|---|
| **MISSION** | Our core purpose | Caring for Patients, Caring for Staff, Caring for Finances |
| **VISION** | What we aspire to achieve | Aspiring to deliver World Class Patient Care |
| **STRATEGY** | Our strategic priorities | Operational Excellence; Local Musculoskeletal Services; Specialist Work; Culture and Leadership |
| **ENABLING STRATEGIES** | Strategies to support delivery of our priorities | Quality Strategy; Finance Strategy; IT Strategy; Patient Experience Strategy; Organisational Development Strategy; Risk Management Strategy; Communication Strategy |
| **CORPORATE OBJECTIVES** | How we organise and monitor our day-to-day activities | Delivering timely access to patient care; Delivering outstanding outcomes and experience; Achieving outstanding patient safety; Being an extraordinary place to work; Spending our money wisely; Delivering undertakings and not being in breach of our licence |
| **VALUES and CULTURAL CHARACTERISICS** | How we go about delivering our vision | Trust Values (Friendly · Caring · Excellence · Professional · Respect) |

1. We respect people for their skills and devotion. Not their grade.
2. Patient need over rules process.
3. We choose positivity (we look for strength before weaknesses).
4. The person who knows most about something is able to get on with it.
5. Being humble is a sign of greatness, not weakness.
6. People are aware of – and manage – the impact they have on others.
7. We are honest and transparent in our dealings with each other.
8. If we see a problem we can fix it, if we see an opportunity we can grasp it.
9. We strive constantly to make things better for our patients, ourselves and the hospital.
10. We know that our differences are valuable – we don't believe that our differences make us superior or inferior.
11. We are do-ers not bystanders if we see something we *don't* like we say so (and do something about it), and if we see something we *do* like, we say so.

## Key Issues and Risks

The Trust aims to deliver high quality healthcare services, however, it is recognised that there are inherent risks with providing these services.

The most significant risks are summarised in the Board Assurance Framework. The principal risks are collated into the following themes:

- Risks to Caring for Patients
- Risks to Caring for Staff
- Risks to Caring for Finances

During 2019/20 the key risks facing the Trust continued to be in relation to its ability to safely meet its activity requirements and the impact of this on its financial plan. In particular there was focussed work around managing theatre activity with a transformation programme put in place, this work is continuing. Finally, the Trust continued to focus on its workforce risks with work on the sustainability and development of its workforce and there was particular emphasis on managing staff wellbeing.

Also during 2019/20 the Trust identified and managed risks relating to EU Exit. These risks were managed through the emergency planning protocols with a system, regional and national oversight. All risks were satisfactorily mitigated but will be kept under review during 2020/21 with escalations to the Trust's Risk Management Committee as appropriate.

The key risks and issues facing the Trust for 2020/21 are reflective of the challenges the NHS is facing across the country in relation to Covid-19. As part of the NHS response to the pandemic all elective activity was ceased and working practices had to change significantly in order to socially distance. These challenges are not over and the risks for the forthcoming year will be focussed on the delivery of the following two key areas:

- Restoring and recovering services for our patients
- Maintaining a safe environment for our staff and patients

The above will be underpinned by the need to develop and implement new ways of working and it is recognised that risks relating to this will need to be considered and managed.

With regard to financial risks, looking towards 2020/21 there is an interim financial framework in place to support Trusts to a break even position. Temporary measures are in place to ensure the going concern of all NHS organisations.

### Risk Management

Risk management is an integral part of the Trust's approach to quality improvement and good governance and further it is a central part of the Trust's strategic and operational management. The Trust has in place a robust Risk Management Strategy which describes the systems that the Trust will use to embed risk management throughout the organisation in order to provide assurance that risks are managed and an effective internal control system is in place. The strategy is a Trust-wide document, and is applicable to employees, as well as seconded and sub-contracted staff at all levels of the organisation.

The Trust believes that effective risk management is imperative not only to provide a safe environment and improved quality of care for service users and staff, it is also significant in the business planning process. In light of this, the Trust is committed to working in partnership with staff to make risk management a core organisational process and to ensure that it becomes an integral part of the Trust philosophy and activities.

The Trust's Risk Management Strategy is subject to annual review via the Risk Management Committee and approval at Trust Board and it was last reviewed in October 2019.

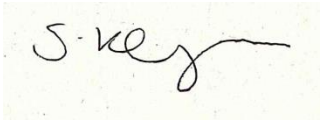
## Going concern disclosure

The Trust's cash balances are expected to remain sufficient to meet its working capital requirements for 12 months from the date of the financial statements. The Trust's Board monitors the financial performance using the monthly performance report. The key risks to the Trust's financial stability are included in the Board Assurance Framework and are monitored at the Finance, Planning and Digital Committee (formerly the Finance Planning and Investment Committee) and the Audit Committee. As referenced earlier in this report, there is an interim financial framework in place to support Trusts to a break even position for 2020/21 and ensure their going concern.

The directors having taken assurance from this and, having reviewed future plans and financial forecasts for a period of at least one year from the date of the approval of the accounts, have agreed the following statement: "After making enquiries, the directors have a reasonable expectation that the NHS Foundation Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts".

## Conclusion of the Performance Report

I have presented this report in my capacity as the Accounting Officer and confirm that the Trust's auditors have reviewed the Performance Report for consistency with the financial statements.



Stacey Keegan

Acting Chief Executive Officer

23 June 2020

# ACCOUNTABILITY REPORT

# Directors' Report

The report includes the following:

- Meet the Board
- Delivery of the 2019/20 strategic plan
- Looking ahead: vision for the Trust for 2020/21
- The strategic priorities for 2020/21
- Better payment practice code
- Quality governance
- Section 43(2A) NHS Act 2006 statement regarding income disclosures
- Statement of disclosure to auditors

## Meet the Board

The directors present their annual report together with the audited financial statements for the year 1 April 2019 to 31 March 2020. The directors' report incorporates an analysis of the delivery of the 2019/20 strategic plan during that period and the vision for 2020/21.

As can be seen from the directors' biographies below and from our compliance with the requirements of the Foundation Trust Code of Governance, the Board has an appropriate composition, balance of skills and depth of experience to lead the Trust for the good of patients, staff and the communities it serves.

Details of the directors who currently hold office are listed below and unless specified have held office for the full financial year. Any directors who held office during the financial year but have since left the Trust are cited later in the report:

### Frank Collins
### Chairman

Frank was appointed as the Trust's Chairman in February 2015 and has extensive experience in healthcare leadership.

He spent his early career in the NHS culminating in Chief Executive posts at both Kettering General Hospital and Heatherwood and Wexham Park NHS Trust. Frank later moved into the private sector where he held Chief Executive posts at a private hospital, Hydron Ltd, (a manufacturer / supplier of contact lenses), and The Summit Medical Group (an international medical devices company), where he subsequently became Chairman.

Frank currently serves as non-executive director/chairman to a range of healthcare related companies and is a trustee of a local charity.

### Stacey Keegan
### Acting Chief Executive / Director of Nursing

Stacey joined RJAH as Interim Director of Nursing in November 2019, before being appointed substantively in March 2020. In response to the Covid-19 pandemic Stacey stepped in to act as Chief Executive whilst Mark Brandreth, the substantive CEO, worked on the national response.

She joined from the Royal Orthopaedic Hospital Birmingham, where she held the position of Deputy Director of Nursing and Clinical Governance.

A trauma and orthopaedic nurse by background, she has held various leadership and management roles including Matron and Divisional Head of Nursing positions.

Stacey has an MSc in Senior Healthcare Leadership and the Elizabeth Garrett Anderson Award in Senior Healthcare leadership. She has experience and interest in nursing workforce redesign, recruitment and retention and patient involvement

### Harry Turner
### Non-Executive Director

Between 2008 and 2016 Harry served as a Non-Executive Director and subsequently as the Chairman for the Worcestershire Acute NHS Trust before joining the Trust in January 2017. Harry is the Trust Deputy Chairman and also Chairs the Risk Management Committee.

Harry also took up the position of Chairman of the John Taylor Hospice in Birmingham in October 2016 and is also the Chairman of Dudley and Walsall Mental Health NHS Trust.

Harry has also been a Justice of the Peace in Worcestershire Courts for more than a decade and previously worked as an Operations Director in the hotel industry for businesses including Travel Inn and Marriott International.

## David Gilburt
## Non-Executive Director

David is the Chair of the Trust's Audit Committee and a member of the Finance, Planning and Investment Committee and Quality and Safety Committee.

He is a qualified accountant and has worked as Director of Finance in roles across the NHS at Health Authority, Trust and Regional level.

More recently, David has worked as an independent consultant specialising in financial turnaround for NHS organisations in financial difficulty. In this capacity he worked at the Trust from June 2007 to July 2008 as interim Director of Finance & Turnaround.

## Paul Kingston
## Non-Executive Director

Paul joined the Trust in January 2019 and is the Chair of the Trust's newly founded People Committee. He is also a member of the Trust's Audit and Quality and Safety Committees.

Paul is a Professor of Ageing and Mental Health and the Director of the Centre for Ageing and Mental Health at the University of Chester. He has been one of the academic leads of the RAID evaluation team since its inception at City Hospital in Birmingham. Since 1986, Paul has presented over 150 conference papers in a number of different countries.

## Chris Beacock
## Non-Executive Director

Mr Christopher Beacock lives in Shropshire and is a Foundation Trust member and takes a keen interest in the hospital.

He has 27 years clinical experience as a Consultant Urological Surgeon at the Shrewsbury and Telford Hospital NHS Trust. He formally retired in 2014 and has been re-employed on a part time contract since then.

He has worked across a wide range of acute trusts, integrated care organisations and community service providers. He has had a long standing interest in medical management and held various posts up to and including that of Deputy Medical Director. He has also served as Chairman of the Risk Management Committee and Chairs the Trusts Quality and Safety Committee.

## Rachel Hopwood
## Non-Executive Director

Rachel joined the Board of Directors at RJAH in December 2019 and is Chair of the Finance, Planning and Digital Committee.

Prior to RJAH, Rachel was a Non-Executive Director and Deputy Chair of the Countess of Chester Hospital.

Rachel is a chartered accountant, qualifying with Ernst & Young, a major accounting and advisory firm. After a career in finance and investment banking in the City of London, latterly as an Executive Director at ABN AMRO, she relocated with her family back to Cheshire in 2008.

Prior to joining the Board, Rachel was a Non-Executive Director of Western Cheshire PCT and Lay Advisor to West Cheshire Clinical Commissioning Group. She is also a Director in a company providing risk, management and financial consultancy services in the region.

## Steve White
## Medical Director

Steve White was appointed as Consultant Orthopaedic Surgeon at RJAH in 1993, after training in orthopaedics and trauma at Oxford where he developed an interest in arthritis of the knee and described with colleagues “Anteromedial Arthritis” together with its treatment by unicompartmental arthroplasty. Until 2009 he worked both at RJAH and SaTH carrying out knee and trauma surgery when he left to concentrate full time on knee surgery at RJAH. He took on more management roles as Clinical lead for Knee and Sports Surgery, then Surgical Director, and since 2012 the role of Medical Director.

After gaining a DM early in his career his research training has proved useful in developing improved surgical procedures and in critical appraisal, for example medico-legal reporting and the investigation of complaints on behalf of other Trusts. He is encouraged by working with great people to achieve continuing improvement in the care of patients, staff and finances at the Trust.

Steve also enjoys helping to lead in Shropshire, Telford and Wrekin, and within the National Orthopaedic Alliance to promote quality and efficiency.

## Craig Macbeth
## Finance Director / Deputy Chief Executive

Craig joined the Trust in 2008 as Deputy Director of Finance having previously worked at Shrewsbury and Telford Hospitals. He is the Trust’s Deputy Chief Executive.

Craig was instrumental in supporting the Trust’s sustainable services programme taking the lead on the contracting and commissioning elements. He subsequently led the finance team through the Foundation Trust application process and has more recently been leading the business planning for the Trust.

He became Acting Director of Finance in October 2015. He was later named Associate Director of Finance, before becoming Director of Finance on 1 April 2017.

## Kerry Robinson
## Director of Performance, Improvement and OD

Kerry started at RJAH in July 2016 as Director of Strategy and Planning. Kerry joined from the Countess of Chester Hospital NHS Foundation Trust where she was Assistant Director of Planning. She began her NHS career in 2008 at the Countess of Chester Hospital, having trained as an accountant.

As of 1 April 2019, Kerry's role changed to become lead director of Performance and the management of Information as well as retaining her existing roles as lead director for Service Improvement and Research alongside her responsibility of implementing the Trust's Organisational Development Strategy.

Kerry has a passionate belief in caring for staff to deliver patient focused service design through successful partnership working and clinical engagement at all levels.

## Changes to the Board of Directors

During 2019/20 the following changes have been made to the Board of Directors:

### Starters

| Director | Date of Change |
|---|---|
| Sarah Bloomfield, Interim Director of Nursing | 11 March 2019 |
| Stacey Keegan, Director of Nursing | 1 November 2019 |
| Kerry Robinson, Director of Performance, Improvement and OD | 1 November 2019 |
| Rachel Hopwood, Non-Executive Director | 1 December 2019 |

### Leavers

| Director | Date of Change |
|---|---|
| Bev Tabernacle, Director of Nursing | 11 March 2019 |
| Sarah Bloomfield, Interim Director of Nursing | 18 October 2019 |
| Nia Jones, Director of Operations | 31 October 2019 |
| Alastair Findlay, Non-Executive Director | 30 November 2019 |

In addition to the above the Trust's substantive Chief Executive, Mark Brandreth went on secondment to work for NHS England as part of the National Covid Response Team. Mark's secondment commenced on 16 March 2020 and is anticipated to conclude on 30 September 2020. In his absence Stacey Keegan was appointed Acting Chief Executive.

## Declarations of Interest of the Board of Directors

The Board undertakes an annual review of its Register of Declared Interests. At each meeting of the Board a standing agenda item also requires all directors to make known any interests in relation to the agenda.

The Register is available for inspection during normal office hours in the Trust Secretary's office and is also published on the Trust's website.

## Independence of Non-Executive Directors

The Trust assesses the independence of its Non-Executive Directors against the FT Code of Governance.

## Cost allocation and charging guidance

The Trust has complied with the above guidance issued by HM Treasury.

## Modern Slavery Act 2015

In accordance with the Act, the Trust has agreed and published its statement.

## Delivery of the 2019/20 Strategic Plan

During 2019/20 the Trust Board agreed six key aims under the four headings Caring for Patients, Caring for Staff, Caring for Finances and Regulatory Action. These were translated into 6 key objectives with a clearly defined measurable target for each. The table below provides a position statement against each of the objectives (as at 31 March 2020).

| Annual Objective | | Delivered by | Q4 Progress | Q 1 | Q 2 | Q 3 | Q 4 |
|---|---|---|---|---|---|---|---|
| 1. Achieving outstanding patient safety. | | | | | | | |
| 1.1 | **Reduce unwarranted variation with a focus in 19/20 upon reducing avoidable harm** | • Lower UTIs in older people are diagnosed and treated in line with NICE guidance for 90% cases by year end<br>• All new devices across all disciplines are reviewed and approved through the New Devices and Procedures Committee<br>• Older people have recognised falls prevention measures in place. 80% compliance by year end.<br>• Implement quarterly audits of compliance with patient observations including NEWS.<br>• Ensure correct level of patient deterioration training available to reach trust wide compliance of 80% by year end. | The work for diagnosing and treating lower UTIs in older people in line with NICE guidance is on track as is the process for the review and approval of new devices.<br><br>The submission of Q4 data for CQUINS was not required but Q1-Q3 targetswere fully met. The specialist CQUIN is also anticipated to have been fully met.<br><br>Quarterly audits of compliance with patient observations were carried out for Q1 and the results are to be presented to the next Patient Deterioration Committee. The availability of training in the management of deteriorating patients has been reviewed with capacity increased for 2019/20.<br><br>In the March 2020 the Quality and Safety committee received an update on GIRFT. There is excellent compliance with standards as the Trust has been compared with other Trusts including a review of Coding and of Radiology as well as Orthopaedics. We have raised a challenge over GIRFT's unaccountable difference of opinion on the value of uncemented hip replacements.. | G | G | A | A |
| 2. Delivering outstanding outcomes and experiences. | | | | | | | |
| 2.1 | **Increased focus on MSK population health** | • Alternative contract model in place for 2020/21 more focused upon value than volume.<br>• Roll out of Q Lab improvement programme<br>• Stabilisation of SOOS to be measured through improved KPI performance | Through the system work and as agreed at BoD in January 2020 the MSK Alliance model had been agreed with a proposal for new contracting to be in place within 2020/21. The recent covid-19 situation has paused progress and the finalisation of such.<br>Q Lab improvement work was rolled out and the national Q Lab learning and evaluation report has been published.<br>SOOS stabilisation plans had been activated and KPI's showed the improvement of such, this list size for Feb 2020 had reduced to 894 from a peak of 1,592, a reduction of 44% Referrals to secondary care had stabilised at c. 36% green rated against a bar of 39% conversion rates to surgery where higher than anticipated. | A | A | G | G |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **3. Delivering timely access to patient care** | | | | | | | |
| 4.1 | **Improving systems and processes for best care** | • Implementation of the internal audit recommendations linked to job planning<br>• Implementation of 6-4-2<br>• Overarching protocol in place with roll out of sub specialty | Internal audit recommendations linked to job planning have been partially implemented. The Job Planning Policy is to be reviewed by LNC. Full embedding of job plans through the use of Allocate and e-job planning tool is currently taking place.<br><br>Implementation of the 6-4-2 has been incorporated into the Theatre Improvement Plan with additional resource put in place. Implementation of the plan is underway with the first steps of 6-4-2 implemented.<br><br>Initial follow-up protocols have been agreed with the CCG primarily for arthroplasty to commence roll out. | **G** | **A** | **R** | **R** |
| **4. Being an extraordinary place to work.** | | | | | | | |
| 4.1 | **Focus on providing an environment for our workforce to 'flourish at** | • Staff survey results on bullying and harassment<br>• Sickness absence and voluntary turnover in hotspots<br>• WRES / Staff survey | Staff survey results on bullying and harassment gave a score of 8.4, an improvement on the prior year and above the average result of 8.3.<br>WRES report presented to the People Committee and Board of Directors. The EDI staff survey result was 9.4 for the Trust an improvement from 9.3 the prior year and above the average result of 9.2.<br>Sickness absence is not reducing despite workshops for managers and closed the year at 4.7%. The Trust is leading a piece of work on wellbeing in the National Orthopaedic Alliance which was launched in the 4th Quarter. | **G** | **G** | **A** | **A** |
| **5. Spending our money wisely.** | | | | | | | |
| 5.1 | **Develop a more clinically led infrastructure and meeting architecture**. | • Demonstrable increase in clinically led decisions<br>• Reduction in non-value added meetings<br><br>• Committee effectiveness to be measured | Clinical chairs appointed<br><br>Review of operational meeting structures has been undertaken and a review of sub-committees of the Board committees has been completed and streamlined.<br><br>Committee effectiveness assessments in place for Board committees and will be introduced in the sub-committees going forward. | **G** | **G** | **G** | **G** |
| 5.2 | **Achieve and maintain the Single Oversight Framework (SOF) score of 2 and seek to improve underlying measures.** | • Deliver control total trajectory for Income and Expenditure<br>• Deliver Agency Control total for core agency (Non LLP)<br>• Maintain cash balances at trajectory and enable repayment of financing commitments | • Control total achieved with support from system of £0.9m<br>• Core agency control total achieved<br>• Cash balances at year end in excess of plan due to slippage with capital programme. | **3** | **3** | **2** | **2** |

## Looking ahead for 2020/21

Looking ahead the strategic priorities will continue to be based on the Trust's ambition to be the leading centre for high quality, sustainable orthopaedic and related care, achieving excellence in both experience and outcomes for our patients. The Trust aspires to deliver world-class patient care.

The next fiscal year will focus on building on the great work of the last three years. It will involve looking at those performance targets that have not been achieved in 2019/20 and what actions need to be taken to achieve these. The Trust will ensure that patient safety and quality standards are maintained and at the fore of its business.

In summary our current strategy is;

1. We will become the local system integrator for MSK services.
2. We will develop a specialist orthopaedic chain.
3. We will deliver operational excellence.

| Operational Excellence | Culture and Leadership |
|---|---|
| • Focus on the operational detail, using good data.<br>• Embed and standardise safe processes.<br>• Define data enabled transformation schemes.<br>• Focus on unwarranted variation and waste, drive efficiency and value to ensure sustainability.<br>• Be as safe as we can be – CQC Outstanding. | • Clinically-led organisation.<br>• Rebuilding Relationships.<br>• Structured team development.<br>• Investing in leaders and aspiring leaders.<br>• Focused support for first line managers.<br>• Refine service improvement method and capability. |
| **Specialist Orthopaedic** | **Local MSK Services** |
| • Explore new markets.<br>• Leading work to develop a 'chain'<br>• National voice on our area of expertise.<br>• Maintain and secure our position as an excellent educator. | • Relevant.<br>• Part of the system.<br>• Management of Demand<br>• Underwriter of quality of care in the system.<br>• Long-term contractual model.<br>• Long-term expert and partner.<br>• MSK and orthopaedic services.<br>• Innovative and creative. |

It is recognised that the NHS as a whole is moving into a new era with the immediate challenges presented by Covid-19 but the ongoing challenges to recover and restore services. It is therefore anticipated that the Trust strategy may require review as events unfold and national requirements change to respond to the ongoing challenges.

# The Corporate Objectives for 2020/21

| Caring for Patients | | | |
|---|---|---|---|
| **1. Achieving outstanding patient safety** | | | |
| **Annual Objective** | **What will we achieve?** | **How will we achieve it?** | **Measure** |
| **Reduce unwarranted variation** | • Improved Board to Ward learning from patient safety incidents | • Develop a cascade approach to learning throughout and across the Units | • NHS Staff Survey results using 2019 as benchmark<br>• Utilise the year to date (March 2021) number of incidents and near misses reported in totality to compare against the same measurement the previous year |
| | • Continue the improvements to patient care when suspecting and treating sepsis | • Implement recommendations from the UK Sepsis Trust, including roll out of training plan. | • Sepsis training figures and reporting<br>• Quarterly audit of the 'Sepsis 6' screening tool and outcomes |
| | • Corporate and clinical policies in date with an appropriate audit plan | • Align Trust policies to the appropriate groups and committees for transparency and oversight | • Reduction in number of policies that have exceeded review date<br>Number of policy audits completed |
| **Increased focus on MSK population health** | • Work with our partners to deliver improved MSK services across the county | • Continued involvement with health and care system as a partner organisation to develop MSK pathways.<br>• Improve compliance with values based commissioning policies<br>• Launch of the Health Management App | • Deliver against agreed KPIs for MSK Alliance<br>• Reduced unnecessary surgical interventions |

| | | | |
|---|---|---|---|
| **2. Delivering timely access to patient care** | | | |
| **Improving systems and processes for best care** | • Deliver new approaches to outpatient care<br>• Optimise the amount of research being done across the Trust<br>• Implement and embed RJAH improvement methodology | • Preparation for implementation of a new electronic patient record.<br>• Implementation of the theatre improvement project<br>• Implementation of new follow up models and virtual clinic technology | • The number of newly developed attendances or reduction in attendance of new OP model.<br>• At March 2021 show a year to date reduction in theatre cancellations from the year to date position March 2020.<br>• Delivery of financial stability of the Trust's research service |
| **Caring for Staff** | | | |
| **3. Being an extraordinary place to work** | | | |
| **Focus on providing an environment for our workforce to 'flourish at work'** | • Improve staff wellbeing<br>• Develop new workforce models<br>• Develop and implement a nursing strategy | • Embed our new organisational structure<br>• Review the role of specialist nurses and AHPs<br>• Produce specific departmental level plans for addressing staff survey improvements | • Staff absence reduced by 1%<br>• By March 2021 be fully established for band 5 nurses<br>• Measures by appointment of Consultant Wellbeing Champion with reports and actions |
| **Caring for Finances** | | | |
| **4. Spending our money wisely** | | | |
| **Develop a more clinically led infrastructure and meeting architecture** | • Implementation of unit governance structure<br>• Implement supporting board committee structure<br>• Review of clinical representation in meetings | • Embed our clinically led structure<br>• Embed new meeting structure and performance management framework with clinical accountability | • Increased effectiveness of our committees measured through the committee review process.<br>• Demonstrable increase in clinically led decisions. |
| **Achieve and maintain the Single Oversight Framework score of 2 and seek to improve underlying measures** | • Maintain use of resources | • Delivery of control total trajectory for Income and Expenditure<br>• Delivery of agency control total for core agency<br>• Maintain cash balances at trajectory and enable repayment of financing commitments | • At March 2021 delivering the planned surplus for financial year 2020/21. |

## Better Payment Practice Code

The Better Payment Practice Code requires the Trust to pay invoices within 30 days of receipt of the goods or receipt of the invoice, whichever is later, with performance being measured in terms of both number and value of invoices.

During 2019/20 the Trust paid 93% of the number of invoices and 87% of the value of invoices within the target and no interest was due in respect of any of these invoices.

| | 2019/20 | | 2018/19 | |
|---|---|---|---|---|
| | Number of invoices | Value in £000s | Number of invoices | Value in £000s |
| Total invoices paid | 38,655 | 83,226 | 38,235 | 79,251 |
| Invoices paid within target | 35,901 | 72,166 | 35,420 | 75,226 |
| Percentage paid within target | 93% | 87% | 93% | 95% |

## Quality Governance

Quality in the NHS encompasses three domains – Patient Safety, Patient Experience and Clinical Outcomes. The Trust's work in this area embraces a number of strands of work including complaints, clinical effectiveness and risk. All these elements are critical in ensuring our patients and their carers receive excellent care, and the Trust continues to meet its core values.

All staff have responsibility for safety and quality. There are, however, designated roles within the Trust who lead or are directly involved in these activities under the executive lead of the Director of Nursing, the Medical Director, with the Chief Executive being ultimately responsible.

The Trust has will be producing a Quality Account for 2019/20 which sets out its priorities and objectives in relation to quality improvements for the year however, due to the impact of Covid-19 this has been delayed and will be published later in the year. The usual assurance work over Quality Accounts for 2019/20 undertaken by our external auditors has been suspended, again due to the impact of Covid-19, this is in line with national guidance.

The Trust is currently in the process of reviewing its Quality Strategy to ensure continued alignment to the Trust's priorities and overall strategy going forward.

The Trust has in place a robust governance framework to underpin the delivery of enhanced quality and further detail on this framework is contained within the Trust's Annual Governance Statement which can be found at page 71 of the Annual Report.

### Quality Governance Framework

The Quality Governance framework has been further assessed and is part of the Quality account declaration. The Trust remains compliant with this framework and this is supported by internal audit reviews during 2019/20.

## Quality Outcomes

The Trust contributes to the National Registries to collect outcomes data. Currently these include:

- British Spine Registry
- National Ligament Registry
- UK Hand Registry
- Foot and Ankle Registry (BOFAS)
- British Hip Registry (NAHR)

The Trust also uses the National Joint Registry (NJR) to collect procedure details and the Trust's outcomes data is submitted directly by NHS Digital from data collected from the NHS PROMs Programme England.

The Quality Outcomes manager and individual Consultants have access to the outcomes data held in registries and the individual consultant reports are used to inform their appraisals.

Results from surgical procedures are obviously analysed in arrears and the latest results were presented to the Board of Directors in July 2019. The Trusts performance with hip and knee replacements, reported by the National Joint Registry and HQIP, including Patient Reported Outcome Measures (PROMS) analysis covered the period 2017/18 and previous years. We compare ourselves with our neighbouring Trust, Shrewsbury and Telford Hospital NHS Trust and with the other 4 Specialist Orthopaedic Providers, Wrightington, Wigan and Leigh, Oxford University Hospital, Royal Orthopaedic Hospital and The Royal National Orthopaedic Hospital.

For **primary knee replacements** our patients were the "most improved" at 97.4% rating themselves as having improved, with the highest average adjusted post op Q score 37.535, the highest adjusted average health gain 18.54 and the most consistent outcome with the lowest standard deviation of adjusted health gain of 8.039.

For **revision knee replacement** we also were the highest average for post op Q score 29.185. The highest health gain 14.87, the most improved 96.3%, but, we were second in the adjusted average post op Q score at 30.941, and second with the adjusted average health gain of 14.392, but the most consistent in outcome with the standard deviation of 9.435.

For **primary hip replacements** we were the best in class for average post op Q scores 40.745, the best for health gain 25.615, the best for average adjusted post op Q score 40.973 and the second for the adjusted average health gain of 23.574 and average for our consistency.

For **revision hip replacements** our patients had the worst pre-operative scores of 18.357, the highest average post op Q scores at 36.024, the highest Health Gain at 17.667, the most improved patients at 97.6%. Our patients had the highest adjusted average post op Q score 36.411, the highest adjusted health gain of 15.912 and the second most consistent with a standard deviation of adjusted health gain of 9.404.

Looking at the funnel plots, we are an outlier for better results in the adjusted primary knee replacements outcomes scores, and for the last 4 consecutive years have shown improvements each year. We are also better than average for revision knee replacement outcomes scores (adjusted) with improvement for each of the last 3 consecutive years.

For primary hip replacement we are significantly better than average for the adjusted outcome scores with 4 years of consecutive improvement since 2014, and for revision hip replacements we are better than average, again with improvements for each of the last 4 years.

In conclusion, we are a high volume provider of primary and revision knee and hip replacements, with outstanding results and, most importantly, with improving results on an annual basis for at least the last 3 consecutive years.

## Patient Care Activities

We are aligned to the requirements of national strategy in that quality is at the core of all we do. Our aim is to continue delivering outstanding patient care to every patient every day. We pride ourselves in the standards we achieve and in the feedback from our patients on the quality of our services.

We aim to safeguard our patients, both adults and children, at all times. This is achieved through clear policies and procedures that protect and support patients and their families during their stay and beyond. This also means working in partnership with other agencies to get the right outcome for our patients.

For quality to flourish we need to recognise the need to change and to improve where systems and processes are hindering our staff to deliver high quality care to patients every day. We need to set a clear vision so staff and patients understand what our aims and goals in delivering that high quality service look like and how they can contribute to enhancing our services.

There needs to be clear lines of responsibility for safety and quality from board to ward/departments with each person including those using our services understanding their roles and responsibilities in ensuring improvements are made. Even the smallest change can make a difference to the patient, carer or staff experience.

The quality of the services we provide to patients is routinely reviewed by our Commissioners as part of monthly performance reviews that consider summary dashboard reporting on Trust wide quality issues. These provide opportunity for any areas of concern to be discussed and reviewed.

Quality risks are identified from the Trust's risk management processes and are monitored, managed and mitigated at local, divisional and corporate levels. Each risk is clearly defined and includes clear action plans to control and mitigate the risk.

The corporate risk register and Board Assurance Framework are reviewed quarterly by the Board and identify the key quality risks for the organisation with clear mitigations and action plans.

During 2019/20 the Trust introduced Quality Reports to be produced by each Division and these have provided a good basis for scrutiny and challenge of the quality performance at divisional level. These have continued to evolve and for the forthcoming year have been aligned to the Trust's performance metrics and the CQC standards in order to provide a cohesive overview and response of quality performance with a focus on patient engagement.

## Performance Against Key Health Care Targets

The Trust has continued to make excellent progress in improving the quality of care for our patients; this is measured through the production of our integrated performance reports.

In September 2017 the Trust agreed its Quality Improvement Strategy. In this we set out our Quality aims for the next five Years and throughout 2019/20 the Trust has continued to work towards the delivery of these aims which informs the clinical priorities for the coming year. The performance against health care targets provides a platform in which the Trust is able to meet the recommendations contained within the long term plan

## Our Quality Aims

**Aim 1 – Reducing Patient Harm**

- *Prevent avoidable deaths*
- *Managing the deteriorating patient*
- *Ensuring the safe transfer of patients to and from the hospital*

**Aim 3 – Improving Documentation**

- *Audit Process*
- *Review of Pathways*
- *Improving consistency*

**Aim 2 – Reviewing leadership roles and accountability**

- ***Divisional Structure***
- ***Performance Review Process***
- ***Cultural Behavioural Characteristics***

**Aim 4 – Providing effective and reliable care**

- *100% Delivery of WHO checklist*
- *Implementation of the Sepsis care bundle*
- *Continued development of the STAR accreditations process*

In addition the Trust has in place a Patient Experience Strategy. The Strategy outlines a number of Always events and also starts our journey on co-production with our patients.

## Always Events

Always Event 1: Improve the patient journey
We will improve the experience of our patients and carers from their first contact with the Trust, through to their safe discharge from our care.

Always Event 2: Improving communication
We will improve the information we provide to enhance communication between our staff, patients and carers.

Always Event 3: Meet care needs
We will meet our patients' physical, emotional and spiritual needs while they are using our services, recognising that every patient is unique.

This strategy will underpin our efforts to achieve out Always Events with our staff, patients and the public, commissioners and partner organisations. An annual evaluation of progress towards our ambitions will be undertaken and published on the Trust's website.

## Listening to Patients and Carers

Collecting Patient experience data is an important part of monitoring the quality of care provided at the RJAH and helps promote an open learning culture by identifying and sharing examples of good complaints practice and learning that was identified through patient feedback.

The table below shows overall patient feedback in 2019/20 compared to 2018/19:

| Feedback | 2019/20 | 2018/19 | Diff from 2019/20 to 2018/19 |
|---|---|---|---|
| Complaints | 112 | 105 | 7 |
| Local resolution | 29 | 46 | -17 |
| PALS concerns | 353 | 558 | -205 |
| PALS info requests | 1085 | 856 | 229 |
| Compliments | 4996 | 4721 | 275 |

# Key Highlights

## CQC Action Plan

During December 2018, the CQC carried out an inspection of the Trust and the outcome of this inspection was published in February 2019. This showed the Trust to be 'Good' overall with 'Outstanding' achieved for caring. The breakdown of ratings is shown in the table below:

**Ratings for The Robert Jones and Agnes Hunt Hospital**

| | Safe | Effective | Caring | Responsive | Well-led | Overall |
|---|---|---|---|---|---|---|
| Medical care (including older people's care) | Good ↑ Feb 2019 | Good ↑ Feb 2019 | Outstanding ↑ Feb 2019 | Good ↑ Feb 2019 | Good ↑ Feb 2019 | Good ↑ Feb 2019 |
| Surgery | Good ↑ Feb 2019 | Good →← Feb 2019 | Good →← Feb 2019 | Good →← Feb 2019 | Good →← Feb 2019 | Good →← Feb 2019 |
| Critical care | Requires improvement →← Feb 2019 | Requires improvement →← Feb 2019 | Good →← Feb 2019 | Good ↑ Feb 2019 | Requires improvement ↓ Feb 2019 | Requires improvement →← Feb 2019 |
| Services for children and young people | Good ↑ Feb 2019 | Good ↑ Feb 2019 | Outstanding ↑ Feb 2019 | Good →← Feb 2019 | Good ↑ Feb 2019 | Good ↑ Feb 2019 |
| Outpatients | Good Feb 2019 | N/A | Good Feb 2019 | Good Feb 2019 | Good Feb 2019 | Good Feb 2019 |
| Diagnostic imaging | Good Feb 2019 | N/A | Good Feb 2019 | Good Feb 2019 | Good Feb 2019 | Good Feb 2019 |
| **Overall*** | Good ↑ Feb 2019 | Good ↑ Feb 2019 | Outstanding ↑ Feb 2019 | Good ↑ Feb 2019 | Good ↑ Feb 2019 | Good ↑ Feb 2019 |

In response to the inspection report the Trust put in place a robust action plan to address the areas for improvement highlighted by the CQC. Completion of this action plan has been monitored via the

Quality and Safety Committee with all actions except two completed. The two ongoing actions relate to the Trust's system for robust implementation of the accessible information standard and the ongoing work to mitigate risks of non-compliance with national standards for critical care. These two actions are being taken forward by the CQC Group chaired by the Chief Nurse. The general themes for the actions that have been undertaken can be categorised as follows:

- Ensuring robust policy management
- Monitoring of staff training compliance down to departmental level
- Review of the High Dependency Unit against the Critical Care Standards
- Continued addressing of staff bullying and harassment in known pockets of the organisation

The Trust was due to undergo a further inspection in Quarter 4 of 2019/20 however, this was paused in light of the Covid-19 pandemic.

## Patient Feedback

The Trust offers patients many mediums to feedback including email, Twitter and Facebook accounts and via the NHS Choices website. All feedback is shared with the clinical areas and is responded to by the Communications Team.

In addition the Trust has in place a robust complaints process which enables patients to raise concerns formally. These are all investigated in line with the Trust's complaints policy and action plans put in place, where applicable, to ensure learning and improvement.

## Friends and Family Question

The Friends and Family Test (FFT) is an important feedback tool that provides a measure of patient experience that is used alongside other sources of patient insight data. Listening to the views of patients helps identify what is working well, what can be improved and also informs patient choice.

The FFT question asks patients if they would recommend our services they have used to family and friends and offers a range of responses. From April 2020, a new question will replace the original FFT question and invites feedback on a patients overall experience of using Trust services. Processes are in place to implement this change.

The Trust has been collecting FFT data in 'Real time' since November 2018 allowing staff on wards and clinics the opportunity to view and respond instantly to the patient feedback responses.

A range of collection methods are used including iPads, QR codes, paper surveys and more recently SMS texting; which has been a success improving the response rates in outpatient clinics since November 2019 and reduced the reliance on paper cards.

For 2019/20, 99% of 14,847 patients asked would recommend the Trust with 47.68% of inpatients providing a response when asked at discharge. see below table:

| | FFT Score | Promoters – Extremely Likely | Passive – Likely | Detractors – Not at all | Detractors – Neither Likely not Unlikely | Detractors – Unlikely | Don't Know |
|---|---|---|---|---|---|---|---|
| Inpatients | 99.17% | 6333 | 309 | 18 | 11 | 20 | 5 |
| Outpatients | 98.16% | 7476 | 526 | 59 | 35 | 33 | 22 |

The Trust is committed to improving the percentage of patients who would recommend the Trust and recognise that there is always room to improve our patient's perception of their experience. The comments that are received from the patients are shared with the relevant clinical areas to ensure that any areas for improvement can be addressed.

The results for the Trust over the last four years are as follows based on the average percentage of patient's who would recommend the Trust to friends and family as a place to receive treatment and care:

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|
| National Average | 96% | 96% | 96% | 96%(to Jan 2020) |
| Highest Score | 100% | 100% | 100% | 100%(to Jan 2020) |
| Lowest Score | 75% | 64% | 76% | 73%(to Jan 2020) |
| Robert Jones and Agnes Hunt | 100% | 99% | 99% | 99% |

The RJAH achieved an average monthly rank of 4th out of 146 NHS Trusts in England, making it one of the top performing NHS Trusts in the country.

## Stakeholder Relations

Stakeholder relationships have continued to be supportive and positive during 2019/20. We meet with commissioners from the various commissioning parties throughout the year and Shropshire CCG has undertaken a number of visits to the Trust in their role as the commissioning body.

We have an excellent relationship with our local Health Watch and have regular meetings in place to share intelligence regarding their consultation events. Further one of our Stakeholder Governors is the Chair of the Health and Adult Social Care Overview and Scrutiny Committee.

## NHS Improvement's Well Led Framework

The Trust's work on well led is outlined in the Trust's Annual Governance Statement which is included in this report.

## Section 43 (2A) NHS Act 2006 Statements Regarding Income Disclosures

The Trust has fulfilled its principal purpose as its total income from the provision of goods and services for the purposes of the health service in England has been greater than its total income for the provision of goods and services for any other purposes.

Private practice complements the NHS services provided by the Trust and makes up a very small amount of our overall activity. Private patients only use facilities when they are not required for the NHS and this generates extra income which is used to enhance services and, in turn, benefits NHS patients every year.

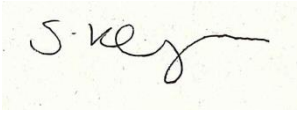
## Statement as to disclosure to auditors

For each individual director who was a director at the time this report was approved:

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

A director is regarded as having taken all these steps that they ought reasonably to have taken as a director in order to do the things mentioned above and:

- Made such enquiries of his/her fellow directors and of the Trust's auditors for that purpose; and
- Taken such steps (if any) for that purpose, as are required by his/her duty as a director of the Trust to exercise reasonable care, skill and diligence.



Stacey Keegan
Acting Chief Executive Officer

23 June 2020

# Remuneration Report

This report includes details regarding “senior manager’s” remuneration in accordance with the following:

- Sections 420 to 422 of the Companies Act 2006 as they apply to foundation trusts;
- Regulation 11 and Parts 3 and 5 of Schedule 87 of Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410);
- Parts 2 and 4 of Schedule 8 of the Regulations as adopted by Monitor and
- Elements of the NHS Foundation Trust Code of Governance.

The Trust considers that disclosures in this report and the staff report meet the requirements of the NHS Act 2006 on the work of the Trust’s Remuneration Committee.

## Annual Statement on Remuneration by the Chairman of the Nomination and Remuneration Committee (Trust Chairman, Mr Frank Collins)

The membership of the Nomination and Remuneration Committee is as follows:

- Frank Collins, Chairman
- Chris Beacock, Non-Executive Director
- Rachel Hopwood, Non-Executive Director
- David Gilburt, Non-Executive Director
- Harry Turner, Non-Executive Director
- Paul Kingston, Non-Executive Director

In addition the Chief Executive and Director of People have been in attendance as requested by the Committee and it should be noted that prior to his departure Alistair Findlay, Non-Executive Director was also a member of the Committee.

The Nomination and Remuneration Committee met eight times during the year (April, May, July, August, September, October, November 2019 and March 2020), and approved changes to the senior management structure to strengthen the Board of Directors as follows:

- Appointment of the Interim Director of Nursing following approval for the substantive Director of Nursing to take up a secondment position in SaTH – *May 2019*
- Approval of the Managing Director roles – *August 2019*
- Approval of the Director of Performance, Improvement and OD becoming an official member of the Board and including voting rights – *September 2019*
- Update provided on the Interim Director of Nursing role and the Interim Chief Nurse – *October 2019*
- Recruitment of the substantive Chief Nurse – *March 2020*
- Appointment of Acting Chief Executive – *March 2020*
- Approval of increased responsibilities for the Director of Finance and Planning and Director of Performance, Improvement and OD – *March 2020*

The Nomination and Remuneration Committee also approved the redundancy of the post of Director of Operations.

All of the members of the Committee attended all meetings with the exception of the following:

- Frank Collins gave apologies for the August and November meetings
- Harry Turner gave apologies for the August meeting
- Alastair Findlay gave apologies for the July meeting
- David Gilburt gave apologies for the September meeting
- Chris Beacock gave apologies for the April, May, August and November meeting
- Paul Kingston gave apologies for the April, May, August and October meeting

### Senior Managers' Remuneration Policy

The remuneration of the Chief Executive and Executives directly accountable to the Chief Executive is determined by the Remuneration Committee. Details of the membership of this Committee and

attendance at its meetings are set out above and in the Foundation Trust Governance section of the report.

The Executive and Associate Directors' Remuneration framework, which was not subject to formal consultation, is agreed by the Committee and determines remuneration of the Chief Executive and Executives directly accountable to the Chief Executive. This Framework was last reviewed and updated at the Remuneration Committee of August 2017.

### National Context

The Committee will take into consideration any guidance given from the Department of Health regarding public sector pay including the inflation uplifts.

## Pay Comparators

Salaries are benchmarked against the NHS Chief Executives and Directors Salary Surveys and NHS Improvement Pay Comparators.

Ranges for each post are agreed based on this information.

## Performance-Related Pay and Assessment Process

The Executive and Associate Directors Remuneration Framework policy states that Directors may earn a maximum of 3% Performance-Related Pay annually.

Directors will be set annual objectives which address the following six areas:

- Annual Corporate Objectives
- Corporate Risks
- Supporting Strategies
- Other e.g. legislative
- Standards of Business Conduct & Trust Values
- Personal Development

Performance-related pay will not be consolidated for a period of 12 months, and is not therefore pensionable for this period. After 12 months, performance-related pay will be consolidated into the director's salary subject to sustained full-year financial performance and subject to upper salary limits based on benchmarking information.

There is no provision for the recovery of sums paid to a Director following confirmation of sustained performance.

The directors all hold permanent contracts, which include a six months' notice period.

None of the directors' contracts include any provision for compensation for early termination of employment.

The full Council of Governors determined the remuneration for Non-Executive Directors in 2011 and review remuneration levels periodically via the Council of Governors Remuneration Committee.

During 2019/20 the Council of Governors appointed a new Non-Executive Director, Rachel Hopwood, following the end of Alastair Findlay's term as Non-Executive Director. Also, the Council of Governors extended Chris Beacock's and Harry Turner's term for a further 3 years. Harry was appointed the Senior Independent Director replacing Alastair Findlay.

## Future Policy

The Trust's future policy is as outlined in the table below:

| Item | Salary/Fees | Taxable Benefits | Annual Performance Related Bonus | Long Term Related Bonus | Pension Related Benefits |
|---|---|---|---|---|---|
| **Support for the short and long term objectives of the Foundation Trust** | Ensure the recruitment and retention of directors of sufficient calibre to deliver the Trust's objectives | All payments made relate to car lease or car allowance for staff with significant travel requirements for their role | As per the Performance Related Pay and Assessment Process section above | None paid | Ensure the recruitment and retention of directors of sufficient calibre to deliver the Trust's objectives |
| **How the component operates** | Paid in even twelfths | Paid in even twelfths | As per the Performance Related Pay and Assessment Process section above | None paid | Employee and employer contributions |
| **Maximum payment** | As set out in Senior Managers' Remuneration Table | As set out in Senior Managers' Remuneration Table | As per the Performance Related Pay and Assessment Process section above | None paid | As set out in Senior Managers' Remuneration Table |
| **Framework used to assess performance** | Trust appraisal system | Not applicable | As per the Performance Related Pay and Assessment Process section above | None paid | Not applicable |

| Item | Salary/Fees | Taxable Benefits | Annual Performance Related Bonus | Long Term Related Bonus | Pension Related Benefits |
|---|---|---|---|---|---|
| **Performance measures** | Tailored to individual posts | Not applicable | As per the Performance Related Pay and Assessment Process section above | None paid | Not applicable |
| **Amount paid for minimum level of performance and any further level of performance** | Salaries are agreed on appointment and set out in the contract of employment | Not applicable | As per the Performance Related Pay and Assessment Process section above | None paid | Not applicable |
| **Explanation of whether there are any provisions for recovery of sums paid to directors or provisions for withholding payments** | Any overpayments may be recovered | Any overpayments may be recovered | Any overpayments may be recovered | None paid | Any overpayments may be recovered |

Non-executive Directors are appointed on fixed terms contracts, normally three or four years in length, and they do not gain access to the Pension Scheme as a result of this engagement. The fee payable to Non-executive Directors is set out in the tables on the next pages. They do not receive any other payments from the Trust.

Any changes to the future policy will be discussed by the Remuneration Committee taking account of national arrangements.

## Service Contract Obligations

There are no obligations on the Trust which could give rise to, or impact on, remuneration payments or payments for loss of office but which are not disclosed elsewhere in the remuneration report.

## Policy on Payment for Loss of Office

Notice periods for all Executive Directors are set at six months. Any payments for loss of office will be made in accordance with NHS Terms and Conditions of Service and HM Treasury guidance 'Managing Public Money' where appropriate.

## Statement of Consideration of Employment Conditions

Employment conditions for Senior Managers mirrors those set out in Agenda for Change. The remuneration policy takes account of national pay comparators provided by NHS Improvement and the scale of any inflationary pay award.

# Annual Report on Remuneration

## Service Contracts

For each senior manager who has served during the year, the date of their service contract, the unexpired term and details of the notice period are set out below:

| Officer | Start date | Unexpired term | Notice period |
|---|---|---|---|
| Collins, F Chairman | 1 February 2015 | 31 January 2021 | N/A |
| Beacock, C Non-executive Director | 4 July 2016 | 3 July 2022 | N/A |
| Findlay, A Non-executive Director | 1 November 2013 | 31 October 2019 | N/A |
| Hopwood, R Non-executive Director | 1 December 2019 | 30 November 2021 | N/A |
| Gilburt, D Non-executive Director | 1 December 2015 | 30 November 2021 | N/A |
| Turner, H Non-executive Director | 1 January 2017 | 31 December 2022 | N/A |
| Kingston, P Non-executive Director | 1 January 2019 | 31 December 2021 | N/A |
| Brandreth, M Chief Executive | 1 April 2016 | N/A | 6 months |
| Tabernacle, B Director of Nursing/ Deputy Chief Executive | 1 January 2016 | 18 March 2019 | 6 months |
| White, S Medical Director | 1 June 2012 | N/A | 6 months |
| Macbeth, C Finance Director | 1 April 2017 | N/A | 6 months |
| Jones, N Director of Operations | 1 April 2017 (Interim)<br>1 August 2017 (Substantive) | N/A<br>31 October 2019 | 6 months |
| Bloomfield, S Interim Director of Nursing | 11 March 2019 | N/A | 1 month |
| Robinson, K Director of Performance, Improvement and OD | 1 November 2019 | N/A | 6 months |
| Keegan, S Director of Nursing | 18 November 2019 (Interim)<br>1 February 2020 (Substantive) | N/A | 6 months |

## Disclosures Required by Health and Social Care Act

The following information is required by section 156 (1) of the Health and Social Care Act 2012, which amended paragraph 26 of Schedule 7 to the NHS Act 2006

### Senior Managers' Remuneration

For the purposes of this report 'senior managers' are defined as 'those persons in senior positions having authority or responsibility for directing the major activity of the Trust. The Trust's Chief Executive has agreed the definition.

The value of pension related 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. This derived value 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 could provide. The pension entitlement table provides further information on the pension benefits accruing to the individual.

**Senior Managers Remuneration 2019/20**

| Name and Job Title | Salary & fees (bands of £5,000) | Taxable benefits (to nearest £100) *Note 1* | Annual performance related bonuses (bands of £5,000) | Sub total of remuneration paid by the Trust (bands of £5,000) | | All pension-related benefits (bands of £2,500) *Note 2* | Total (bands of £5,000) |
|---|---|---|---|---|---|---|---|
| | £'000 | £ | £'000 | £'000 | | £'000 | £'000 |
| Frank Collins<br>Chairman | 35 - 40 | | | 35 - 40 | | | 35 - 40 |
| Chris Beacock<br>Non Executive Director | 10 - 15 | | | 10 - 15 | | | 10 - 15 |
| Alastair Findlay<br>Non Executive Director<br>*(to Oct 19)* | 5 - 10 | | | 5 - 10 | | | 5 - 10 |
| David Gilburt<br>Non Executive Director | 10 - 15 | | | 10 - 15 | | | 10 - 15 |
| Rachel Hopwood<br>Non Executive Director<br>*(from Dec 19)* | 0 - 5 | | | 0 - 5 | | | 0 - 5 |
| Paul Kingston<br>Non Executive Director | 10 - 15 | | | 10 - 15 | | | 10 - 15 |
| Harry Turner<br>Non Executive Director | 10 - 15 | | | 10 - 15 | | | 10 - 15 |
| Mark Brandreth<br>Chief Executive | 160 - 165 | 6,100 | 5 - 10 | 170 - 175 | | 72.5 - 75 | 245 - 250 |
| Craig Macbeth<br>Director of Finance | 100 - 105 | 4,600 | 0 - 5 | 110 - 115 | | 45 - 47.5 | 155 - 160 |
| Sarah Bloomfield<br>Director of Nursing<br>*(to Oct 19)* | 45 -50 | 0 | 0 | 45 -50 | | 135 - 140 | 180 - 185 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Stacey Keegan<br>Director of Nursing<br>*(from Nov 19)* | 30 - 35 | 0 | 0 | 30 - 35 | | N/A | 30 - 35 |
| Nia Jones<br>Director of Operations<br>*(to Sep 19)* | 45 - 50 | 2,310 | 0 | 45 -50 | | 27.5 - 30 | 75 - 80 |
| Kerry Robinson<br>Director of Performance<br>*(from Oct 19)* | 40 - 45 | 2,310 | 0 - 5 | 45 -50 | | 22.5 - 25 | 70 - 75 |
| Steve White<br>Medical Director | 140 - 145 | 0 | 0 | 140 - 145 | | 0 | 140 - 145 |

Notes

1. Taxable benefits relate to either a lease car or a car allowance.
2. Pension related benefits are based on the HMRC approved calculation and assume a pension will be drawn for 20 years from retirement. This excludes employee contributions.

## Senior Managers Remuneration 2018/19

| Name and Job Title | Salary & fees (bands of £5,000) | Taxable benefits (to nearest £100) *Note 1* | Annual performance related bonuses (bands of £5,000) | Sub total of remuneration paid by the Trust (bands of £5,000) | | All pension-related benefits (bands of £2,500) *Note 2* | Total (bands of £5,000) |
|---|---|---|---|---|---|---|---|
| | £'000 | £ | £'000 | £'000 | | £'000 | £'000 |
| Frank Collins<br>Chairman | 35 - 40 | | | 35 - 40 | | | 35 - 40 |
| Chris Beacock<br>Non Executive Director | 10 - 15 | | | 10 - 15 | | | 10 - 15 |
| Alastair Findlay<br>Non Executive Director | 10 - 15 | | | 10 - 15 | | | 10 - 15 |
| David Gilburt<br>Non Executive Director | 10 - 15 | | | 10 - 15 | | | 10 - 15 |
| Paul Kingston<br>Non Executive Director<br>*(from Jan 19)* | 0 - 5 | | | 0 - 5 | | | 0 - 5 |
| Hilary Pepler<br>Non Executive Director<br>*(to Nov 18)* | 5 - 10 | | | 5 - 10 | | | 5 - 10 |
| Harry Turner<br>Non Executive Director | 10 - 15 | | | 10 - 15 | | | 10 - 15 |
| Mark Brandreth<br>Chief Executive | 150 - 155 | 6,100 | 5 - 10 | 160 - 165 | | 62.5 - 65 | 225 - 230 |
| Craig Macbeth<br>Director of Finance | 95 - 100 | 6,300 | 0 - 5 | 100 - 105 | | 10 - 12.5 | 115 - 120 |
| Bev Tabernacle<br>Director of Nursing | 100 - 105 | 5,900 | 0 - 5 | 110 - 115 | | 0 | 100 - 105 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Nia Jones<br>Director of Operations | 85 - 90 | 4,600 | 0 - 5 | 90 - 95 | | 65 -67.5 | 155 - 160 |
| Steve White<br>Medical Director *Note 3* | 160 - 165 | 0 | 25 - 30 | 190 - 195 | | 0 | 35 - 40 |

Notes

1. Taxable benefits relate to either a lease car or a car allowance.
2. Pension related benefits are based on the HMRC approved calculation and assume a pension will be drawn for 20 years from retirement. This excludes employee contributions.
3. The Medical Director's salary includes payments relating to clinical duties. A clinical excellence award of £25 - £30k is included in the annual performance related bonus column.

## Governor and Director Expenses

The following table provides details of expenses claimed by either Directors or Governors during the reporting period and provides comparative data for the previous year. The majority of the expenses relate to travel.

| Name | Role | 2019/20 | 2018/19 |
|---|---|---|---|
| **Directors** | | | |
| Frank Collins | Chairman | £2,852 | £4,173 |
| Chris Beacock | Non-Executive Director | £379 | £587 |
| Alastair Findlay | Non-Executive Director | £629 | £955 |
| David Gilburt | Non-Executive Director | £2,106 | £1,578 |
| Harry Turner | Non-Executive Director | £3,270 | £1,676 |
| Mark Brandreth | Chief Executive | £1,799 | £2,143 |
| Craig Macbeth | Director of Finance | £1,207 | £105 |
| Bev Tabernacle | Director of Nursing | £0 | £265 |
| Kerry Robinson | Director of Performance | £263 | £0 |
| Steve White | Medical Director | £193 | £285 |
| **Governors** | | | |
| Peter David | Governor (Appointed) Voluntary Services Committee | £300 | £0 |
| Jan Greasley | Governor (Public) North Wales | £101 | £146 |
| Katrina Morphet | Governor (Public) Cheshire & Merseyside | £346 | £610 |
| Linda Ward | Governor (Public) Powys | £0 | £497 |
| | | | |
| **Total** | | **£13,445** | **£13,020** |

## Fair Pay Multiple

The HM Treasury FReM requires disclosure of the median remuneration of the Trust's staff and the ratio between this and the mid-point of the banded remuneration of the highest paid director (including that paid for work as other than a director). Directors are those defined as senior managers earlier in this report.

The calculation is based on full-time equivalent staff of the Trust at the reporting period end date on an annualised basis.

One employee received remuneration in excess of the highest paid director.

| | 2019/20 | 2018/19 |
|---|---|---|
| Mid point of banded remuneration of highest paid director | 192,500 | 192,500 |
| Median remuneration of all staff | 24,214 | 23,951 |
| Ratio | 7.9 | 8.0 |

## Pension Entitlement

The CETV in the table below is the actuarially assessed capitalised value of the pension scheme benefits accumulated by a member at a particular point in time. The benefits valued are the member's accumulated benefits and any contingent spouse's pension payable from the scheme. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The disclosures include accrued benefits derived from the member's purchase of added years of service and any "transferred-in" service.

| Senior Managers Pension Entitlement 2019/20 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name and Job Title** | **Real increase in pension at pension age (bands of £2,500)** | **Real increase in pension lump sum at pension age (bands of £2,500)** | **Total accrued pension at pension age at 31 March 2020 (bands of £5,000)** | **Lump sum at pension age related to accrued pension at 31 March 2020 (bands of £5,000)** | **Cash Equivalent Transfer Value at 31 March 2020** | **Cash Equivalent Transfer Value at 31 March 2019** | **Real increase in Cash Equivalent Transfer Value** |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Mark Brandreth<br>Chief Executive | 2.5 - 5.0 | 2.5 - 5.0 | 55 - 60 | 125 - 130 | 989 | 882 | 86 |
| Craig Macbeth<br>Director of Finance | 2.5 - 5.0 | 2.5 - 5.0 | 35 - 40 | 80 - 85 | 669 | 598 | 56 |
| Sarah Bloomfield<br>Director of Nursing<br>*(to Oct 19)* | 5.0 - 7.5 | 15.0 - 17.5 | 30 - 35 | 70 - 75 | 488 | 367 | 112 |
| Nia Jones<br>Director of Operations<br>*(to Sep 19)* | 0.0 - 2.5 | 0 | 15 - 20 | 0 | 183 | 156 | 22 |
| Kerry Robinson<br>Director of Performance<br>*(from Oct 19)* | 0.0 - 2.5 | 0 | 15 - 20 | 0 | 190 | 164 | 22 |

*Information provided by the NHS Pensions Agency*

*Note : Steve White has taken his pension so there are no figures to disclose and Stacey Keegan was recharged from another organisation so the information is not available.*

| Senior Managers Pension Entitlement 2018/19 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Name and Job Title | Real increase in pension at pension age (bands of £2,500) | Real increase in pension lump sum at pension age (bands of £2,500) | Total accrued pension at pension age at 31 March 2019 (bands of £5,000) | Lump sum at pension age related to accrued pension at 31 March 2019 (bands of £5,000) | Cash Equivalent Transfer Value at 31 March 2019 | Cash Equivalent Transfer Value at 31 March 2018 | Real increase in Cash Equivalent Transfer Value |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Mark Brandreth<br>Chief Executive | 2.5 - 5.0 | 2.5 - 5.0 | 50 - 55 | 120 - 125 | 882 | 701 | 160 |
| Craig Macbeth<br>Director of Finance | 0.0 - 2.5 | 0 | 30 - 35 | 75 - 80 | 598 | 501 | 83 |
| Bev Tabernacle<br>Director of Nursing | 0 | 0 | 35 - 40 | 110 - 115 | 762 | 661 | 81 |
| Nia Jones<br>Director of Operations | 2.5 - 5.0 | 0 | 15 - 20 | 0 | 156 | 96 | 58 |
| Steve White<br>Medical Director | 0 | 0 | 60 - 65 | 185 - 190 | N/A | N/A | N/A |

*Information provided by the NHS Pensions Agency*

*Note : Steve White is over normal retirement age in the existing scheme so a CETV calculation is not applicable.*

## Payments for Loss of Office

There were no payments for loss of office recorded in 2019/20.

## Payments to Past Senior Managers

No payments have been made to past senior managers during 2019/20.

# Staff Report

## Staff Costs

Staff costs are shown in the table below. Costs have increased mainly due to pay awards and incremental drift. In addition there has been an increase in staff establishment.

| | 2019/20 | | | 2018/19 |
|---|---|---|---|---|
| | Permanent £'000 | Other £'000 | Total £'000 | Total £'000 |
| Salaries & wages | 52,853 | 333 | 53,186 | 50,378 |
| Social security costs | 4,922 | - | 4,922 | 4,690 |
| Apprenticeship levy | 247 | - | 247 | 227 |
| Employer's contributions to NHS pensions | 8,932 | - | 8,932 | 5,880 |
| Pension cost - other | 14 | - | 14 | 7 |
| Termination benefits | 31 | - | 31 | 106 |
| Temporary staff | | 4,256 | 4,256 | 4,419 |
| **Total gross staff costs** | **66,999** | **4,589** | **71,588** | **65,707** |
| Recoveries in respect of seconded staff | -802 | - | -802 | -752 |
| **Total staff costs** | **66,197** | **4,589** | **70,786** | **64,955** |
| *Of which:* | | | | |
| *Costs capitalised as part of assets* | *321* | | *321* | *156* |

Note - employers contributions to NHS pensions increased from 14.38% to 20.68% from April 2019.

## Average number of employees

The average number of employees on a whole time equivalent basis (WTE) is shown in the table below, analysed over professional groupings.

| | 2019/20 | | | 2018/19 |
|---|---|---|---|---|
| | Permanent Number | Other Number | Total Number | Total Number |
| Medical & dental | 133 | 2 | 135 | 128 |
| Administration & estates | 538 | 21 | 559 | 480 |
| Healthcare assistants & other support staff | 182 | 24 | 206 | 254 |
| Nursing, midwifery & health visiting staff | 279 | 17 | 296 | 294 |
| Scientific, therapeutic & technical staff | 203 | 2 | 205 | 186 |
| Healthcare science staff | 8 | - | 8 | 12 |
| **Total average numbers** | **1,343** | **66** | **1,409** | **1,354** |

## Exit packages

All exit packages agreed in 2019/20 and 2018/19 are shown in the table below.

| | 2019/20 | | | 2018/19 | | |
|---|---|---|---|---|---|---|
| **Exit package cost band** | **Number of compulsory redundancies** | **Number of other departures agreed** | **Total number of exit packages** | **Number of compulsory redundancies** | **Number of other departures agreed** | **Total number of exit packages** |
| <£10,000 | - | 3 | 3 | - | 3 | 3 |
| £10,001 - £25,000 | - | 1 | - | - | - | - |
| £50,001 - £100,000 | 0 | - | 0 | 1 | - | 1 |
| **Total number** | **0** | **4** | **3** | **0** | **3** | **3** |
| **Total cost** | **£0** | **£31,000** | **£31,000** | **£100,000** | **£10,000** | **£110,000** |

Analysis of the non-compulsory payments:

| | 2019/20 | | 2018/19 | |
|---|---|---|---|---|
| **Exit package cost band** | **Number of agreements** | **Value of agreements** | **Number of agreements** | **Value of agreements** |
| Contractual payments in lieu of notice | 4 | £31,000 | 2 | £6,000 |
| Non-contractual severance payments requiring HMT approval | - | - | 1 | £4,000 |
| **Total number of exit packages** | **4** | **£31,000** | **3** | **£10,000** |

## Trade Union Facility

Through our Recognition Agreement, we recognise a number of Trade Unions and Professional Associations for the purpose of collective bargaining on behalf of **all employees** who are directly employed by the Trust, whether full time or part time, permanent or temporary.

The members of each of these organisations elect representatives who work with us to represent their members. They can be carrying out union duties, which means that under legislation, employers are obliged to pay elected representatives to carry it out. They can also be carrying out union activities – which means that employers are not legislatively obliged to provide paid time to elected representatives. The overarching term 'facility time' covers both union duties and activities.

Where facility time is paid, payment is made at the amount the representative would otherwise have received had they been at work. Where union duties are in addition to the normal contracted hours of the individual accredited representative, payment is made at single time or the equivalent time off given – no overtime pay is applicable.

It is our statutory duty to publish this information for the previous financial year by the end of July each year and our publications can be found via the following link: https://www.rjah.nhs.uk/About-Us/Publications/Corporate-Documents/Facility-Time.aspx

## Staff gender distribution

A breakdown of the number of persons who were directors of the Trust, senior managers and other employees during 2019/20 is shown below:

| | Male | Female |
|---|---|---|
| Executive Directors | 3 | 4 |
| Non-executive Directors | 5 | 2 |
| Other senior managers | 12 | 17 |
| Other employees | 410 | 1345 |
| Total | 430 | 1368 |

## Staff sickness absence

In light of pressures caused by the public sector response to COVID-19, sickness absence figures for 2019/20 are not provided within this report. Information published by NHS Digital can be found at https://digital.nhs.uk/dataand-information/publications/statistical/nhs-sickness-absence-rates

## Staff Equality and Diversity

The age, ethnic breakdown, staff gender distribution and number of staff with recorded disabilities is shown below:

The trust employed 1798 staff at 31st March 2020

The demographic profiles of our staff are shown below:

| Age Range | Headcount | % Headcount |
|---|---|---|
| 19 and below | 20 | 1% |
| 20 - 29 Years | 242 | 13% |
| 30 - 39 Years | 383 | 21% |
| 40 - 49 Years | 415 | 23% |
| 50 - 59 Years | 497 | 28% |
| 60 and above | 241 | 13% |
| Total | 1798 | |

| Gender | Headcount | % Headcount |
|---|---|---|
| Female | 1368 | 76% |
| Male | 430 | 24% |
| Total | 1798 | |

| Ethnicity | Headcount | % Headcount |
|---|---|---|
| Any Other Ethnic Group | 14 | 0.78% |
| Asian or Asian British | 63 | 3.51% |
| Black or Black British | 8 | 0.45% |
| Chinese | 4 | 0.22% |
| Mixed - Any mixed background | 10 | 0.56% |
| Not stated | 99 | 5.51% |
| White - British | 1505 | 83.69% |
| White - Other | 95 | 5.28% |
| Total | 1798 | |

| Part Time/Full Time | Full Time | Part Time | % Full Time | Total |
|---|---|---|---|---|
| Female | 531 | 837 | 39% | 1366 |
| Male | 310 | 120 | 72% | 430 |
| Total | 841 | 957 | | 1798 |

## Supporting Staff with Disabilities

The Trust's policies ensure full and fair consideration is given to all job applications from people with a disability and ensures adaptations and support are available to facilitate the continued employment and training of staff with a disability.

Recruitment data is collected and analysed to ensure applicants to the Trust are free from any form of discrimination. Candidates who declare themselves as having a disability and who meet the essential requirements of the job description and person specification are guaranteed an interview by the Trust.

In the event that a staff member becomes disabled while employed by the Trust, the Trust's policies ensure support, reasonable adjustments to the role or alternative roles are offered to enable them to remain in employment.

## Health and Safety

Health and Safety incidents are monitored on an ongoing basis throughout the year. All incidents are investigated and remedial actions taken to prevent or reduce the likelihood of reoccurrence. Those incidents reported that involve specified injuries, dangerous occurrences or result in a member of staff taking more than seven days off work as a result of a work-related accident are also reported to the Health and Safety Executive (HSE) under the Reporting of Injuries Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR).

During 2019-20 there were 5 incidents reported to the HSE under the requirement of the RIDDOR regulations. This is compared to 3 in 2018-19, 3 in 2017-18, 2 in 2016-17 and 1 in 2015/16.

The Trust has a pro-active programme of safety inspections which are carried out by Staffside union accredited safety representatives in conjunction with the Health and Safety Advisor. The Governance department has instigated a 'Safety Champions' initiative in order to raise the profile of safety throughout the Trust.

The Health and Safety Committee meets on a bi-monthly basis and a Chair's report is presented to the Trust Risk Management Committee.

Key health and safety actions in 2019-20 include:

- All patient safety alerts received via the Department of Health Central Alerting System were actioned and completed before their respective deadlines.
- The establishment of a 'safer sharps' working group to improve patient and staff safety and ensure compliance in legislation.
- Completion and independent audit of the NHS Premises Assurance Model (PAM) for Estates and Facilities which gave assurance that the department's governance and safety activities were effective.

## Staff Engagement

Culture and Leadership is one of the four strategic themes and its work streams underpin the five year People Plan: Make the Difference which has the objective: "To continuously improve our performance through consistently bettering our employee experience" and ambition: "to be an extraordinary place to work" and cultural aim: "to move from 'Rebuilding Relationships' to everyone wanting to 'Make the Difference'".

## Countering fraud and corruption

The Trust has in place a Local Counter Fraud Specialist who oversees any investigations of potential fraud. On an annual basis the Trust assesses the effectiveness of its counter fraud service and this is reported to the Audit Committee.

The Trust has in place security and counter fraud policies to ensure compliance with NHS Counter Fraud Authority guidance. The Trust has an established Counter Fraud Protocol which outlines the role of the Local Counter Fraud Specialist and the cross over and interaction with the Trust's Local Security Management Specialist.

In line with national guidance the Trust introduced a Managing Conflicts of Interest Policy during 2017 in order to provide a clear outline of the Trust's position on issues where there is the potential for conflict to arise such as through the acceptance of gifts and hospitality. The policy also outlines

the requirements on senior staff, consultants and approvers on the Trust's procurement system with regard to the declaration of interests.

The NHS Counter Fraud Authority met with the LCFS team, the Audit Committee Chair and the Director of Finance at an engagement meeting in February 2020, which confirmed the development and expansion of the counter fraud service that has taken place over the previous two years.

## Staff Survey Results

Further improvements were seen within the 2019 NHS Staff Survey. 94.8% of respondents would be happy with the standard of care provided if a friend or relative needed treatment and 78% of respondents would recommend the Trust as a place to work.

| | 2017 | 2018 | 2019 |
|---|---|---|---|
| **Response Rate** | 41.5% | 44.9% | 62% |

Our survey results have been shared, with our staff and divisional and corporate teams. Key areas from this year's results are set out below.

**We are improvement-driven**

| Question | 2016 | 2017 | 2018 | 2019 | 2019 Comparator average |
|---|---|---|---|---|---|
| I am able to make suggestions to improve the work of my team/dept | 76% | 76.4% | 78.6% | 77.1% | 77.5% |
| I am able to make improvements happen in my area of work | 50.4% | 55.2% | 63.3% | 59.3% | 61.4% |
| Feedback from patients/service users is used to make informed decisions within my directorate/department | 57.5% | 60.3% | 66.4% | 61.2% | 63.2% |

The Trust continues to focus on this area and has a number of improvement initiatives involving staff, in particular the introduction of Improvement Champions.

**Job satisfaction (recognition)**

| Question | 2016 | 2017 | 2018 | 2019 | 2019 Comparator average |
|---|---|---|---|---|---|
| (I am satisfied with) The recognition I get for good work | 51.1% | 51.2% | 59.9% | 61.7% | 61.1% |
| (I am satisfied with) The extent to which the organisation values my work | 40.6% | 43.3% | 55% | 53.4% | 53.9% |

The Trust has made continued progress in this area over the last three years with events such as the annual staff awards and the monthly health hero nominations aimed at recognising and valuing staff contributions.

**We listen**

| Question | 2016 | 2017 | 2018 | 2019 | 2019 Comparator average |
|---|---|---|---|---|---|
| I know who the senior managers are here | 71.6% | 78.6% | 85.5% | 82.5% | 85.9% |
| Communication between senior managers and staff is effective | 31.4% | 39.4% | 45.1% | 41.8% | 45.9% |

The Trust has ongoing staff engagement initiatives. The Trust's monthly staff forum with the Chief Executive is well attended and provides opportunity for two way engagement with the senior leadership team.

**We're getting better at learning from errors and incidents**

| Question | 2016 | 2017 | 2018 | 2019 | 2019 Comparator average |
|---|---|---|---|---|---|
| My organisation treats staff who are involved in an error, near miss or incident fairly | 48.3% | 55.7% | 64.6% | 64.6% | 64.8% |
| My organisation encourages us to report error, near misses or incidents | 86.6% | 90% | 93.2% | 92.2% | 91.2% |
| When errors, near misses or incidents are reported, my organisation takes action to ensure they do not happen again | 63.5% | 71.8% | 77.3% | 75.2% | 75.4% |

| | | | | | |
|---|---|---|---|---|---|
| We are given feedback about changes made in response to reported errors, near misses and incidents | 47.8% | 58.3% | 62.6% | 63.4% | 66% |

The Trust has improved year on year over the last three years and is above national average for each question. The Trust has strengthened its governance team with a new structure and has improved its incident management processes. This year the Trust has introduced Safety Champions who undertake regular walks around the hospital to speak with staff about safety and learning from incidents.

**We have effective appraisals**

| Question | 2016 | 2017 | 2018 | 2019 | 2019 Comparator average |
|---|---|---|---|---|---|
| My appraisal - helped me improve how I do my job | 12.8% | 18.1% | 22.3% | 19.9% | 25% |
| My appraisal - helped me agree clear objectives | 25% | 33.4% | 36.4% | 34.6% | 39.4% |
| My appraisal - left me feeling my work is valued by my organisation | 22.4% | 27.9% | 35.8% | 32.5% | 37% |
| The Values of my organisation were discussed as part of the appraisal process | 29.1% | 34.6% | 42.7% | 67% | 71.4% |

Although the Trust has continued to improve in this area and is aligned with the national average, its work on the appraisal process is ongoing in order to further improve responses.

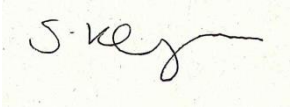
Local level results have also been shared with divisional and corporate teams to inform further improvements at local level. The survey is one element of our ongoing work to continue to develop our leadership capacity and capability and support our cultural change programmes.

Through the survey and other engagement methods with staff, the Trust has identified bullying and harassment as an area that it continues to need to improve on with targeted initiatives in identified hotspots.

## Expenditure on consultancy - Off-payroll arrangements

The table below provides details of the Trust's off payroll engagements during 2019/20 and comparator data for 2018/19.

| Off- payroll engagements as at 31 March 2020, for more than £220 per day and lasting more than six months | 2019-20 | 2018-19 |
|---|---|---|
| Number of existing engagements as at 31 March 2020 | 13 | 13 |
| Of which | | |
| have existed for less than one year at the time of reporting | 8 | 7 |
| have existed for between one and two years at the time of reporting | 2 | 4 |
| have existed for between two and three years at the time of reporting | 1 | 2 |
| have existed for between three and four years at the time of reporting | 2 | 0 |
| have existed for four or more years at the time of reporting | 0 | 0 |
| **Assurance has been sought and received from all of the individuals above that they have made appropriate arrangements for the payment of their tax liabilities** | | |
| **New Off- payroll engagements or those that reached six months duration between 1 April and 31 March 2020, for more than £220 per day and lasting more than six months** | **2019-20** | **2018-19** |
| New Off- payroll engagements or those that reached six months duration between 1 April and 31 March 2020 | 8 | 7 |
| Number of the above which include contractual clauses giving the Trust the right to request assurance in relation to Income tax and National Insurance obligations | 8 | 5 |
| Number of whom assurance has been requested | 8 | 0 |
| Of which | | |
| Assurance has been received | 8 | |
| Assurance has not been received | - | - |
| have been terminated as a result of assurance not being received | - | - |
| **Off- payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April and 31 March 2020** | **2019-20** | **2018-19** |
| Off- payroll engagements of board members, and/or senior officials with significant financial responsibility during the financial year | 0 | - |
| Number of individuals that have been deemed board members, and/or senior officials with significant financial responsibility during the financial year. NB includes both off-payroll and on-payroll engagements | 0 | 1 |



Stacey Keegan
Acting Chief Executive Officer
23 June 2020

# NHS Foundation Trust Code of Governance Disclosures

## Statement of compliance with the NHS Foundation Trust Code of Governance

Robert Jones and Agnes Hunt Orthopaedic NHS Foundation Trust has applied the principles of the NHS Foundation Trust Code of Governance on a comply or explain basis. The NHS Foundation Trust Code of Governance, most recently revised in July 2014, is based on the principles of the UK Corporate Governance Code issued in 2012.

The Trust is a public benefit corporation established under Section 35 of the National Health Service Act 2006. The Board attaches great importance to ensuring that the Trust operates to high ethical and compliance standards. In addition it seeks to observe the principles set out in the NHS Foundation Trust Code of Governance.

The Board is responsible for the management of the Trust and for ensuring proper standards of corporate governance are maintained. The Board accounts for the performance of the hospital and consults on its future strategy with its members through the Council of Governors.

The Council of Governors' role is to influence the strategic direction of the Trust to take into account the needs and views of the members, local community and key stakeholders, to hold the Board to account for its performance, to develop a representative, diverse and well-involved membership and to make a noticeable improvement to the patient experience. It also has to undertake other statutory and formal duties, including the appointment of the Chairman and Non-Executive Directors of the Trust and appointment of the external auditors.

In the event of a dispute between the Board and the Council a disputes procedure is described in the Constitution.

In accordance with its Licence, the Trust has in place mechanisms in its Constitution to ensure that no person who is an unfit person may become or continue as a governor, except with the approval in writing of NHS Improvement.

The Board has established governance policies that reflect the principles of the NHS Foundation Trust Code of Governance; these include:

- Corporate Governance Framework incorporating the Standing Orders of the Board of Directors, Standing Orders of the Council of Governors, Scheme of Reservation and Delegation of Powers, and Standing Financial Instructions.
- Established role of Senior Independent Director.
- Regular private meetings between the Chair and the Non-Executive Directors.
- Performance Appraisal Process for all Non-Executive Directors, including the Chairman, developed and approved by the Council of Governors.
- Attendance records for directors and governors at key meetings.
- Register of Interests – directors, governors and senior staff.
- Established role of Lead Governor.
- Regular communication between the Chair and governors to advise matters reviewed at Board meetings.

- Effective Council of Governors' sub-committee structure with quarterly meetings of the Council of Governors
- Council of Governors' agenda-setting process.
- Board Review and Remuneration Committee of the Board.
- Nominations Committee of the Council of Governors.
- Agreed recruitment process for Non-Executive Directors.
- High quality reports to the Board and Council of Governors.
- Council of Governors' presentation of performance and achievement at Annual Members Meeting.
- Code of conduct for governors.
- Quarterly review of the Trust's membership
- Robust Audit Committee arrangements.
- Ensuring robust governance arrangements are in place supported by an effective assurance framework that supports sound systems of internal control.
- Ensuring rigorous performance management which ensures that the Trust continues to achieve all local
- and national targets.
- Seeking continuous improvement and innovation.
- Measure and monitor the Trust's effectiveness and efficiency.
- Ensuring that the Trust, at all times, is compliant with its Licence, as issued by the sector regulator NHS Improvement.
- Exercising the powers of the Trust established under statute, as described within the Trust's Constitution

# Meet the Trust's Council of Governors

The Council of Governors consists of nine Public Governors, three Staff Governors and three Stakeholder Governors. The Trust's Governor can be contacted via the following email address: rjah.governors@nhs.net

Katrina Morphet
Public Governor – Cheshire and Merseyside

Jan Greasley
Public Governor - North Wales - Lead Governor

Vacancy
Public Governor - Rest of England & Wales

Allen Edwards
Staff Governor

Kate Chaffey
Staff Governor

Peter David
Stakeholder Governor

Russell Luckock
Public Governor - West Midlands

Sue Nassar
Public Governor - Shropshire

Victoria Sugden
Public Governor - Shropshire

Colin Chapman
Public Governor - Shropshire

William Greenwood
Public Governor - Powys

Martin Coggon
Public Governor – North Wales

Karen Calder
Stakeholder Governor

Karina Wright
Stakeholder Governor

Kate Betts
Staff Governor

## Council of Governors Terms of Office

| Type of Governor | Constituency | Term of Office Yrs | Appointed / Elected | Date Term in Office Ends |
|---|---|---|---|---|
| **Stakeholder Governors (Appointed)** | | | | |
| Karen Calder | Shropshire Council | - | - | - |
| Karina Wright | Keele University | - | - | - |
| Peter David | Voluntary Services Committee | - | - | - |
| **Staff Governors (Elected)** | | | | |
| Kate Chaffey | Staff | 3 | 26 Oct 17 | 25 Oct 20 |
| Allen Edwards | Staff | 3 | 7 Aug 19 | 6 Aug 22 |
| Kate Betts | Staff | 3 | 11 Apr 19 | 10 Apr 22 |
| **Public Governors (Elected)** | | | | |
| Colin Chapman | Shropshire | 3 | 26 Oct 17 | 25 Oct 20 |
| Jan Greasley | North Wales | 1 | 28 Jun 19 | 27 Jun 20 |
| Russell Luckock | West Midlands | 3 | 26 Oct 17 | 25 Oct 20 |
| Sue Nassar | Shropshire | 3 | 7 Aug 19 | 6 Aug 22 |
| Victoria Sugden | Shropshire | 3 | 7 Aug 19 | 6 Aug 22 |
| Vacancy | Rest of England and Wales | 3 | - | - |
| Martin Coggon | North Wales | 3 | 26 Oct 17 | 25 Oct 20 |
| William Greenwood | Powys | 3 | 11 Apr 19 | 10 Apr 22 |
| Katrina Morphet | Cheshire and Merseyside | 3 | 26 Oct 17 | 25 Oct 20 |

During 2019 the Trust held Governor elections in order to fill vacancies. The following table sets out the vacancies and the recruitment that took place.

## Governor Elections

Elections commenced in January and concluded in April 2019, the results of which were as follows:

| Results of the Governor Elections | | |
|---|---|---|
| Constituency | Number of vacant posts | Elected Governor |
| **Staff Governors** | | |
| Staff | 1 | Allen Edwards |
| **Public Governors** | | |
| Shropshire<br><br>North Wales<br><br>Rest of England and Wales | 2<br><br>1<br><br>1 | Sue Nassar and Victoria Sugden<br><br>Jan Greasley<br><br>Vacant |

## Council of Governor Meetings

During 2019/20 the Trust held four meeting of the Council of Governors. The Trust recognises the importance of these meetings in ensuring that the members of the Board of Directors, and in particular the Non-Executive Directors, develop an understanding of the views of the Governors and it's members.

Attendance at the Council of Governors meetings by the Executive and Non-Executive Directors is outlined below:

| Name | Council of Governors |
|---|---|
| **Total 2019/20** | **3** |
| Frank Collins, Chairman | 2 |
| Hilary Pepler, Non-Executive Director<br>*(until 31 October and Board Advisor thereafter)* | 1 |
| Harry Turner, Non-Executive Director | 3 |
| Alastair Findlay, Non-Executive Director<br>*(until 31 October 2019)* | 1 |
| Chris Beacock, Non-Executive Director | 2 |
| David Gilburt, Non-Executive Director | 2 |

| | |
|---|---|
| Paul Kingston, Non-Executive Director *(from 1 January 2019)* | 2 |
| Rachel Hopwood, Non-Executive Director *(from 1 December 2019)* | 0 |
| Mark Brandreth, Chief Executive | 3 |
| Craig Macbeth, Director of Finance | 1 |
| Shelley Ramtuhul, Trust Secretary | 3 |
| Sarah Bloomfield, Interim Director of Nursing *(until 18 October 2019)* | 0 |
| Stacey Lea Keegan, Interim Director of Nursing *(from 18 November 2019)* | 1 |
| Nia Jones, Director of Operations *(until 1 October 2019)* | 0 |
| Steve White, Medical Director | 2 |
| Kerry Robinson, Director Performance, Improvement and Organisational Development *(from 1 October 2019)* | 1 |

## Membership

The Trust reviews its membership on a quarterly basis at the Council of Governors meeting. This review looks at the number of members and analyses the demographic information to ensure that, as far as possible, the membership remains representative of the community the Trust serves. The table below provides a breakdown of the membership by constituency for the financial year 2019/20. In addition there were 1180 staff members at the end of March 2020.

| | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cheshire & Merseyside** | 333 | 335 | 335 | 337 | 339 | 341 | 343 | 345 | 348 | 349 | 349 | 348 |
| **North Wales** | 895 | 896 | 898 | 899 | 902 | 904 | 905 | 913 | 916 | 919 | 918 | 920 |
| **Powys** | 526 | 528 | 530 | 532 | 534 | 536 | 535 | 535 | 536 | 535 | 533 | 535 |
| **Shropshire** | 2,619 | 2,627 | 2,629 | 2,632 | 2,628 | 2,635 | 2,645 | 2,659 | 2,658 | 2,667 | 2,668 | 2,675 |
| **West Midlands** | 492 | 495 | 497 | 496 | 500 | 503 | 505 | 510 | 511 | 512 | 512 | 511 |
| **Rest of England & Wales** | 227 | 230 | 231 | 232 | 234 | 234 | 236 | 235 | 236 | 237 | 238 | 240 |
| **Out of Trust Area** | 40 | 44 | 44 | 46 | 46 | 38 | 38 | 39 | 39 | 39 | 39 | 39 |
| **Total** | **5132** | **5,155** | **5,164** | **5,174** | **5,183** | **5,191** | **5,207** | **5,236** | **5,244** | **5,258** | **5,257** | **5,268** |

In 2015 the Trust set its Membership Strategy which aimed to achieve a 5% increase year on year. For 2019/20 this represented a total member ship of 6769 against which an actual membership of 6434 was achieved. For 2018/19 there were 6647 members and therefore there has been an increase in membership of 2.4%

The Trust has continued to hold members surgeries during 2019/20, held in the hospital's main foyer as a way of drawing attention to membership. In November 2018 the Trust refreshed it's Membership Strategy with a focus on recruiting members from underrepresented groups. In January 2019 the Council of Governors held a workshop focused on the Membership Strategy and its implementation.

## NHS Improvement's Single Oversight Framework

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

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

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

### Segmentation

As at April 2020 the Trust is in segment 2. Latest segmentation information for all NHS Trusts and Foundation Trusts is published on the NHS Improvement website.

### Finance and Use of Resources

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

As at April 2020 the Trust overall use of resources score was a 1 (the highest possible score).

| Area | Metric | 2019/20 Plan | 2019/20 Outturn |
|---|---|---|---|
| Financial sustainability | Capital service cover | 2 | 2 |
| | Liquidity | 1 | 1 |
| Financial efficiency | Income & expenditure margin | 1 | 1 |
| Financial controls | Distance from financial plan | 1 | 1 |
| | Agency spend | 2 | 2 |
| **Overall scoring** | | **1** | **1** |

### Governance using the Well-Led Framework

The Board of Directors ensures that the principles set out in the Well-Led Framework not only inform their work, but are also embedded across the organisation. For example, the Board receives regular reports on all aspects Trust performance, and ensures that these address each of the eight Key Lines of Enquiry as set out in the Framework. Further detail about the Trust's approach to ensure that its services are Well-Led is set out in the Annual Governance Statement later on in this report.

# STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTING OFFICER OF ROBERT JONES AND AGNES HUNT ORTHOPAEDIC HOSPITAL NHS FOUNDATION TRUST

## Statement of the Chief Executive's Responsibilities as the Accounting Officer of Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust

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

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

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

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

Signature: 

Name: Stacey Keegan, Acting Chief Executive

Date: 23 June 2020

# ANNUAL GOVERNANCE STATEMENT 2019/20

## Scope of responsibility

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

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of The Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust "(the Trust)", to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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

## Capacity to handle risk

The Trust considers that risk management is everyone's business ranging from staff taking individual responsibility for the safety of themselves, their colleagues or patients to Executive Director responsibility for strategic risks or the Non-Executive responsibilities for robust challenge of effective risk management and assurance of adequate control.

The Trust has in place a robust Risk Management Strategy which outlines its vision for risk management and defines the Trust's approach, as endorsed by the Board of Directors. This strategy reviewed by the Board on an annual basis and was last reviewed in 2019. The strategy has been distributed through the Trust and is available to staff on the Trust intranet.

The Risk Management Strategy delegates leadership and responsibilities for risk management to the following senior managers and Executive Directors:

### Chief Executive

- Accounting Officer
- Maintain a sound system of internal control
- Prudent and economic administration of the organisation
- Strategic leadership for the Trust's Information Management and Technology infrastructure and services

### Director of Finance and Planning

- Advise Board on Financial Strategy and Management
- Ensure sound financial management, including compliance with SFIs

- Ensure that external financial reporting complies with the relevant standards
- Ensure that there are systems in place to meet the Trust's operational targets and objectives
- Ensure sound financial management of the Capital Programme

### Director of Nursing and Quality

- Board lead for Quality and Safety (in conjunction with the Medical Director)
- Sound Clinical Governance
- Professional Leadership of Nursing Staff and Allied Health Professionals
- Patient and Public involvement
- DIPC (Director of Infection Prevention and Control)
- Information Governance, Caldicott Guardian
- Oversight of risk management process
- Accountable Officer for controlled drugs
- Health and Safety management and compliance with statutory requirements

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### Medical Director

- Responsible Officer including the appraisal, revalidation and performance management of medical staff
- Professional Leadership of Medical Staff
- Ensure that medical staff have the requisite skills to provide high quality medical care
- Lead on clinical governance, accountability and quality (in conjunction with the Director of Nursing)
- Lead for the Clinical Services Strategy (in conjunction with the Director of Strategy and Planning)
- Leading the Trust's relationships with General Practitioners and Medical Schools
- Lead medical input into litigation and claims management
- Ensure that sound governance arrangements are in place for research

### Director of People

- Effective matching of workforce to activity
- Leading and facilitating continuous professional development
- Develop the leadership capacity and capability

### Director of Operations

- Efficient delivery of operational and clinical support services
- Implementation of national policy on waiting list targets
- Lead service redesign to improve the patients' pathway and operational effectiveness
- Ensure that there are systems in place to meet the Trust's operational targets and objectives

### Director of Improvement, Organisational Development and Performance

- Ensuring the Trust has adequate oversight of its performance.
- Strategic leadership for the Trust's service improvement framework and agenda
- Ensuring the development and implementation of the Organisational Development Strategy
- As Senior Information Risk Owner (SIRO) ensuring that risks to data security are recognised and managed

- Design and ensure the effective operation of the Trust's process of continuous improvement

### Trust Secretary

- Provide central support and advice to the Board regarding the establishment of an effective system of internal control
- Develop and maintain the Trust's Board Assurance Framework
- Senior lead for risk management, patient experience, health and safety and clinical audit and reporting to the Director of Nursing for these aspects of the role
- The Trust's Data Protection Officer in accordance with the General Data Protection Regulation (GDPR)

### Clinical Leads / Senior Managers

- Manage risks at a local level and developing an environment where staff are encouraged to identify and report risk issues proactively
- Maintain a risk register and presenting key risks to the Risk Management Committee on a bi-monthly basis
- Ensure that their staff report immediately any near-miss incidents, adverse incidents and serious incidents, using the Trust's incident reporting procedure
- Provide appropriate feedback regarding specific incidents reported and implement recommendations following investigations to reduce the likelihood of recurrence

Risk awareness is promoted throughout the organisation with all staff expected to have an understanding of the Trust's incident reporting procedure and knowledge of the process for escalating risks. Staff are trained in risk management awareness both at induction for new starters and as refresher training; in addition drop-in sessions are held every month for staff.

## The Risk and Control Framework

### Risk Management Strategy

The Trust's Risk Management Strategy sets out the framework and systems for implementation of risk management and governance in the Trust. This strategy was reviewed and updated by the Board of Directors in October 2019.

The strategy clearly defines how risks are identified, reviewed, managed and, where appropriate, escalated. Further, it sets out individual and committee roles and responsibilities and defines the levels of authority for the management of identified levels of risk. It also describes the Trust's interpretation and definition of 'acceptable risk'.

The Trust's approach to risk management is one of proactive identification, mitigation and monitoring with oversight at divisional level through governance meetings, at a corporate level through the Risk Management Committee and at Board level through use of the Board Assurance Framework.

The Trust utilises an online risk management database to escalate risks up and down through the organisation in accordance with the matrix outlined in the Risk Management Strategy.

The strategy includes the following key elements:

- It describes what is meant by 'risk management'
- It identifies the roles and responsibilities of all staff within the Trust
- It clearly describes the roles and responsibilities of the key accountable officers
- The training requirements for staff
- It sets out the process of risk management as follows:

i. Risk identification
ii. Risk evaluation
iii. Risk recording
iv. Risk treatment and escalation

The Board of Directors is responsible for setting the Trust's risk appetite on an annual basis according to its present position and anticipated direction of travel for the financial year ahead. The defined appetite is then applied through implementation of the Trust's Risk Management Strategy.

The Board Assurance Framework is the key tool used by the Board of Directors to assure itself of the efficacy of the control framework. This sets out the principal risks to delivery of the Trust's strategic objectives. An Executive Director is identified as the lead for each risk and attends the monthly Risk Management Committee which reports to the Board of Directors. This Committee has oversight of the effectiveness of the operational management of risk with the Audit Committee overseeing the effectiveness of the governance framework and controls.

In addition there are several internal and external assurances gained throughout the year through sources such as:

| Internal |
| --- |
| •Strategic and business planning<br>•Adverse incident analysis<br>•Complaints<br>•Claims<br>•Analysis of compliance with statutory duties and guidance<br>•Intelligence from internal health and safety, fire or security inspections<br>•Internal Audit |

| External |
| --- |
| •Safety alerts or hazard warnings<br>•External body recommendations<br>•New legislation<br>•External inspections or assessments<br>•External Audit<br>•Regulatory reviews |

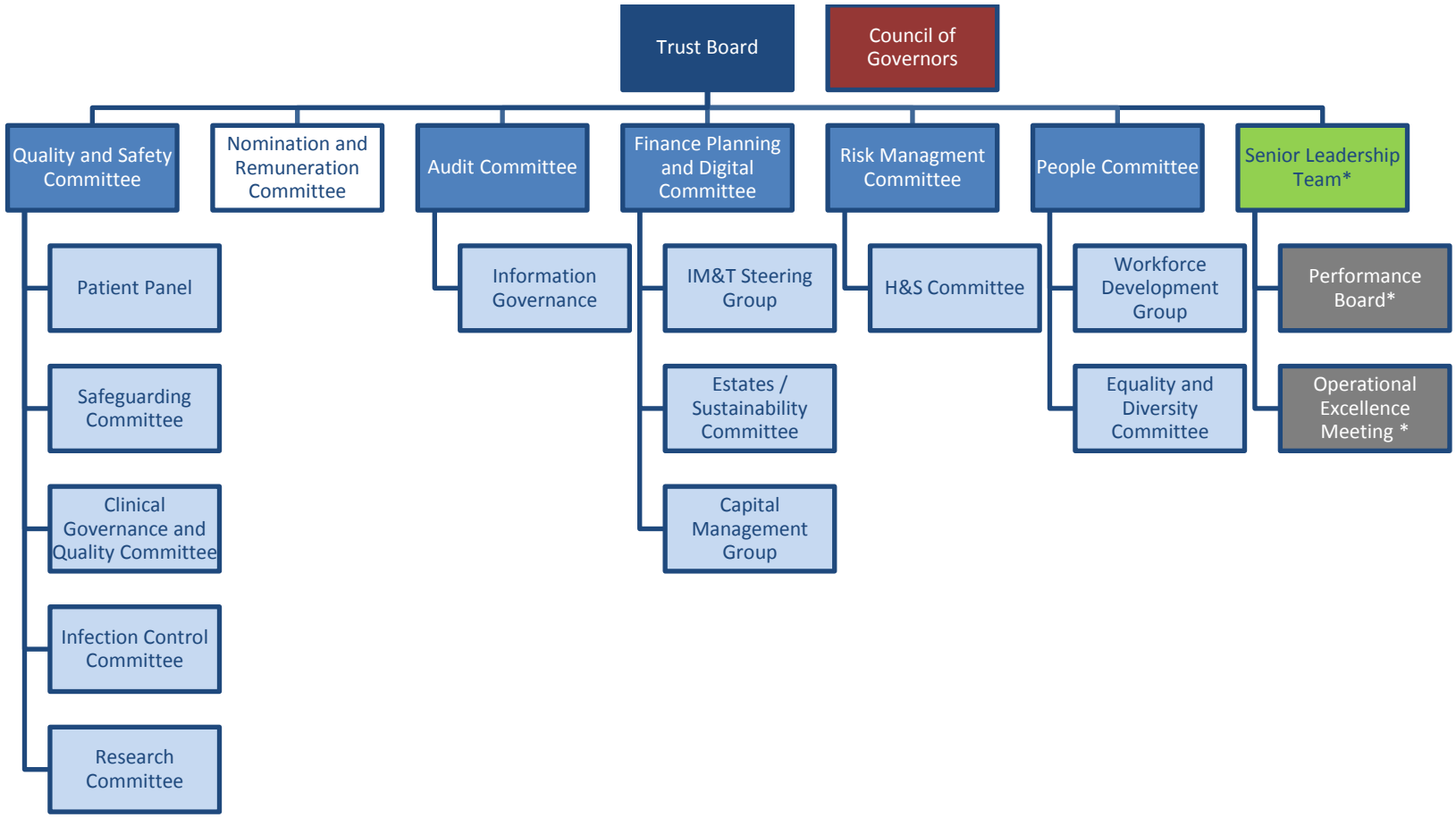
The Trust utilises a risk assessment matrix to ensure a consistent approach is taken to assessing the potential consequences and likelihoods of risks and furthermore that appropriate action is taken to address each risk based on the resulting risk score. This process of assessment is conducted via the online risk management system referenced previously.
The Trust is committed to ensuring that any potential risks are mitigated to the lowest possible level and where possible negated altogether and uses both internal and external expertise, as required, to decide on the most appropriate treatment of identified risks.

## Governance Framework of the Organisation

The Trust has continued to develop its governance structures over the last 12 months in line with internal and external audit recommendations. The structures in place are aimed at delivering an integrated governance agenda. Integrated governance is the combination of systems, processes and behaviours which the Trust uses to lead, direct and control its functions in order to achieve its organisational objectives.

## Board Assurance Structure

The Board of Directors leads on integrated governance and delegates key duties and functions to its committees whilst retaining certain decision making powers on strategy and aspects of financial management. The diagram below sets out the committee structure for 2019/20:




In addition the Trust established a Policy Committee which was held quarterly throughout the year to oversee the ratification of Trust policies. This was in response to a CQC finding of policies being overdue for review.

* For 2020/21 the Performance Board and Operational Excellence Meeting have been amalgamated to become the Trust Performance and Operational Improvement Board.

The roles and responsibilities of the Board Committees are described more fully below and performance of these committees is evaluated on an annual basis:

### *Board of Directors*

The Board meets regularly to discuss an agenda based on three key elements:

- Strategy and Policy
- Performance and Governance
- Quality and Safety

The Board is responsible for setting the organisation's strategy and for ensuring that the Trust meets its statutory duties and effectively manages risk. The Board gains assurance through the Board Assurance Framework. The Board holds prime responsibility for corporate governance and the development of systems and processes for internal control, including risk management, the Board Assurance Framework and compliance with Care Quality Commission (CQC) regulations.

The Board maintains responsibility for setting and approving work plans and monitoring the delivery of planned objectives. The Board of Directors regularly receives reports from its committees on the business covered, risks identified and action taken as well as regular performance related reports.

The Board is responsible for ensuring the financial viability through the establishment of effective financial stewardship.

Membership of the Board comprises the Trust Chairman, Chief Executive, Non-Executive and Executive Directors with attendance from non-voting Directors and the Trust Secretary.

### *Audit Committee*

The Audit Committee is accountable to the Board and is responsible for ensuring there is an effective system of risk management and internal control across the Trust. The operational management of risk is delegated to the Risk Management Committee with oversight and assurance of the processes and systems established via the Audit Committee. The Audit Committee provides an oversight of the activities of internal audit, external audit, the local counter fraud service and the assurance on internal control, including compliance with the law and regulations governing the Trust's activities.

The Audit Committee is chaired by a Non-Executive Director and membership consists solely of Non-Executive Directors with Board Executives invited to attend.

The Audit Committee oversees the annual audit programme for the Trust. This includes verifying that the Trust has suitable and effective systems of internal controls with respect to risk management in place. An annual Head of Internal Audit Report is presented to the Audit Committee.

### *Quality and Safety Committee*

The Quality and Safety Committee is accountable to the Board and is responsible for ensuring effective clinical governance throughout the Trust. It assists the Board in obtaining assurance that high standards of care are provided and any risks to quality identified and robustly addressed at an early stage. It works with the Audit Committee and Risk Management Committee to ensure that

there are adequate and appropriate quality governance structures, processes and controls in place throughout the Trust to:

- promote safety and excellence in patient care
- identify, prioritise and manage risk arising from clinical care
- ensure efficient and effective use of resources through evidence-based clinical practice

The Quality and Safety Committee is chaired by a Non-Executive Director and is attended by a further two Non-Executive Directors and members of the Executive Team.

### *Finance Planning and Digital Committee*

The Finance Planning and Digital Committee is accountable to the Board and responsible for advising the Board on all aspects of the Trust's Annual and Long Term Financial Plans and recommending adoption of the plans to the Board of Directors.

The Committee is responsible for the following aspect of Risk Management:

- To oversee Financial Risk Assessment and Financial Risk Management
- To oversee the business and performance risk
- To oversee the Trust's digital risks
- To oversee the Trust's operational performance delivery

This Committee is chaired by a Non-Executive Director and attended by a further Non-Executive Director and members of the Executive Team.

### *Risk Management Committee*

The Risk Management Committee is accountable to the Board and has overall responsibility for establishing a strategic approach to risk management across the organisation, ensuring there is a proactive approach. In addition to reporting to the Board, the committee provides reports to the Audit Committee on assurances relating to the effective operation of controls.

The committee is responsible for the following aspects of Risk Management:

- Championing and promoting highly effective risk management practices and ensuring that the risk management process and culture are embedded throughout the organisation
- Maximising the delivery of objectives through an effective control system
- Improving the standard of decision making on risk management
- Receiving and reviewing the BAF and making recommendations regarding this to the Board
- Reviewing risk management practices at divisional level and the effectiveness of risk mitigation action plans
- Developing and embedding and effective reporting mechanism to allow for the escalation of risk and governance issues from divisional level to the appropriate level.
- Providing the Executive Team and ultimately the Board of Directors with assurance that effective governance processes are in place across the organisation
- Providing the Audit Committee with assurance around the Trust's risk assurance framework and the controls in place.
- Overseeing the Trust's strategy for clinical risk management.

### *People Committee*

The People Committee is accountable to the Board and has overall responsibility for establishing a strategic approach to the management and development of the Trust's workforce. In addition to reporting to the Board, the committee provides reports to the Audit Committee on assurances relating to the effective operation of controls.

The committee is responsible for the following aspects of Risk Management:

- Maximising the delivery of workforce objectives through an effective control system
- Overseeing the management of risks relating to the workforce and its development and sustainability

### *Policy Committee (Adhoc Committee meeting four times a year)*

The Policy Committee reports progress to the Board with addressing the backlog of policies due for review. It is chaired by a Non Executive Director and attended by a number of Executives and Senior Managers. It is responsible for receiving and reviewing policies with a view to ratification. It ensures that there is consistency across all policies and that adequate expertise has been sought in their development before agreeing ratification.

### *Council of Governors*

The Trust's governors are elected representatives of the local communities the Trust serves and together they form the Council of Governors (CoG) which is an integral part of the Trust's governance framework. They are not responsible for the operational management of the Trust but rather are responsible for challenging and holding to account the Board of Directors.

They plan an active role in the development of the Trust and its activities and are included in the initiatives and collaborative committees run throughout the year. The statutory powers and duties of the COG include:

- To appoint, remove and decide upon the terms of office of the Chair and Non-Executive Directors of the Trust
- To determine the remuneration of the Chair and Non-Executive Directors
- To appoint or remove the Trust's auditor
- To approve or not approve the appointment of the Trust's Chief Executive
- To receive the annual report and accounts and auditor's report at a general meeting
- To hold the Non-Executive Directors to account for the performance of the Board
- To represent the interests of members and the public
- To approve or not approve increases to non-NHS income of more than 5% of total income
- To approve or not approve acquisitions, mergers, separations and dissolutions
- To jointly approve changes to the Trust's constitution with the Board
- To express a view on the Board's plans for the Trust in advance of the Trust's submission to NHS Improvement
- To consider a report from the Board each year on the use of income from the provision of goods and services from sources other than the NHS in England.

The Trust has a duty to ensure that governors are equipped with the skills to perform this role. As required by the Health and Social Care Act 2012, during the year workshop sessions were provided for all governors in respect of their duties and responsibilities.

The Board works closely with the CoG. The Chairman is also the Chairman of the CoG and is supported at every meeting by other members of the Board. The Chairman works closely with the nominated Lead and Co-ordinating Governors. Governors meet prior to each meeting of the Council of Governors to agree items to be discussed and review key issues.

Attendance at the Trust's Board of Directors and Board level committees is monitored on a monthly basis and the table below outlines the attendance for the year:

| Name | Board of Directors | Council of Governors | Quality and Safety Committee | Risk Management Committee | Audit Committee | Finance Planning and Digital Committee | People Committee | Policy Committee |
|---|---|---|---|---|---|---|---|---|
| **Total 2019/20** | **10** | **3** | **10** | **4** | **5** | **11** | **5** | **3** |
| **Frank Collins, Chairman** | 9 | 2 | - | - | - | 3 | - | - |
| **Hilary Pepler Non-Executive Director (until 31 Oct 19 thereafter in capacity as Board Advisor)** | 8 | 1 | 8 | - | - | - | 5 | - |
| **Harry Turner, Non-Executive Director** | 8 | 3 | 1 | 4 | 4 | 1 | 1 | - |
| **Alastair Findlay, Non-Executive Director** | 5 | 1 | - | - | - | 5 | - | - |
| **Chris Beacock, Non-Executive Director** | 8 | 2 | 9 | 4 | - | - | 5 | - |
| **David Gilburt, Non-Executive Director** | 10 | 2 | 9 | - | 5 | 11 | - | 3 |
| **Paul Kingston, Non-Executive Director (From 1 Jan 2019)** | 7 | 2 | 8 | - | 3 | 1 | 3 | - |
| **Rachel Hopwood, Non-Executive Director** | 3 | 0 | - | - | - | 3 | - | - |
| **Mark Brandreth, Chief Executive** | 9 | 3 | 9 | 1 | - | 10 | - | - |
| **Sarah Sheppard, Director of People** | 8 | - | 1 | 0 | - | - | 3 | 0 |
| **Kerry Robinson, Director of Improvement, Organisational Development and Performance** | 9 | 1 | - | 0 | - | 10 | 4 | - |
| **Craig Macbeth, Finance Director** | 8 | 1 | 1 | 4 | 5 | 10 | 1 | - |
| **Bev Tabernacle, Director of Nursing** | - | - | - | - | - | - | - | - |
| **Sarah Bloomfield, Interim Director of Nursing** | 3 | 0 | 4 | 1 | - | - | 0 | - |
| **Nia Jones, Director of Operations** | 5 | 0 | 3 | 1 | - | 6 | - | - |
| **Steve White, Medical Director** | 6 | 3 | 7 | - | - | - | - | 2 |
| **Stacey Keegan, Chief Nurse** | 5 | 1 | 4 | 2 | - | - | 2 | 1 |

Note: Non-membership or periods of absence from the Trust are indicated by a '-'

## Internal Audit

The Trust's internal auditors are BDO who met mandatory NHS Internal Audit Standards and provided appropriate independent assurance to the Audit Committee, Chief Executive and Board. They primarily provide an independent and objective opinion to the Trust on the degree to which risk management, control and governance processes support the achievement of the Trust's objectives.

## External Audit

The Trust's external auditors are Deloitte LLP. External audit is an essential element of corporate governance, contributing to the stewardship and process of accountability for use of resources. The scope of audits is extended to cover not just financial statements but the arrangements to secure value for money. The Trust's external auditors report into the Audit Committee.

## Quality Governance

The Board is responsible for ensuring that the Trust has sound Quality Governance arrangements in place. It is supported in this by the Quality and Safety Committee which reviews evidence from a number of sources including, specialist committees, clinical audit reports and patients stories. It receives reports and reviews in full all serious incident root-cause analysis reports and any actions taken in response to them.

The Trust updated its Quality Strategy in 2017 following consultation with key stakeholders on the priorities to be included and the Board is regularly updated on progress against the key quality initiatives. The Trust is reviewing this strategy with a view to refreshing it during 2020/21.

Staff are required to report all untoward incidents through a formal system and these are reviewed by the Clinical Governance Team who are responsible for ensuring that all learning is shared and actions agreed and implemented as per the Trust's Incident Management and Serious Incident Management Policies.

The Trust reviews all of the complaints it receives and the results of this review are reported to the Quality and Safety Committee and the Board.

The Trust has a well-established openness policy, which includes whistle-blowing. Whistle-blowing is included on the staff induction training which all staff are required to attend. In addition, that Trust has in place three Freedom to Speak Up Guardians.

A rigorous process is in place for doctors appraisals, supported by the production of a comprehensive data set for each doctor. In addition, the Trust is compliant with the doctors revalidation programme.

The Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust is fully compliant with the registration requirements of the Care Quality Commission (CQC)

The Trust was subject to a planned inspection by the CQC in December 2018 following which it received an overall rating of 'Good' with findings of 'Good' for well led and 'Outstanding' for caring. Notwithstanding the significantly improved ratings, the Trust devised an action plan to address the CQC recommendations and observations. Completion of this action plan has been overseen by the Quality and Safety Committee on a monthly basis with quarterly updates to the Board of Directors with all but two actions fully completed as referenced in the Annual Report. During 2019/20 a further CQC inspection was planned however this was paused following the Covid-19 pandemic.

## Performance Data Quality

The Trust Board and each of its Committees reviews quality performance at each meeting and a data quality rating for each KPI is included within the 'heatmap' section of the performance report.

The indicator score is based on audits undertaken by the Data Quality Team and will be further validated as part of the audit assurance programme.

Blue No improvement required to comply with the dimensions of data quality
Green Satisfactory – minor issues only
Amber Requires improvement
Red Significant improvement required

## Use of the Well-Led Framework

In December 2018 the Trust underwent a well led assessment as part of a CQC inspection. The outcome of this was a 'good' rating for well-led. An action plan was developed to address all recommendations made by the CQC. The well-led elements were particularly focusing on policy management and staff training and these actions have been completed.

In March 2020 the Trust had planned an external well led review and a consultancy has been appointed to undertake this but the work was paused to enable the leadership team to focus on the Trust's response to the Covid-19 crisis. The well led review has commenced in June 2020.

## Corporate Governance Statement

The Trust confirms compliance with the Corporate Governance Statement on an annual basis. It gains assurance on compliance in a number of ways:

- Consideration of governance risks as set out above.
- The maintenance of a Board governance pack detailing the key governance structures and their inter-relationships. This was reviewed by the Board in March 2019.
- The Internal Auditors have undertaken the following specific reviews linked to governance:

| Summary of Key Findings / Recommendations |
|---|
| People Performance |
| Overall it was assessed that the control design for the management of the inter authority transfer and induction process was Moderate. The Trust had made significant efforts to align itself to the CSTF framework through training delivered in the induction process. However, inductions were not tailored to each individual causing duplication of previous training and extending the length of the corporate induction. Furthermore, there was duplication between the general training provided in the corporate and the local induction in some areas, i.e. the appraisal process is covered at both corporate and local inductions. The auditors concluded that both the control design and the control effectiveness were Moderate. |
| Incidents and Serious Incidents |
| Overall the control design was Substantial for the management of incidents and SI. The governance structures in place for managing the reporting, investigations and oversight of incidents and SI were robust with adequate policies to support it. However, the auditors noted that better attendance at the Incident, Inquests, Claims and Complaints Meeting and reporting templates with a lessons learnt section could facilitate improved learning between Divisions and the Trust as a whole. Additionally there were cases of non-compliance with Trust policy and national frameworks in the sample of incidents, including non-timely closing of incidents and SI at times. |

## Healthcare Records

This was a review of non-system data and system data. The auditors selected a sample across different areas of the Trust and understood the procedures to document and file patient records and subsequently assessed them for completeness to help identify areas of concern.

A number of areas of good practice were noted such as there was a clearly defined structure in place whereby the Director of IT is the accountable officer for the scanning team followed by the Head of Patient Access and the scanning team supervisors. The roles and responsibilities of the scanning team were clearly stated within the Medical Records Management Policy issued in March 2019 and this policy was up to date and in line with national guidance. Security of the records was found to be secure with appropriate password protection and management of electronic records and all information from the hard copy healthcare record was appropriately scanned onto EPR, was complete and of appropriate quality.

There were some exceptions noted with some incomplete pathway notes found within the hard copy of the healthcare record; these were subsequently scanned onto EPR as per the agreed process for the scanning team. At the time of the audit an assessment of the resource capacity against demand was being undertaken to establish whether sufficient resource was available to scan both inpatient and outpatient records and destroy records when due and this has subsequently been completed.

There were instances of records that had exceeded the retention criteria. Hard copies of healthcare records scanned on the EPR system are expected to be destroyed after 6 months once quality assessed and auditors noted that only 50% of 2016 records had been destroyed and the scanning team were working through the remaining backlog. Since the audit, approval has been granted to destroy the scanned notes

The auditors concluded that both the control design and the control effectiveness were Moderate.

## Theatre Activity

The Trust has some good processes in place but there is scope for significant improvement in the scheduling of theatre sessions, which should result in financial savings for the Trust and specifically recommendations were made around booking process, absence management and the theatre scheduling process.
This audit did not provide an opinion on the control design and control effectiveness.

## Main Financial Systems, Budgets and Financial Planning

Overall, the auditors found that the Trust has financial systems in place that are designed effectively to ensure that no transactions are processed without appropriate approval and a segregation of duties is maintained where required. Therefore, their overall rating was a Substantial opinion on both the design and effectiveness of the system.

## Risk Maturity Toolkit (inc Risk Management)

The Trust has in place an effective risk management system and a hierarchy of reporting arrangements to ensure the Board is provided with evidence based assurance of the adequacy of the Trust's processes for the management of risks so that its objectives can be achieved.

There were some key recommendations made regarding the link between the divisional risk registers and the Board Assurance Framework, clarity around roles and responsibilities, risk management training and the recording of key dates in the lifecycle of a risk.

| | Risk Governance | Risk Assessment | Risk Mitigation | Monitoring and Reporting | Continuous Improvement |
|---|---|---|---|---|---|
| Current | Defined | Defined | Defined | Managed | Managed |
| Target | Managed | Managed | Managed | Managed | Managed |

Cost Improvement Planning

Overall, the Trust has demonstrated that it has robust procedures in place for the Cost Improvement Plan. The Trust ensure CIP schemes are assessed and scrutinised prior to assigning a savings target. Furthermore, at month 6 £1,466k (49% of the CIP plan) was achieved. The Trust spent a lot of time during the planning phase to ensure that the delivery is profiled as evenly as possible to avoid back loading. Therefore, we are satisfied that the core CIP target is on track and forecasted to be achieved at month 12. Whilst the Trust has robust processes in place for the approval of CIP Schemes, there were some improvements, which could be made to ensure that the key Dragon's Den meetings were clearly structured and documented to allow for proper record keeping. We have reached a Substantial conclusion on both the design and control effectiveness on this review.

Data Protection and Security Toolkit

Based on our review of the assertions included in our sample and a compliance score of 87%, we conclude substantial assurance over the Trust's DSP Toolkit self-assessment as at December 2019. The Trust has been consistently completing the DSP Toolkit self-assessment return throughout the reporting period and we noted that where assertions have been completed, a large extent of the work has been in line with the requirements of the Toolkit. However, in order to comply with the DSP Toolkit, the Trust is required to meet all mandatory sub-assertions, therefore further work will be required ahead of the year-end submission to address the areas of non-compliance identified as part of this audit.

## Principal Risks

The principal risks to the Trust's objectives are included on the Board Assurance Framework and are allocated to a Board Committee for scrutiny. In addition the Risk Management Committee reviews these risks on a monthly basis and the Board reviews them on a quarterly basis.

Other corporate risks are included on the corporate risk register and allocated to a board committee and reviewed by the Executive team. The Risk Management Committee has oversight of the corporate risks with input sought from the appropriate board committee as required.

## Risks 2019/20

During 2019/20 the following risks were identified and cited on the Board Assurance Framework:

### *Caring for Patients*

- Inadequate clinical engagement in work streams to reduce clinical variation
- Failure to implement national recognised evidence-based practice
- Limitations as a result of IT capabilities
- Inadequate operational processes
- Lack of clear national strategy for the commissioning of specialist services
- MSK service integration fails to deliver expected benefits

### *Caring for Staff*

- Failure to improve staff engagement linked to communication between managers and the workforce
- Potential inability to have the right workforce in the right place at the right time

### *Caring for Finances*

- Instability arising from fluctuations in the tariff
- Failure to achieve activity and income target within planned cost base

## Risks 2020/21

The Trust has established its strategy for 2020/21 to support its desired direction of travel over the next five years. The four key strategic aims for 2020/21 remain as follows:

- Musculo-Skeletal (MSK)
- Specialist Services
- Operational Excellence
- Culture and Leadership

It is however recognised that the key objectives identified for 2020/21 to underpin the strategy will require ongoing review to take into account the changing NHS landscape in the wake of Covid-19.

The key risks and issues facing the Trust for 2020/21 are reflective of the challenges the NHS is facing across the country. As part of the NHS response to the pandemic all elective activity was ceased and working practices had to change significantly in order to socially distance. These challenges are not over and the risks for the forthcoming year will be focussed on the delivery of the following two key areas:

- Restoring and recovering services for our patients
- Maintaining a safe environment for our staff and patients

The above will be underpinned by the need to develop and implement new ways of working and it is recognised that risks relating to this will need to be considered and managed.

The sub-set of risks linked to the above will be detailed on the Trust's Board Assurance Framework and Trust-wide Risk Register for ongoing review and management through the year.

As described in the sections above, the Trust has in place effective governance structures with clear responsibilities delegated to each Executive Director and Board Committee. Furthermore, within the Risk Management Strategy and the Terms of Reference for each Board Committee, the Trust has clear reporting lines between the Board, its sub committees and the Executive Team to ensure an integrated approach is maintained.

The Trust's Board of Directors sets key performance indicators against a range of areas under the headings; Caring for Patients, Caring for Staff and Caring for Finances. Performance against these indicators is tracked and reported to the Board on a monthly basis. In addition to this, the Trust sets annual corporate objectives and progress against these is tracked and reported to the Board.

The Trust has an established Strategy Board which meets three times per year to oversee the delivery of its corporate objectives and strategy more closely.

## NHS Pension Scheme

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

Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

## Equality, Diversity and Human Rights

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

## Emergency Preparedness and Civil Contingency

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

## Workforce Strategies and Safeguards

The Trust ensures that short, medium and long-term workforce strategies and staffing systems are in place which assure the Board that staffing processes are safe, sustainable and effective. This assurance is obtained in a number of ways:

- The development and implementation of a People Plan
- Regular reporting on safe staffing and junior doctor working to the Quality and Safety Committee and Board of Directors
- Staff survey results
- Internal audit

During 2019/20 the Trust introduced a People Committee to increase oversight and assurance of the Trust's workforce strategy.

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

## Sustainable Development Management

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

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

The Trust sets targets for improvements of economy, efficiency and effectiveness in its Operational Plan and these are reflected in its Quality, Innovation, Productivity and Prevention (QIPP) and Cost Improvement Programmes (CIPs). All targets are agreed by Divisional Managers and monitored as part of the Board performance report and the system of divisional performance reviews. These programmes are also approved by the Medical and Nursing Directors to ensure that they have no adverse effect on quality. The Trust's CIP process has been benchmarked against national guidance on sustainable CIPs and the principles of the Carter Review recommendations.

During 2019/20 the Trust tracked its financial performance, including the economic, efficient and effective use of resources via the Finance Planning and Investment Committee and further the Board receives a monthly update on the Trust's financial performance.

### Overview of Financial Performance

The Trust's annual accounts provide full detail of the Trust's financial performance but to summarise, the Trust was set a control total surplus by NHS Improvement of £2,030k for 2019/20. Despite a number of in-year operational pressures the Trust exceed this target by £153k and therefore became eligible for additional provider sustainability funding (PSF) from NHS Improvement of £372k. The final control total surplus for the year including sustainability funding was £2,555k.

This position was supported by a programme of cost improvements which realised £4.3 million savings in-year compared to £3.7 million in the previous year.

Towards the end of 2019/20 there was a financial impact of the work required to respond to the Covid-19 pandemic and the exceptional costs have been reimbursed from central funds.

The Trust's financial performance for 2019/20 provides assurance of the financial controls it has in place and the economic, efficient and effective use of its resources.

Going forward into 2020/21 there is an interim financial framework in place to support the Trust in achieving a break even position.

## Information Governance

The NHS Information Governance Framework sets the processes and procedures by which the NHS handles information about patients and employees, in particular personal identifiable information. The NHS Information Governance Framework is supported by a data security and protection toolkit and the annual submission process provides assurances to the Trust, other organisations and to individuals that personal information is dealt with legally, securely, efficiently and effectively.

The Trust has an established information governance management framework and continues to develop information governance processes and procedures in line with the information governance toolkit. The Trust`s Information Governance status is the subject of ongoing review by the Information Governance Committee which is responsible for reviewing policy and monitoring compliance with Department of Health Guidelines. This process is overseen by the Audit Committee which also has a role in ensuring that all serious data governance risks or incidents are brought to the attention of the appropriate Board Committee. The Trust has in place the Chief Nurse as the Caldicott Guardian, and the Director of IT as the Senior Information Risk Officer (SIRO). Further, the Trust Secretary is the Data Protection Officer.

The requirements of the new Data Security and Protection Toolkit (DSPT) are designed to encompass the National Data Guardian review's 10 data security standards.

The revised DSPT supports key requirements under the General Data Protection Regulation (GDPR), identified in the NHS GDPR checklist.

The Robert Jones and Agnes Hunt Orthopaedic NHS Foundation Trust's Information Governance DSPT score overall for 2019/20 was **STANDARDS MET*.***

During 2019/20 the Trust identified and reported no serious IG breaches.

## Annual Quality Report

The Trust would ordinarily prepare a Quality Report to include in the Annual Report, however, due to the Covid-19 crisis there is no requirement for this to be included in the Annual Report and the deadline for completion has been extended. The Trust is in the process of preparing its Annual Quality Report 2019/20 in line with relevant national guidance and this is supported internally through the Board Assurance Framework. The majority of the content of the Quality Report is subject to the various foundation trust policies and procedures which ensure the quality of care provided.

As outlined earlier in this statement, the Trust has a dedicated Quality and Safety Committee whose role is to oversee quality improvement and development within the organisation. The Quality and Safety Committee is chaired by a Non-Executive Director of the Board and attended by the Chief Executive, Director of Nursing, Medical Director and a minimum of one other Non-Executive Director. All data and information within the Quality Report is reviewed through this committee. The Trust has a detailed data quality audit programme which reviews all of its data quality KPIs on an annual basis. This programme is overseen by the Audit Committee.

The Board of Directors reviews the quality key performance indicators monthly within an integrated performance report and includes progress against high level improvement goals within three identified themes: Patient Experience, Effectiveness and Patient Safety. Comments on the content of information included within the Quality Report have been provided by local stakeholders including commissioners, patients and the local authority.

The Quality Account is subject to detailed review by the Medical Director, Director of Nursing and Director of Operations and is approved by the Board of Directors.

The Trust regularly reviews systems and processes as part of its commitment to ensure data quality and has a programme of internal and external audits to assess data quality.

## Review of Effectiveness

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

The Trust's Head of Internal Audit provides an annual opinion on the assurance framework and for the financial year to 31 March 2020 this can be summarised as follows:

'Overall, we are able to provide ***moderate assurance*** that there is a sound system of internal control, designed to meet the Trust's objectives and that controls are being applied consistently'.

In addition to this, the Trust has in place a robust governance structure with clear responsibilities delegated to Board Committees and Executive Directors. There is a process in place to assess the

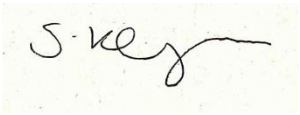
effectiveness of the Board Committees and this is overseen by the Audit Committee and reported to the Board for assurance.

During 2019/20 all the Executive Directors have completed appraisals which have included reflections on the discharging of their duties as Directors.

## Conclusion

There are have been no significant internal control issues identified and my review confirms that, notwithstanding the challenges Covid-19 presented towards the end of 2019/20, the Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust has a generally sound system of internal control that supports the achievement of its policies, aims and objectives. To the best of my knowledge and belief I have properly discharged the responsibilities set out in the NHS Foundation Trust Accounting Officer Memorandum.

Signed



Stacey Keegan, Acting Chief Executive
Date: 23 June 2020

# ANNUAL ACCOUNTS 2019/20

The Robert Jones and Agnes Hunt Orthopaedic Hospital
NHS Foundation Trust

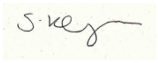
# Annual Accounts

## for the year ended 31 March 2020

The Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust

# Foreword to the Accounts

These accounts, for the year ended 31 March 2020, have been prepared by the Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust Group, comprising the Foundation Trust and the related hospital charity. They have been prepared in accordance with paragraphs 24 and 25 of Schedule 7 within the National Health Service Act 2006.

| | |
|---|---|
| **Signed** |  |
| **Name** | **Stacey Keegan** |
| **Job title** | **Acting Chief Executive & Accounting Officer** |
| **Date** | **23 June 2020** |

# Consolidated Statement of Comprehensive Income

| | Note | Group 2019/20 £000 | Group 2018/19 £000 | Foundation Trust 2019/20 £000 | Foundation Trust 2018/19 £000 |
|---|---|---|---|---|---|
| Operating income from patient care activities | 3 | 111,205 | 104,906 | 111,205 | 104,906 |
| Other operating income | 4 | 7,764 | 8,584 | 7,199 | 8,008 |
| Operating expenses | 7 | (114,422) | (108,200) | (114,045) | (107,946) |
| **Operating surplus from continuing operations** | | **4,547** | **5,290** | **4,359** | **4,968** |
| Finance income | 12 | 57 | 44 | 50 | 39 |
| Finance expenses | 13 | (128) | (150) | (128) | (150) |
| PDC dividends payable | | (1,747) | (1,669) | (1,747) | (1,669) |
| **Net finance costs** | | **(1,818)** | **(1,775)** | **(1,825)** | **(1,780)** |
| Other gains | 14 | 123 | 6 | 123 | 6 |
| **Surplus for the year from continuing operations** | | **2,852** | **3,521** | **2,657** | **3,194** |
| **Other comprehensive income** | | | | | |
| **Will not be reclassified to income and expenditure:** | | | | | |
| Impairments | 8 | - | (4,253) | - | (4,253) |
| Revaluations | 18 | 1,258 | 249 | 1,258 | 249 |
| **Total other comprehensive income / (expense) for the period** | | **1,258** | **(4,004)** | **1,258** | **(4,004)** |
| **Total comprehensive income / (expense) for the period** | | **4,110** | **(483)** | **3,915** | **(810)** |

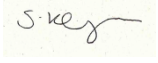
*All income and expenditure is derived from continuing operations and there are no minority interests in the Group.*

# Statement of Financial Position

| | Note | Group 31 March 2020 £000 | Group 31 March 2019 £000 | Foundation Trust 31 March 2020 £000 | Foundation Trust 31 March 2019 £000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Intangible assets | 15 | 3,542 | 2,624 | 3,542 | 2,624 |
| Property, plant and equipment | 16 | 72,476 | 68,879 | 72,476 | 68,879 |
| Receivables | 21 | 1,288 | 892 | 1,288 | 892 |
| **Total non-current assets** | | **77,306** | **72,395** | **77,306** | **72,395** |
| **Current assets** | | | | | |
| Inventories | 20 | 1,396 | 1,199 | 1,396 | 1,199 |
| Receivables | 21 | 5,777 | 8,125 | 5,687 | 8,039 |
| Cash and cash equivalents | 23 | 9,437 | 6,687 | 8,250 | 5,673 |
| **Total current assets** | | **16,610** | **16,011** | **15,333** | **14,911** |
| **Current liabilities** | | | | | |
| Trade and other payables | 25 | (10,209) | (10,165) | (10,205) | (10,143) |
| Borrowings | 27 | (1,189) | (1,191) | (1,189) | (1,191) |
| Provisions | 29 | (216) | (87) | (216) | (87) |
| Other liabilities | 26 | (94) | (174) | (94) | (174) |
| **Total current liabilities** | | **(11,708)** | **(11,617)** | **(11,704)** | **(11,595)** |
| **Total assets less current liabilities** | | **82,208** | **76,789** | **80,935** | **75,711** |
| **Non-current liabilities** | | | | | |
| Borrowings | 27 | (4,708) | (5,884) | (4,708) | (5,884) |
| Provisions | 29 | (894) | (157) | (894) | (157) |
| **Total non-current liabilities** | | **(5,602)** | **(6,041)** | **(5,602)** | **(6,041)** |
| **Total assets employed** | | **76,606** | **70,748** | **75,333** | **69,670** |
| **Financed by** | | | | | |
| Public dividend capital | | 35,467 | 33,719 | 35,467 | 33,719 |
| Revaluation reserve | | 22,163 | 20,905 | 22,163 | 20,905 |
| Income and expenditure reserve | | 17,703 | 15,046 | 17,703 | 15,046 |
| Charitable fund reserve | 19 | 1,273 | 1,078 | - | - |
| **Total taxpayers' equity** | | **76,606** | **70,748** | **75,333** | **69,670** |

The notes on pages 95 to 134 form part of these accounts.

The financial statements on pages 90 to 94 were approved by the Board and signed on its behalf by:

Signed: 

Name: Stacey Keegan

Position: Acting Chief Executive & Accounting Officer

Date: **23 June 2020**

# Statement of Changes in Equity - Group

| For year ended 31 March 2020 | Group | | | | |
|---|---|---|---|---|---|
| | Public dividend capital | Revaluation reserve | Income & expenditure reserve | Charitable fund reserve | Total |
| | £000 | £000 | £000 | £000 | £000 |
| **Taxpayers' & others' equity at 1 April 2019 - brought forward** | **33,719** | **20,905** | **15,046** | **1,078** | **70,748** |
| Surplus for the year | - | - | 2,585 | 267 | **2,852** |
| Revaluations | - | 1,258 | - | - | **1,258** |
| Public dividend capital received | 1,748 | - | - | - | **1,748** |
| Other reserve movements | - | - | 72 | (72) | **-** |
| **Taxpayers' & others' equity at 31 March 2020** | **35,467** | **22,163** | **17,703** | **1,273** | **76,606** |

| For year ended 31 March 2019 | Group | | | | |
|---|---|---|---|---|---|
| | Public dividend capital | Revaluation reserve | Income & expenditure reserve | Charitable fund reserve | Total |
| | £000 | £000 | £000 | £000 | £000 |
| **Taxpayers' & others' equity at 1 April 2018 - brought forward** | **33,260** | **24,909** | **11,847** | **751** | **70,767** |
| Impact of implementing IFRS 9 on 1 April 2018 | **-** | **-** | **5** | **-** | **5** |
| Surplus for the year | **-** | **-** | **3,062** | **459** | **3,521** |
| Impairments | - | (4,253) | - | - | **(4,253)** |
| Revaluations | - | 249 | - | - | **249** |
| Public dividend capital received | 459 | - | - | - | **459** |
| Other reserve movements | - | - | 132 | (132) | **-** |
| **Taxpayers' & others' equity at 31 March 2019** | **33,719** | **20,905** | **15,046** | **1,078** | **70,748** |

# Statement of Changes in Equity - Trust

| For year ended 31 March 2020 | Foundation Trust | | | |
|---|---|---|---|---|
| | Public dividend capital | Revaluation reserve | Income & expenditure reserve | Total |
| | £000 | £000 | £000 | £000 |
| **Taxpayers' & others' equity at 1 April 2019 - brought forward** | **33,719** | **20,905** | **15,046** | **69,670** |
| Surplus for the year | - | - | 2,657 | **2,657** |
| Revaluations | - | 1,258 | - | **1,258** |
| Public dividend capital received | 1,748 | - | - | **1,748** |
| **Taxpayers' & others' equity at 31 March 2020** | **35,467** | **22,163** | **17,703** | **75,333** |

| For year ended 31 March 2019 | Foundation Trust | | | |
|---|---|---|---|---|
| | Public dividend capital | Revaluation reserve | Income & expenditure reserve | Total |
| | £000 | £000 | £000 | £000 |
| **Taxpayers' & others' equity at 1 April 2018 - brought forward** | **33,260** | **24,909** | **11,847** | **70,016** |
| Impact of implementing IFRS 9 on 1 April 2018 | - | - | 5 | **5** |
| Surplus for the year | - | - | 3,194 | **3,194** |
| Impairments | - | (4,253) | - | **(4,253)** |
| Revaluations | - | 249 | - | **249** |
| Public dividend capital received | 459 | - | - | **459** |
| **Taxpayers' and others' equity at 31 March 2019** | **33,719** | **20,905** | **15,046** | **69,670** |

# Information on reserves

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

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

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

**Charitable funds reserve**
This reserve comprises the ring-fenced funds held by the NHS charitable funds consolidated within these financial statements. These reserves are classified as restricted or unrestricted; a breakdown is provided in Note 19.

# Statement of Cash Flows

| | Note | Group 2019/20 £000 | Group 2018/19 £000 | Foundation Trust 2019/20 £000 | Foundation Trust 2018/19 £000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Operating surplus | | 4,547 | 5,290 | 4,359 | 4,968 |
| **Non-cash income and expense:** | | | | | |
| Depreciation & amortisation | 7 | 3,070 | 3,237 | 3,070 | 3,237 |
| Income recognised in respect of capital donations | 4 | (611) | (243) | (624) | (320) |
| (Increase) / decrease in receivables & other assets | | 2,006 | 555 | 1,994 | 611 |
| (Increase) / decrease in inventories | | (197) | (196) | (197) | (196) |
| Increase / (decrease) in payables & other liabilities | | (385) | (658) | (385) | (659) |
| Increase / (decrease) in provisions | | 866 | (43) | 866 | (43) |
| Movements in charitable fund working capital | | (34) | (92) | - | - |
| **Net cash flows from operating activities** | | **9,262** | **7,850** | **9,083** | **7,598** |
| **Cash flows from investing activities** | | | | | |
| Interest received | | 48 | 35 | 48 | 35 |
| Purchase of intangible assets | | (337) | (469) | (337) | (469) |
| Purchase of property, plant & equipment | | (5,623) | (3,383) | (5,623) | (3,383) |
| Sales of property, plant & equipment | | 3 | 6 | 3 | 6 |
| Receipt of cash donations to purchase assets | | 611 | 243 | 624 | 320 |
| Net cash flows from charitable fund investing activities | | 7 | 5 | - | - |
| **Net cash flows used in investing activities** | | **(5,291)** | **(3,563)** | **(5,285)** | **(3,491)** |
| **Cash flows from financing activities** | | | | | |
| Public dividend capital received | | 1,748 | 459 | 1,748 | 459 |
| Movement on loans from DHSC | | (1,176) | (1,176) | (1,176) | (1,176) |
| Interest on loans | | (130) | (152) | (130) | (152) |
| PDC dividend paid | | (1,663) | (1,814) | (1,663) | (1,814) |
| **Net cash flows used in financing activities** | | **(1,221)** | **(2,683)** | **(1,221)** | **(2,683)** |
| **Increase in cash & cash equivalents** | | **2,750** | **1,604** | **2,577** | **1,424** |
| **Cash & cash equivalents at 1 April - brought forward** | | **6,687** | **5,083** | **5,673** | **4,249** |
| **Cash & cash equivalents at 31 March** | 23 | **9,437** | **6,687** | **8,250** | **5,673** |

# Notes to the Accounts

## Note 1 : Accounting Policies

### 1.0 Accounting Policies

NHS Improvement, in exercising the statutory functions conferred on Monitor, has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health & 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 & 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. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected.

The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

### 1.1 Going Concern

These accounts have been prepared on a going concern basis.

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

### 1.2 Accounting Convention

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

### 1.3 Consolidation

**Subsidiaries**

Subsidiary entities are those over which the Trust has the power to exercise control or a dominant influence so as to gain economic or other benefits. The income, expenses, assets, liabilities, equity and reserves of subsidiaries are consolidated in full into the appropriate financial statement lines. The capital and reserves attributable to minority interests are included as a separate item in the Statement of Financial Position.

**Robert Jones & Agnes Hunt Orthopaedic Hospital Charity**

The Trust is the corporate Trustee to the Robert Jones & Agnes Hunt Orthopaedic Hospital Charity, which is registered with the Charity Commission under registration number 1058878. The Trust has assessed its relationship to the charity and determined it to be a subsidiary because the Trust is exposed to, or has the rights to, variable returns and other benefits for itself, patients and staff from its involvement with the charity, and has the ability to affect those returns and other benefits through its power over the fund.

The charity'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 Trust's accounting policies; and
- Eliminate intra-group transactions, balances, gains and losses.

Details of the charity's key accounting policies and potential variances to IFRS treatment:

- Incoming resources – legacy income – under the SORP the charity recognises revenue when its receipt is probable which is in line with IAS 18.
- Resources expended or provided for – grants made or accrued for. Under the SORP the charity accrues for expenditure when a past event has triggered a requirement to pay, in line with the requirements of IAS 37.

The Trust accounts for no other subsidiaries or any associates, joint ventures or joint operations.

## 1.4 Income

**Revenue from contracts with customers**

Where income is derived from contracts with customers, it is accounted for under IFRS 15. The GAM expands the definition of a contract to include legislation and regulations which enable 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 Trust accrues income relating to performance obligations satisfied in that year. Where the Trust's entitlement to consideration for those goods or services is unconditional a contract receivable will be recognised. Where entitlement to consideration is conditional on 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.

**Revenue from NHS contracts**

The main source of income for the Trust is contracts with commissioners for health care services. A performance obligation relating to delivery of a spell of health care is generally satisfied over time as healthcare is received and consumed simultaneously by the customer as the 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.

The transaction price is based on the agreed tariff for the completed procedures, although this may be over-ridden by the prior agreement of year-end settlements based on forecast activity for March in order to facilitate a timely closedown of the accounts.

Where a patient care spell is incomplete at the year end, income relating to the partially complete spell is accrued in the same manner as other income and agreed with the commissioner. This accrual is disclosed as a contract receivable as entitlement to payment for work completed is usually only dependent on the passage of time.

## Note 1 : Accounting Policies (continued)

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

The Trust receives income from commissioners under Commissioning for Quality and Innovation (CQUIN) schemes. The Trust agrees schemes with commissioners but they affect how care is provided to patients. That is, the CQUIN payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the contract.

In the adoption of IFRS 15 a number of practical expedients offered in the Standard were employed. These are as follows:

- As per paragraph 121 of the Standard the Trust does not disclose information regarding performance obligations part of a contract that has an original expected duration of 1 year or less.
- The Trust does not disclose information where revenue is recognised in line with the practical expedient offered in paragraph B16 of the Standard where the right to consideration corresponds directly with value of the performance completed to date.
- The GAM has mandated the exercise of the practical expedient offered in C7(a) of the Standard that requires the Trust to reflect the aggregate effect of all contracts modified before the date of initial application.

**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 Trust's interim performance does not create an asset with alternative use for the Trust, and the Trust has an enforceable right to payment for the performance completed to date. It is therefore considered that the performance obligation is satisfied over time, and the Trust recognises revenue each year over the course of the contract. Some research income alternatively falls within the provisions of IAS 20 for government grants.

**NHS injury cost recovery scheme**

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

**Provider Sustainability Fund (PSF) and Financial Recovery Fund (FRF)**

The PSF and FRF enables providers to earn income linked to the achievement of financial controls and performance targets. Income earned from the funds is accounted for as variable consideration.

**Grants and donations**

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

**Apprenticeship service income**

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

## 1.5 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 financial statements 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 Pension 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 NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the schemes are accounted for as though they are defined contribution schemes: the cost to the Trust is taken as equal to the employer's pension contributions payable to the scheme for the accounting period. The contributions are charged to operating expenses as they become due.

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 Trust commits itself to the retirement, regardless of the method of payment.

## 1.6 Other Expenses

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

## 1.7 Property, Plant & Equipment

### Recognition

Property, plant and equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential be provided to, the Trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and either
- the item has a cost of at least £5,000; or
- collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their individual useful 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 above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance is charged to the Statement of Comprehensive Income in the period in which it is incurred.

### Measurement

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.

Assets are measured subsequently at valuation. 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. Current values in existing use are determined as follows:

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

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

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees and, where capitalised in accordance with IAS 23, borrowing costs. Assets are revalued and depreciation commences when they are brought into use.

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

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

## 1.8 Intangible Assets

**Recognition**

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

Software which is integral to the operation of hardware, for example 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, for example application software, is capitalised as an intangible asset.

Expenditure on research is not capitalised. It is recognised as an operating expense in the period in which it is incurred.

Expenditure on development is capitalised when it meets the requirements set out in IAS 38.

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

**Measurement**

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

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value 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 and impairments are treated in the same manner as for property, plant and equipment.

## 1.9 Depreciation & Amortisation

Freehold land (as it is considered to have an infinite life), assets under construction/development, and assets held for sale are not depreciated/amortised.

Otherwise, depreciation or amortisation is charged to write off the costs or valuation of property, plant and equipment and intangible assets, less any residual value, on a straight line basis over their estimated useful lives. The estimated useful life of an asset is the period over which the Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis.

Assets held under finance leases are depreciated over the shorter of the lease term and the estimated useful life, unless the Trust expects to acquire the asset at the end of the lease term, in which case the asset is depreciated in the same manner as for owned assets.

## 1.10 Impairments

At each financial year end, the Trust checks whether there is any indication that any of its property, plant and equipment or intangible non-current assets have suffered an impairment loss. If there is an indication of such an impairment, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually at the financial year end.

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:

- The impairment charged to operating expenses; and
- 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 is reversed. Reversals are recognised in operating expenses to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

Other impairments are treated as revaluation losses. Reversals of 'other impairments' are treated as revaluation gains.

## 1.11 Non-Current Assets Held for Sale

Non-current assets intended for disposal are re-classified as Held for Sale once all of the following criteria are met:

- The sale must be highly probable;
- The asset is available for immediate sale in its present condition.

Following re-classification, the assets are measured at the lower of their existing carrying amount and their "fair value less costs to sell". Depreciation ceases to be charged. Assets are de-recognised when all material sale contract conditions have been met.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as Held for Sale. Instead, it is retained as an operational asset and its useful life is adjusted. The asset is de-recognised when it is scrapped or demolished.

## 1.12 Donated & Grant Funded Assets

Donated and grant funded non-current assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities, and is carried forward to future financial years to the extent that the condition has not yet been met.

The donated and grant funded assets are subsequently accounted for in the same manner as other purchased assets.

## 1.13 Leases

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

**The Trust as lessee**

Assets held under finance leases are initially recognised at the commencement of the lease. The asset is recorded as property, plant and equipment, with a corresponding liability for the obligation to the lessor. 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.

Thereafter, the asset is accounted for as an item of property, plant and equipment.

The annual rental charge is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to finance costs in the Statement of Comprehensive Income.

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 on the Statement of Financial Position, and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

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

**The Trust as lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Trust's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Trust's net investment outstanding in respect of the 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 on a straight-line basis over the lease term.

## 1.14 Inventories

Inventories are valued at the lower of cost and net realisable value using the First In First Out (FIFO) method.

Inventory stocks are valued at current prices as, due to the high turnover of stocks, this is considered by the Trust to be a reasonable approximation to fair value using the FIFO method.

The Trust does not consider it appropriate to account for inventory stocks where their total value is less than £10k, so their transactions are accounted for in revenue.

## 1.15 Cash & 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 cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Trust's cash management. Cash, bank and overdraft balances are recorded at current values.

## 1.16 Financial Assets & Financial Liabilities

**Recognition**

Financial assets and financial liabilities arise where the Trust is party to the contractual provisions of a financial instrument, and as a result has a legal right to receive or a legal obligation to pay cash or another financial instrument. The GAM expands the definition of a contract to include legislation and regulations which give rise to arrangements that in all other respects would be a financial instrument and do not give rise to transactions classified as a tax by ONS.

This includes the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements and are recognised when, and to the extent which, performance occurs, i.e. when receipt or delivery of the goods or services is made.

## Note 1 : Accounting Policies (continued)

**Classification and measurement**

Financial assets and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs, except where the asset or liability is not measured at fair value through income and expenditure. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices or valuation techniques.

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described above.

Financial assets and financial liabilities are classified as subsequently measured at amortised cost, fair value through income and expenditure or fair value through other comprehensive income. The classification is determined by the cash flow and business model characteristics of the financial assets, as set out in IFRS 9, and is determined at the time of initial recognition. All the Trust's financial assets and liabilities are 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 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 a financing income or expense. In the case of loans held from the Department of Health and Social Care, the effective interest rate is the nominal rate of interest charged on the loan.

**Impairment of financial assets**

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets, the Trust recognises an allowance for expected credit losses.

The Trust adopts the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses as at an amount equal to lifetime expected losses.

Receivables are assessed and expected credit losses determined, so a provision for impairment can be made, based on the following criteria:

- A provision for impairment for outstanding Injury Cost Recovery (ICR) notifications of 21.79% as notified by the Compensation Recovery Unit. This has been reviewed and judged as a reasonable estimate against local claim withdrawal history.
- Receivables relating to invoices raised by the Trust to Welsh, Scottish and Northern Irish NHS bodies are discussed with these bodies and specific provisions made where required.
- All other receivables relating to invoices raised by the Trust are reviewed and specific provisions made where applicable with the remainder provided for on the basis of customer type and local receipting history.

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 Trust has transferred substantially all the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

## 1.17 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rates.

The Trust has not applied HM Treasury's discount rates because either settlement is expected within one year and/or the impact of discounting is not material.

A restructuring provision is recognised when the Trust has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

**Clinical negligence costs**

NHS Resolution operates a risk pooling scheme under which the Trust pays an annual contribution to them, and in return they settle all clinical negligence claims. The contribution is charged to expenditure. Although NHS Resolution is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Trust is disclosed at Note 29 but is not recognised in the Trust's accounts.

**Non-clinical risk pooling**

The Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the Trust pays an annual contribution to NHS Resolution and, in return, receives assistance with the costs of claims arising. The annual membership contributions, and any 'excesses' payable in respect of particular claims are charged to operating expenses when the liability arises.

## 1.18 Contingencies

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust; or
- a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably.

A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

## 1.19 Public Dividend Capital (PDC) & PDC Dividend

Public dividend capital (PDC) is a type of public sector equity finance, which represents the Department of Health & Social Care's investment in the Trust. It was originally based on the excess of assets over liabilities at the time of establishment of the predecessor NHS Trust. HM Treasury has determined that, being issued under statutory authority rather than under contract, PDC is not a financial instrument within the meaning of IAS 32.

The Secretary of State can issue new PDC to, and require repayments of PDC from, the Trust. PDC is recorded at the value received.

An annual charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health & Social Care as PDC dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as the value of all assets less all liabilities, except for:

- donated and grant funded assets;
- assets purchased in relation to the Covid-19 pandemic;
- average daily cash balances held with the Government Banking Service (GBS) and National Loans Fund (NLF) deposits (excluding cash balances held in GBS accounts that relate to a short-term working capital facility);
- any PDC dividend balance receivable or payable.

In accordance with the requirements laid down by the Department of Health & 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 adjustment to net assets occur as a result the audit of the annual accounts.

## 1.20 Value Added Tax

Most of the activities of the 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.

## Note 1 : Accounting Policies (continued)

### 1.21 Corporation Tax

The Trust has determined that it has no corporation tax liability as its income generation activities are all ancillary to its core health objectives and not in competition with the private sector.

### 1.22 Foreign Currencies

The functional and presentational currency of the Trust is pounds sterling, and figures are presented in thousands of pounds unless expressly stated otherwise.

A transaction which is denominated in a foreign currency is translated into sterling at the spot exchange rate on the date of the transaction. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the spot exchange rate on 31 March.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in the Statement of Comprehensive Income in the period in which they arise.

### 1.23 Third Party Assets

Assets belonging to third parties in which the Trust has no beneficial interest (such as money held on behalf of patients) are not recognised in the accounts. If there are any at 31 March, they are disclosed in a separate note to the accounts.

### 1.24 Losses & Special Payments

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

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis.

The losses and special payments note is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

### 1.25 Gifts

Gifts are items that are voluntarily donated, with no preconditions and without the expectation of any return. Gifts include all transactions economically equivalent to free and unremunerated transfers, such as the loan of an asset for its expected useful life, and the sale or lease of assets at below market value.

## 1.26 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Trust's accounting policies, management is required to make various judgements, estimates and assumptions. These are regularly reviewed.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical accounting judgements**

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

1. **Charitable funds** – determining whether charitable funds are a subsidiary of the Trust, and whether they are material, to determine whether or not to consolidate (see Note 1.3).

**Key sources of estimation uncertainty**

The following are assumptions about the future and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

1. **Property valuations** – as detailed in Note 18, Avison Young provided the Trust with a desk-top valuation as at 31 March 2020 of land and building assets (estimated fair value and remaining useful life), based on depreciated replacement value, using the modern equivalent asset method of valuation. This valuation, which is based on estimates, led to an increase in the carrying value of the Trust's land and buildings of £1.3m. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020, the valuer has declared a "material valuation uncertainty" in the valuation report. This is on the basis of uncertainties in markets caused by Covid-19. Whilst this material valuation uncertainty has been declared, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust.

2. **Healthcare income** – discussions are held with all commissioners regularly regarding activity levels against their contracts, particularly around the year end. Over and under performance against contracts is calculated and the relevant income adjustments made. £2.3m of income from over-performance against contract activity was offset by £1.5m of under-performance against contracts with other commissioners. In addition, partially completed spells are calculated as at 31 March and the income accrued. This involves estimation of the amount and timing of when performance obligations have been satisfied in line with IFRS 15.

## 1.27 Early adoption of standards, amendments & interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2019/20.

## 1.28 Standards, amendments & interpretations in issue but not yet effective or adopted

### IFRS 16 Leases

IFRS 16 Leases will replace *IAS 17 Leases*, *IFRIC 4 Determining whether an arrangement contains a lease* and other interpretations, and is applicable in the public sector for periods beginning 1 April 2021. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the Statement of Financial Position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the Statement of Financial Position, the standard also requires the re-measurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4. The Trust will apply this definition to new leases only, and will grandfather its assessments made under the old standards of whether existing contracts contain a lease.

On transition to IFRS 16 on 1 April 2021, the Trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the Income and Expenditure Reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the Trust's incremental borrowing rate. The Trust's incremental borrowing rate will be a rate defined by HM Treasury. Currently this rate is 1.27% but this may change between now and adoption of the standard. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments.

For 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.

HM Treasury revised the implementation date for IFRS 16 in the UK public sector to 1 April 2021 on 19 March 2020. Due to the need to re-assess lease calculations, together with uncertainty on expected leasing activity from 1 April 2021 and beyond, a quantification of the expected impact of applying the standard in 2021/22 is currently impracticable. However, the Trust does expect this standard to have a material impact on non-current assets and liabilities.

### Other standards, amendments & interpretations

IFRS 17 Insurance Contracts – application required for accounting periods beginning on or after 1 January 2021 but not yet adopted by the FReM. This is not expected to have an effect on the financial statements.

# Note 2 : Operating Segments

The Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust Group consists of the Foundation Trust and the related NHS charity. The segmental analysis based on the Group entities is shown below.

| | Group | |
|---|---|---|
| | **2019/20 £000** | **2018/19 £000** |
| Foundation Trust income attributable to the Group | 118,332 | 112,782 |
| Charity income attributable to the Group | 637 | 708 |
| **Total RJAH Group operating income** | **118,969** | **113,490** |
| | | |
| Foundation Trust surplus attributable to the Group | 2,657 | 3,194 |
| Charity surplus attributable to the Group | 195 | 327 |
| **Total RJAH Group operating surplus** | **2,852** | **3,521** |
| | | |
| Foundation Trust net assets attributable to the Group | 75,333 | 69,670 |
| Charity net assets attributable to the Group | 1,273 | 1,078 |
| **Total RJAH net assets** | **76,606** | **70,748** |

No material income attributable to the Group was received by the Charity from any single source during 2019/20 or 2018/19.

The Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust is a specialist hospital with only one business element of healthcare. Reports to the Board (the Chief Operating Decision Maker as defined by IFRS 8 Operating Segments) are on this basis.

Therefore no further analysis is required for the Foundation Trust.

# Note 3 : Operating Income From Patient Care Activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.4.

Commissioner requested services are defined within the Foundation Trust's provider licence and are services that commissioners believe would need to be protected in the event of provider failure. All the acute services income in the table below is derived from commissioner requested services.

No income for healthcare is received by the charity, so the income below relates solely to the Foundation Trust.

# Note 3.1 : Income from patient care activities (by nature)

| | Group & Foundation Trust | |
|---|---|---|
| | 2019/20 £000 | 2018/19 £000 |
| **Acute services** | | |
| Elective income *(note 1)* | 50,203 | 56,436 |
| Non elective income *(note 1)* | 10,047 | 4,586 |
| First outpatient income | 7,774 | 6,625 |
| Follow up outpatient income | 12,040 | 10,026 |
| High cost drugs income from commissioners (excluding pass-through costs) | 4,320 | 4,516 |
| Other NHS clinical income | 14,623 | 15,214 |
| **All services** | | |
| Private patient income | 5,239 | 5,776 |
| Agenda for Change pay award central funding *(note 2)* | | 974 |
| Additional pension contribution central funding *(note 3)* | 2,720 | |
| Other clinical income *(includes injury cost recovery scheme)* | 4,239 | 753 |
| **Total income from activities** | **111,205** | **104,906** |

*Note 1 - there has been a change in classification of spinal injuries income resulting in a movement from elective to non-elective income.*

*Note 2 - additional costs of the Agenda for Change pay reform in 2018/19 received central funding. From 2019/20 this funding is incorporated into tariff for individual services.*

*Note 3 - the employer contribution rate for NHS pensions increased from 14.38% to 20.68% (excluding administration charge) from 1 April 2019. For 2019/20, NHS providers continued to pay over contributions at the former rate with the additional amount being paid over by NHS England on providers' behalf. The full cost and related funding have been recognised in these accounts.*

# Note 3.2 : Income from patient care activities (by source)

| | Group & Foundation Trust | |
|---|---|---|
| | 2019/20 £000 | 2018/19 £000 |
| **Income from patient care activities received from:** | | |
| NHS England (including pension contribution central funding) | 24,117 | 16,518 |
| Clinical commissioning groups | 53,339 | 53,898 |
| Department of Health & Social Care | - | 974 |
| Other NHS providers | 342 | 46 |
| Local authorities | 1 | - |
| Non-NHS: private patients | 5,239 | 5,776 |
| Injury cost recovery scheme *(note 1)* | 813 | 694 |
| Non-NHS: other *(note 2)* | 27,354 | 27,000 |
| **Total income from activities** | **111,205** | **104,906** |

*Note 1 - injury costs recovery scheme income is subject to a provision for impairment of receivables of 21.79% to reflect expected rates of collection.*

*Note 2 - the majority of the non-NHS other income is from Welsh NHS bodies for patients referred by Welsh GPs, not necessarily living in Wales, and with a Welsh postcode (2019/20: £27,057k and 2018/19: £26,929k).*

*Note 3 - there was no income from overseas visitors in either 2019/20 or 2018/19.*

# Note 4 : Other Operating Income

| | Group | | Foundation Trust | |
|---|---|---|---|---|
| | 2019/20 £000 | 2018/19 £000 | 2019/20 £000 | 2018/19 £000 |
| **Contract income** | | | | |
| Research & development (contract) | 673 | 738 | 673 | 738 |
| Education & training (excl notional apprenticeship levy income) | 1,212 | 1,241 | 1,212 | 1,241 |
| Non-patient care services to other bodies | 74 | 43 | 74 | 43 |
| Provider sustainability fund income (PSF) *(note 1)* | 372 | 2,350 | 372 | 2,350 |
| Sale of goods & services | 1,247 | 1,239 | 1,234 | 1,226 |
| Catering | 536 | 529 | 536 | 529 |
| Car parking | 415 | 421 | 415 | 421 |
| Other contract income *(note 2)* | 1,585 | 376 | 1,598 | 389 |
| **Non-contract income** | | | | |
| Education & training - notional apprenticeship fund income | 101 | 97 | 101 | 97 |
| Receipt of capital grants & donations | 611 | 243 | 624 | 320 |
| Charitable and other contributions to expenditure | - | - | 59 | 55 |
| Rental revenue from operating leases | 301 | 599 | 301 | 599 |
| Charitable fund incoming resources | 637 | 708 | - | - |
| **Total other operating income** | **7,764** | **8,584** | **7,199** | **8,008** |

*Note 1 - the PSF is a mechanism to allocate centrally held support to NHS provider organisations, based on the achievement of a number of performance targets.*

*Note 2 - other contract income includes contributions to services, sponsorship income, and accommodation/room rental. In 2019/20 £800k digital accelerator funding for I/T schemes was also received.*

# Note 5 : Additional Information on Contract Revenue Recognised In The Period

| | Group & Foundation Trust | |
|---|---|---|
| | 2019/20 £000 | 2018/19 £000 |
| Revenue recognised in the reporting period that was included within contract liabilities at the previous period end (i.e. release of deferred income) | 149 | 139 |

# Note 6 : Fees & Charges

There are no fees or charges where individually the full costs exceed £1m.

# Note 7 : Operating Expenses

## Note 7.1 : Analysis of operating expenses

| | Group | |
|---|---|---|
| | 2019/20 £000 | 2018/19 £000 |
| Staff & executive directors costs | 69,811 | 64,114 |
| Remuneration of non-executive directors | 119 | 110 |
| Supplies & services - clinical (excluding drugs costs) | 20,096 | 20,397 |
| Supplies & services - general | 1,600 | 1,423 |
| Drug costs (drugs inventory consumed & purchase of non-inventory drugs) | 6,372 | 6,460 |
| Inventories written down | 161 | 121 |
| Consultancy costs | 389 | 260 |
| Establishment *(note 1)* | 1,095 | 886 |
| Premises | 4,413 | 4,303 |
| Transport (including patient travel) | 739 | 789 |
| Depreciation on property, plant & equipment | 2,907 | 3,122 |
| Amortisation on intangible assets | 163 | 115 |
| Movement in credit loss allowance: contract receivables | 86 | 80 |
| Increase in other provisions *(note 2)* | 605 | - |
| Audit fees payable to the external auditor: | | |
| audit services- statutory audit | 52 | 52 |
| other auditor remuneration (external auditor only) | 20 | 14 |
| Internal audit costs | 64 | 59 |
| Clinical negligence | 2,281 | 2,325 |
| Legal fees | 88 | 63 |
| Insurance | 82 | 97 |
| Research & development | 696 | 662 |
| Education & training | 490 | 461 |
| Rentals under operating leases | 1,070 | 1,013 |
| Redundancy | - | 106 |
| Car parking & security | 76 | 87 |
| Losses, ex gratia & special payments | 25 | 26 |
| Other support services *(note 3)* | 524 | 479 |
| Other NHS charitable fund resources expended | 372 | 249 |
| Other | 26 | 327 |
| **Total** | **114,422** | **108,200** |

*Note 1 - establishment costs include printing, stationery, telephones and postage.*

*Note 2 - the increase in other provisions mainly relates to an injury benefit.*

*Note 3 - other support services includes, payroll, procurement and occupational health.*

*Note 4 - operating expenses figures relating to the charity are the "Other NHS charitable fund resources expended" line above and £5k (2019/20 and 2018/19) of the "Audit services - statutory audit" line.*

# Note 7.2 : Other auditor remuneration

| | Group | |
|---|---|---|
| | 2019/20 £000 | 2018/19 £000 |
| **Other auditor remuneration paid to the external auditor:** | | |
| Audit-related assurance services | 12 | 12 |
| Expenses *(note : 19/20 figure includes £4k relating to 18/19)* | 8 | 2 |
| **Total** | **20** | **14** |

The limitation on auditor's liability for external audit work, in accordance with their engagement letter, is £1m (2018/19: £1m).

# Note 8 : Impairment of Assets

| | Group & Foundation Trust | |
|---|---|---|
| | 2019/20 £000 | 2018/19 £000 |
| Impairments charged to the revaluation reserve | - | 4,253 |
| **Total impairments** | **-** | **4,253** |

The impairment in 2018/19 related to the full revaluation of land and buildings carried out in the year.

# Note 9 : Employee Benefits

# Note 9.1 : Staff costs

| | Group & Foundation Trust | |
|---|---|---|
| | 2019/20 £000 | 2018/19 £000 |
| Salaries & wages | 53,186 | 50,378 |
| Social security costs | 4,922 | 4,690 |
| Apprenticeship levy | 247 | 227 |
| Employer's contributions to NHS pensions *(note 1)* | 8,932 | 5,880 |
| Pension cost - other | 14 | 7 |
| Termination benefits | 31 | 106 |
| Temporary staff (including agency) | 4,256 | 4,419 |
| **Total gross staff costs** | **71,588** | **65,707** |
| Recoveries in respect of seconded staff | (802) | (752) |
| **Total staff costs** | **70,786** | **64,955** |
| Of which: costs capitalised as part of assets | 321 | 156 |

*Note 1 - employers pension contributions increased from 14.38% to 20.68% in 2019/20*

## Note 9.2 : Retirements due to ill-health

During 2019/20 there were 5 early retirements from the Trust agreed on the grounds of ill-health (none for 2018/19). The estimated additional pension liabilities of these ill-health retirements is £238k.

## Note 10 : Pension Costs

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

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

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

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

**b) Full actuarial (funding) valuation**

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from 1 April 2019 to 20.68%, and the Scheme Regulations were amended accordingly.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgement 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 Group also makes contributions to the National Employment Savings Trust (NEST) pension scheme. This is a defined contribution scheme that was created as part of the government's workplace pensions reforms under the Pensions Act 2008.

# Note 11 : Operating Leases

## Note 11.1 : Trust as a lessor

This note discloses income generated in operating lease agreements where the Trust is the lessor.

The Trust rents out a small proportion of the hospital buildings to partner organisations which complement the service it provides.

| | Group & Foundation Trust | |
|---|---|---|
| | 2019/20 £000 | 2018/19 £000 |
| **Operating lease revenue** | | |
| Minimum lease receipts | 301 | 599 |
| **Total** | **301** | **599** |
| | | |
| **Future minimum lease receipts due:** | | |
| - not later than 1 year | 300 | 300 |
| - later than 1 year & not later than 5 years | 90 | 163 |
| **Total** | **390** | **463** |

## Note 11.2 : Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where the Trust is the lessee.

The Trust has one significant operating lease for an operating theatre modular building (Menzies Day Case Unit) at a cost of £425k for 2019/20 (£412k in 2018/19). Other smaller leases relate to medical equipment (including an MRI scanner, a CT scanner and theatre equipment) I/T equipment and lease cars.

| | Group & Foundation Trust | |
|---|---|---|
| | 2019/20 £000 | 2018/19 £000 |
| **Operating lease expense** | | |
| Minimum lease payments | 1,070 | 1,013 |
| **Total** | **1,070** | **1,013** |
| | | |
| **Future minimum lease payments due:** | | |
| - not later than 1 year | 893 | 1,006 |
| - later than 1 year & not later than 5 years | 2,619 | 2,444 |
| - later than 5 years | 672 | 1,173 |
| **Total** | **4,184** | **4,623** |

*The future minimum lease payments represent the remaining contractual obligations. The remaining duration of contracts will vary as leases reach maturity at different dates.*

# Note 12 : Finance Income

Finance income represents interest received on assets and investments in the year.

| | Group | |
|---|---|---|
| | 2019/20 £000 | 2018/19 £000 |
| Interest on bank accounts | 50 | 39 |
| NHS charitable fund investment income | 7 | 5 |
| **Total finance income** | **57** | **44** |

# Note 13 : Finance Expenditure

Finance expenditure represents interest and other charges involved in the borrowing of money or asset financing.

| | Group & Foundation Trust | |
|---|---|---|
| | 2019/20 £000 | 2018/19 £000 |
| **Interest expense:** | | |
| Loans from the Department of Health & Social Care | 128 | 150 |
| **Total finance costs** | **128** | **150** |

There was no interest payable in 2019/20 or 2018/19 under the Late Payment of Commercial Debts (Interest) Act 1998 / Public Contract Regulations 2015.

# Note 14 : Other Net Gains

| | Group & Foundation Trust | |
|---|---|---|
| | 2019/20 £000 | 2018/19 £000 |
| Gains on disposal of property, plant & equipment *(note 1)* | 123 | 6 |
| **Total gains on disposal of assets** | **123** | **6** |

*Note 1 - the gain in 2019/20 relates mainly to the disposal of the old MRI scanner.*

# Note 15 : Intangible Assets

All intangible assets are held by the Foundation Trust.

# Note 15.1 : Intangible assets - 2019/20

| | Group & Foundation Trust | | |
|---|---|---|---|
| | Software licences | Intangible assets under development | Total |
| | £000 | £000 | £000 |
| **Valuation / gross cost at 1 April 2019 - brought forward** | **1,267** | **1,707** | **2,974** |
| Additions | 1,006 | 75 | **1,081** |
| Reclassifications *(note 1)* | 1,650 | (1,650) | **-** |
| **Valuation / gross cost at 31 March 2020** | **3,923** | **132** | **4,055** |
| **Amortisation at 1 April 2019 - brought forward** | **350** | **-** | **350** |
| Provided during the year | 163 | - | **163** |
| **Amortisation at 31 March 2020** | **513** | **-** | **513** |
| **Net book value at 31 March 2020** | **3,410** | **132** | **3,542** |
| **Net book value at 1 April 2019** | **917** | **1,707** | **2,624** |

*Note 1 - reclassifications relate mainly to a patient record system being brought into use.*

*The minimum and maximum useful economic lives of the software licences are 2 years and 10 years respectively. Useful economic lives reflect the total life of an asset, not the remaining life.*

# Note 15.2 : Intangible assets - 2018/19

| | Group & Foundation Trust | | |
|---|---|---|---|
| | Software licences | Intangible assets under development | Total |
| | £000 | £000 | £000 |
| **Valuation / gross cost at 1 April 2018 - brought forward** | **795** | **1,738** | **2,533** |
| Additions | 384 | 57 | **441** |
| Reclassifications | 88 | (88) | **-** |
| **Valuation / gross cost at 31 March 2019** | **1,267** | **1,707** | **2,974** |
| **Amortisation at 1 April 2018 - brought forward** | **235** | **-** | **235** |
| Provided during the year | 115 | - | **115** |
| **Amortisation at 31 March 2019** | **350** | **-** | **350** |
| **Net book value at 31 March 2019** | **917** | **1,707** | **2,624** |
| **Net book value at 1 April 2018** | **560** | **1,738** | **2,298** |

# Note 16 : Property, Plant & Equipment

All property, plant and equipment is held by the Foundation Trust.

# Note 16.1 : Property, plant & equipment - 2019/20

| | Group & Foundation Trust | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Land | Buildings excluding dwellings | Dwellings | Assets under construction | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Valuation/gross cost at 1 April 2019 - brought forward** | **1,623** | **62,461** | **220** | **513** | **9,047** | **25** | **1,871** | **337** | **76,097** |
| Additions | - | 2,148 | - | 1,320 | 1,178 | - | 600 | - | **5,246** |
| Revaluation *(note 1)* | - | (559) | - | - | - | - | - | - | **(559)** |
| Reclassifications | - | 108 | - | (514) | 5 | - | 401 | - | **-** |
| Disposals *(Note 2)* | - | - | - | - | (1,192) | - | - | - | **(1,192)** |
| **Valuation/gross cost at 31 March 2020** | **1,623** | **64,158** | **220** | **1,319** | **9,038** | **25** | **2,872** | **337** | **79,592** |
| **Accumulated depreciation at 1 April 2019 - brought forward** | **-** | **-** | **-** | **-** | **5,629** | **25** | **1,326** | **238** | **7,218** |
| Provided during the year | - | 1,976 | 10 | - | 670 | - | 230 | 21 | **2,907** |
| Revaluation *(note 1)* | - | (1,817) | - | - | - | - | - | - | **(1,817)** |
| Disposals *(Note 2)* | - | - | - | - | (1,192) | - | - | - | **(1,192)** |
| **Accumulated depreciation at 31 March 2020** | **-** | **159** | **10** | **-** | **5,107** | **25** | **1,556** | **259** | **7,116** |
| **Net book value at 31 March 2020** | **1,623** | **63,999** | **210** | **1,319** | **3,931** | **-** | **1,316** | **78** | **72,476** |
| **Net book value at 1 April 2019** | **1,623** | **62,461** | **220** | **513** | **3,418** | **-** | **545** | **99** | **68,879** |

*Note 1 - the revaluation is as a result of a desk-top revaluation of land and buildings by Avison Young.*

*Note 2 - the disposals relate to an MRI scanner and an image intensifier.*

# Note 16.2 : Property, plant & equipment - 2018/19

| | Group & Foundation Trust | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Land | Buildings excluding dwellings | Dwellings | Assets under construction | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Valuation / gross cost at 1 April 2018 - as previously stated** | **1,455** | **66,273** | **148** | **486** | **8,491** | **25** | **1,654** | **319** | **78,851** |
| Additions | - | 2,430 | - | 320 | 676 | - | 217 | 18 | **3,661** |
| Impairments | - | (4,253) | - | - | - | - | - | - | **(4,253)** |
| Revaluation *(note 1)* | 168 | (2,282) | 72 | - | - | - | - | - | **(2,042)** |
| Reclassifications | - | 293 | - | (293) | - | - | - | - | **-** |
| Disposals *(Note 2)* | - | - | - | - | (120) | - | - | - | **(120)** |
| **Valuation/gross cost at 31 March 2019** | **1,623** | **62,461** | **220** | **513** | **9,047** | **25** | **1,871** | **337** | **76,097** |
| **Accumulated depreciation at 1 April 2018 - as previously stated** | **-** | **14** | **-** | **-** | **5,146** | **25** | **1,116** | **206** | **6,507** |
| Provided during the year | - | 2,268 | 9 | - | 603 | - | 210 | 32 | **3,122** |
| Revaluation *(note 1)* | - | (2,282) | (9) | - | - | - | - | - | **(2,291)** |
| Reclassifications | - | - | - | - | - | - | - | - | **-** |
| Disposals *(Note 2)* | - | - | - | - | (120) | - | - | - | **(120)** |
| **Accumulated depreciation at 31 March 2019** | **-** | **-** | **-** | **-** | **5,629** | **25** | **1,326** | **238** | **7,218** |
| **Net book value at 31 March 2019** | **1,623** | **62,461** | **220** | **513** | **3,418** | **-** | **545** | **99** | **68,879** |
| **Net book value at 1 April 2018** | **1,455** | **66,259** | **148** | **486** | **3,345** | **-** | **538** | **113** | **72,344** |

*Note 1 - the revaluations and impairments are as a result of the revaluation of all land and buildings by Avison Young. This resulted in an upwards revaluation for land and dwellings and a downwards revaluation (impairment) for other buildings.*

*Note 2 - the disposals relate to the old CT scanner, replaced by a new one in 2018/19.*

## Note 16.3 : Property, plant & equipment financing - 2019/20

| | Group & Foundation Trust | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Land | Buildings excluding dwellings | Dwellings | Assets under construction | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Net book value at 31 March 2020** | | | | | | | | | |
| Owned - purchased | 1,623 | 50,338 | 210 | 1,319 | 3,465 | - | 1,316 | 54 | **58,325** |
| Owned - donated | - | 13,661 | - | - | 466 | - | - | 24 | **14,151** |
| **Net book value total at 31 March 2020** | **1,623** | **63,999** | **210** | **1,319** | **3,931** | **-** | **1,316** | **78** | **72,476** |

## Note 16.4 : Property, plant & equipment financing - 2018/19

| | Group & Foundation Trust | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Land | Buildings excluding dwellings | Dwellings | Assets under construction | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Net book value at 31 March 2019** | | | | | | | | | |
| Owned - purchased | 1,623 | 49,149 | 220 | 513 | 2,875 | - | 545 | 70 | **54,995** |
| Owned - donated | - | 13,312 | - | - | 543 | - | - | 29 | **13,884** |
| **Net book value total at 31 March 2019** | **1,623** | **62,461** | **220** | **513** | **3,418** | **-** | **545** | **99** | **68,879** |

# Note 16.5 : Economic lives of property, plant & equipment

The minimum and maximum useful economic lives of each class of asset are given in the table below. Useful economic lives reflect the total life of an asset, not the remaining life.

| | Group & Foundation Trust | |
|---|---|---|
| | Min Life Years | Max Life Years |
| Land | N/A | N/A |
| Buildings excluding dwellings | 5 | 67 |
| Dwellings | 6 | 48 |
| Plant & machinery | 5 | 31 |
| Transport equipment | 7 | 7 |
| Information technology | 3 | 10 |
| Furniture & fittings | 5 | 15 |

# Note 17 : Donations of Property, Plant & Equipment

The Foundation Trust did not receive any physical donations of property, plant and equipment in either 2019/20 or 2018/19.

Cash donations were received by the Foundation Trust for building refurbishments and to purchase property, plant and equipment. All cash received was utilised for this purpose. Donations were received from:

The League of Friends - £49k (2018/19: £238k)

The RJAH charity - £13k (2018/19: £77k)

Macmillan UK - £20k

In addition, the Horatio's Garden charity built a garden for spinal injuries patients and their families, including a garden room, valued on completion at £541k.

# Note 18 : Revaluations of Property, Plant & Equipment

For 2019/20, a desktop revaluation of land and buildings was undertaken by Avison Young with an effective date of 31 March 2020. This resulted in an overall increase in value of £1,258k.

The valuations were undertaken in accordance with International Financial Reporting Standards (IFRS) as interpreted and applied by the NHS, and the requirements of the RICS Valuation Professional Standards.

The valuations are carried out on a Modern Equivalent Asset (MEA) basis, using an optimised approach to land and building constitution.

# Note 19 : Analysis of Charitable Fund Reserves

The Robert Jones and Agnes Hunt Orthopaedic Hospital Charity accounts are consolidated within these accounts. The Charity is fully controlled by the Foundation Trust as its corporate trustee, and is therefore consolidated in full into the Group.

The charitable fund reserves can be made up of 2 types of funds:

**Unrestricted income funds** are accumulated income funds that are expendable at the discretion of the trustees in furtherance of the charity's objects. Unrestricted funds may be earmarked or designated for specific future purposes which reduces the amount that is readily available to the charity.

**Restricted funds** may be accumulated income funds which are expendable at the trustee's discretion only in furtherance of the specified conditions of the donor and the objects of the charity. They may also be capital funds (e.g. endowments) where the assets are required to be invested, or retained for use rather than expended.

Currently there are both unrestricted and restricted funds held by the charity. Balances are:

| | Group | |
|---|---|---|
| | 31 March 2020 £000 | 31 March 2019 £000 |
| **Unrestricted funds:** | | |
| Unrestricted income funds | 1,037 | 957 |
| **Restricted funds:** | | |
| Other restricted income funds | 236 | 121 |
| | **1,273** | **1,078** |

# Note 20 : Inventories

All inventories are finished goods.

| | Group & Foundation Trust | |
|---|---|---|
| | 31 March 2020 £000 | 31 March 2019 £000 |
| Drugs | 194 | 147 |
| Consumables | 1,136 | 992 |
| Energy | 66 | 60 |
| **Total inventories** | **1,396** | **1,199** |

Inventories recognised in expenses for the year were £10,743k (2018/19: £11,629k). Write-down of inventories recognised as expenses for the year were £161k (2018/19: £121k).

# Note 21 : Receivables

## Note 21.1 : Analysis of receivables

| | Group | | Foundation Trust | |
|---|---|---|---|---|
| | 31 March 2020 £000 | 31 March 2019 £000 | 31 March 2020 £000 | 31 March 2019 £000 |
| **Current** | | | | |
| Contract receivables | 5,034 | 6,978 | 5,064 | 6,978 |
| Capital receivables | 120 | - | 120 | - |
| Allowance for impaired contract receivables | (473) | (442) | (473) | (442) |
| Prepayments (non-PFI) | 887 | 1,181 | 887 | 1,181 |
| Interest receivable | 6 | 4 | 6 | 4 |
| PDC dividend receivable | - | 84 | - | 84 |
| VAT receivable | 25 | 202 | 25 | 202 |
| Other receivables | 58 | 14 | 58 | 32 |
| NHS charitable funds receivables | 120 | 104 | - | - |
| **Total current receivables** | **5,777** | **8,125** | **5,687** | **8,039** |
| | | | | |
| **Non-current** | | | | |
| Contract receivables | 1,156 | 1,103 | 1,156 | 1,103 |
| Allowance for impaired contract receivables | (252) | (241) | (252) | (241) |
| Prepayments (non-PFI) | 83 | 30 | 83 | 30 |
| Other receivables | 301 | - | 301 | - |
| **Total non-current receivables** | **1,288** | **892** | **1,288** | **892** |
| | | | | |
| **Of which receivable from NHS & DHSC bodies:** | | | | |
| Current | 2,216 | 3,790 | | |
| Non-current | 301 | - | | |

## Note 21.2 : Allowances for credit losses

| | Group & Foundation Trust | | Group & Foundation Trust | |
|---|---|---|---|---|
| | Contract receivables 2019/20 £000 | All other receivables 2019/20 £000 | Contract receivables 2018/19 £000 | All other receivables 2018/19 £000 |
| **Allowances as at 1 April - brought forward** | **683** | **-** | **-** | **690** |
| Impact of implementing IFRS 9 (and IFRS 15) | | | 685 | (690) |
| New allowances arising | 40 | - | 63 | - |
| Changes in existing allowances | 61 | - | 45 | - |
| Reversals of allowances | (15) | - | (28) | - |
| Utilisation of allowances (write-offs) | (44) | - | (82) | - |
| **Allowances as at 31 March** | **725** | **-** | **683** | **-** |

# Note 22 : Non-Current Assets Held for Sale

There were no non-current assets held for sale in either 2019/20 or 2018/19.

# Note 23 : Cash & Cash Equivalents

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents. Cash equivalents are readily convertible investments of known value which are subject to an insignificant risk of change in value.

| | Group | | Foundation Trust | |
|---|---|---|---|---|
| | 2019/20 £000 | 2018/19 £000 | 2019/20 £000 | 2018/19 £000 |
| **At 1 April** | **6,687** | **5,083** | **5,673** | **4,249** |
| Net change in year | 2,750 | 1,604 | 2,577 | 1,424 |
| **At 31 March** | **9,437** | **6,687** | **8,250** | **5,673** |
| | | | | |
| **Broken down into:** | | | | |
| Cash at commercial banks & in hand | 1,197 | 18 | 10 | 8 |
| Cash with the Government Banking Service | 8,240 | 6,669 | 8,240 | 5,665 |
| **Total cash and cash equivalents** | **9,437** | **6,687** | **8,250** | **5,673** |

# Note 24 : Third Party Assets Held by the Trust

There were no third party assets held in either 2019/20 or 2018/19.

# Note 25 : Trade & Other Payables

| | Group | | Foundation Trust | |
|---|---|---|---|---|
| | 31 March 2020 £000 | 31 March 2019 £000 | 31 March 2020 £000 | 31 March 2019 £000 |
| **Current** | | | | |
| Trade payables | 2,178 | 2,894 | 2,178 | 2,894 |
| Capital payables | 1,496 | 1,129 | 1,496 | 1,129 |
| Accruals | 3,660 | 3,056 | 3,660 | 3,056 |
| Receipts in advance & payments on account | 3 | 2 | 3 | 2 |
| Social security costs | 729 | 713 | 729 | 713 |
| Other taxes payable | 623 | 642 | 623 | 642 |
| Other payables *(note 1)* | 1,516 | 1,707 | 1,516 | 1,707 |
| NHS charitable funds: trade & other payables | 4 | 22 | - | - |
| **Total current trade & other payables** | **10,209** | **10,165** | **10,205** | **10,143** |
| Of which payables from NHS and DHSC group bodies: | 1,265 | 1,291 | | |

*Note 1 - other payables mainly includes outstanding pension contributions and payments to staff.*

# Note 26 : Other Liabilities

| | Group & Foundation Trust | |
|---|---|---|
| | 31 March 2020 £000 | 31 March 2019 £000 |
| **Current** | | |
| Deferred income: contract liabilities | 60 | 156 |
| Deferred grants | 34 | 18 |
| **Total other current liabilities** | **94** | **174** |

*These liabilities relate to income from private patients received in advance of treatment (2018/19 only) and research income/grants received in advance of the research taking place (both years).*

# Note 27 : Borrowings

## Note 27.1 : Analysis of borrowings

| | Group & Foundation Trust | |
|---|---|---|
| | 31 March 2020 £000 | 31 March 2019 £000 |
| **Current** | | |
| Loans from DHSC | 1,189 | 1,191 |
| **Total current borrowings** | **1,189** | **1,191** |
| | | |
| **Non-current** | | |
| Loans from DHSC | 4,708 | 5,884 |
| **Total non-current borrowings** | **4,708** | **5,884** |
| | | |
| **Total borrowings** | **5,897** | **7,075** |

*The outstanding loan is a £10m capital investment loan taken out in August 2015, repayable over 10 years at an interest rate of 1.92%. The principal is repaid at 6 monthly intervals until February 2025. The loan was used to finance the building of the Theatre and Tumour Unit.*

## Note 27.2 : Reconciliation of liabilities from financing activities

The only financing activity the Trust has is the DHSC loan.

| | Group & Foundation Trust | |
|---|---|---|
| | 2019/20 £000 | 2018/19 £000 |
| **Carrying value at 1 April** | **7,075** | **8,236** |
| **Cash movements:** | | |
| Financing cash flows - payments of principal | (1,176) | (1,176) |
| Financing cash flows - payments of interest | (130) | (152) |
| **Non-cash movements:** | | |
| Impact of implementing IFRS 9 on 1 April 2018 | | 17 |
| Application of effective interest rate | 128 | 150 |
| **Carrying value at 31 March** | **5,897** | **7,075** |

# Note 28 : Finance Leases

There were no finance leases held in either 2019/20 or 2018/19.

# Note 29 : Provisions for Liabilities & Charges

| | Group & Foundation Trust | | | | | |
|---|---|---|---|---|---|---|
| | Pensions (early departures) | Pensions (injury benefits) | Legal claims | Clinician pension tax reimbursement | Other | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **At 1 April 2019** | **75** | **-** | **17** | **-** | **152** | **244** |
| Arising during the year | 10 | 485 | 30 | 301 | 80 | **906** |
| Utilised during the year | (40) | - | - | - | - | **(40)** |
| **At 31 March 2020** | **45** | **485** | **47** | **301** | **232** | **1,110** |
| | | | | | | |
| **Expected timing of cash flows:** | | | | | | |
| - not later than 1 year | 37 | 20 | 47 | - | 112 | **216** |
| - later than 1 year & not later than 5 years | 8 | 80 | - | 301 | 120 | **509** |
| - later than 5 years | - | 385 | - | - | - | **385** |
| **Total** | **45** | **485** | **47** | **301** | **232** | **1,110** |

*The pensions relate to NHS pensions payable to staff given early retirement prior to 1995, and an injury benefit for a previous employee of the Trust. These are administered and invoiced for by the NHS Business Services Agency Pensions Division with total liability estimated based on life expectancy.*

*The legal claims relate to employer's and public liability claims handled by NHS Resolution. Liability is limited to the scheme excess.*

*Clinician pension tax reimbursement relates to a tax charge for work undertaken in 2019/20 by clinicians who are members of the NHS Pension Scheme, and have elected to have this paid by the Pension Scheme. The Trust will pay a corresponding compensated amount on retirement, which will in turn be funded by NHS England.*

*"Other" relates to the dismantling charges for the day case unit at the end of the lease, a claim from a supplier, and employment tribunal claims.*

At 31 March 2020, £12,056k was included in the provisions of NHS Resolution in respect of clinical negligence liabilities of the Trust (31 March 2019: £9,767k).

# Note 30 : Contingent Assets & Liabilities

There were no contingent assets in 2019/20 or 2018/19.

| | Group & Foundation Trust | |
|---|---|---|
| | 31 March 2020 £000 | 31 March 2019 £000 |
| **Value of contingent liabilities** | | |
| NHS Resolution legal claims | (30) | (16) |
| **Gross value of contingent liabilities** | **(30)** | **(16)** |

# Note 31 : Contractual Capital Commitments

| | Group & Foundation Trust | |
|---|---|---|
| | 31 March 2020 £000 | 31 March 2019 £000 |
| Property, plant & equipment | 1,301 | 1,667 |
| Intangible assets | 6 | - |
| **Total** | **1,307** | **1,667** |

# Note 32 : Other Financial Commitments

The Group is committed to making payments under non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements), analysed by the period during which the payment is made:

| | Group & Foundation Trust | |
|---|---|---|
| | 31 March 2020 £000 | 31 March 2019 £000 |
| Not later than 1 year | 811 | 644 |
| After 1 year & not later than 5 years | 898 | 265 |
| **Total** | **1,709** | **909** |

# Note 33 : Financial Instruments

## Note 33.1 : Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the Foundation Trust has with commissioners and the way those commissioners are financed, the Group is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Foundation Trust's investment policy limits the investment of surplus funds to institutions with a low risk rating. The charity's investment policy is consistent with that of the Foundation Trust. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Group in undertaking its activities.

The Group's treasury management operations are carried out by the finance department. For the Foundation Trust, this is within parameters defined formally within its Standing Financial Instructions and policies agreed by the board of directors. For the charity, this is within parameters defined formally within the charity's governing document and the Charitable Funds Committee terms of reference. Treasury activity is subject to review by the Group's internal auditors.

**Currency risk**

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

**Interest rate risk**

The Foundation Trust holds a DHSC loan, with interest charged at the prevailing National Loans Fund rate when the loan was taken out. The Foundation Trust therefore has low exposure to interest rate fluctuations. The charity has no borrowings.

**Credit risk**

Because the majority of the Foundation Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2020 are in receivables from customers, as disclosed in the receivables note. The charity does not hold material receivables balances. With its income coming from voluntary donations and legacies, the charity is also considered to have a low exposure to risk.

**Liquidity risk**

The Group's operating costs are incurred under contracts with commissioning organisations, which are financed from resources voted annually by Parliament. The Foundation Trust funds its capital expenditure from resources voted annually by parliament, internally generated surpluses, donations, and through borrowing via the National Loans Fund. The Group is not, therefore, exposed to significant liquidity risks.

## Note 33.2 Carrying values of financial assets

| All at amortised cost under IFRS 9 | Group | | Foundation Trust | |
|---|---|---|---|---|
| | 31 March 2020 £000 | 31 March 2019 £000 | 31 March 2020 £000 | 31 March 2019 £000 |
| Trade & other receivables excluding non financial assets | 5,949 | 7,416 | 5,949 | 7,416 |
| Cash & cash equivalents | 8,250 | 5,673 | 8,250 | 5,673 |
| Consolidated NHS Charitable fund financial assets | 1,307 | 1,118 | - | - |
| **Total** | **15,506** | **14,207** | **14,199** | **13,089** |

*Carrying value (book value) of these financial assets is assumed to be a reasonable approximation of fair value.*

## Note 33.3 Carrying values of financial liabilities

| All at amortised cost under IFRS 9 | Group | | Foundation Trust | |
|---|---|---|---|---|
| | 31 March 2020 £000 | 31 March 2019 £000 | 31 March 2020 £000 | 31 March 2019 £000 |
| Loans from the Department of Health & Social Care | 5,897 | 7,075 | 5,897 | 7,075 |
| Trade & other payables (excluding non-financial liabilities) | 8,850 | 8,786 | 8,850 | 8,786 |
| Consolidated NHS charitable fund financial liabilities | 4 | 22 | - | - |
| **Total** | **14,751** | **15,883** | **14,747** | **15,861** |

*Carrying value (book value) of these financial liabilities is assumed to be a reasonable approximation of fair value.*

## Note 33.4 : Maturity of financial liabilities

| | Group | | Foundation Trust | |
|---|---|---|---|---|
| | 31 March 2020 £000 | 31 March 2019 £000 | 31 March 2020 £000 | 31 March 2019 £000 |
| In 1 year or less | 10,043 | 9,999 | 10,039 | 9,977 |
| In more than 1 year but not more than 2 years | 1,176 | 1,176 | 1,176 | 1,176 |
| In more than 2 years but not more than 5 years | 3,532 | 3,528 | 3,532 | 3,528 |
| In more than 5 years | - | 1,180 | - | 1,180 |
| | **14,751** | **15,883** | **14,747** | **15,861** |

# Note 34 : Losses & Special Payments

| | Group & Foundation Trust | | | |
|---|---|---|---|---|
| | 2019/20 | | 2018/19 | |
| | Total number of cases | Total value of cases | Total number of cases | Total value of cases |
| | Number | £000 | Number | £000 |
| **Losses** | | | | |
| Cash losses | 2 | - | 7 | 1 |
| Bad debts & claims abandoned | 150 | 37 | 81 | 82 |
| Stores losses & damage to property | 2 | 161 | 2 | 121 |
| **Total losses** | **154** | **198** | **90** | **204** |
| | | | | |
| **Special payments** | | | | |
| Ex-gratia payments | 87 | 25 | 100 | 16 |
| Special severance payments | - | - | 1 | 4 |
| **Total special payments** | **87** | **25** | **101** | **20** |
| | | | | |
| **Total losses & special payments** | **241** | **223** | **191** | **224** |
| Compensation payments received | | - | | - |

*Losses and special payments are accounted for on an accruals basis, but exclude provisions for future losses.*

# Note 35 : Related Parties

During the year no Department of Health & Social Care ministers, Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with the Group.

The Department of Health is regarded as a related party. During the year the Group has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. The most significant are:

NHS England
NHS Resolution
Shropshire CCG
Telford & Wrekin CCG
West Cheshire CCG

The Group has had a number of material transactions with UK devolved governments. These transactions have been for the provision of healthcare, mainly with Welsh NHS bodies which are funded by the Welsh Assembly.

Betsi Cadwaladr University LHB
Powys Teaching LHB

The Group has also had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with Shropshire Council in respect of non-domestic rates.

# Note 36 : Events After the Reporting Date

There were no events after the reporting date.

# Note 37 : Control Total Reconciliation

The table below shows the Foundation Trust's performance against the control total set by NHS Improvement.

| | Foundation Trust | |
|---|---|---|
| | 2019/20 | 2018/19 |
| | £000 | £000 |
| **Surplus for the year** | **2,657** | **3,194** |
| Remove capital donations/grants I&E impact | (102) | 288 |
| **Adjusted financial performance** | **2,555** | **3,482** |
| Less provider sustainability fund (PSF) | (372) | (2,350) |
| **Adjusted financial performance, excluding PSF** | **2,183** | **1,132** |
| Control total excluding PSF | (2,030) | (1,104) |
| **Performance against the control total, excluding PSF** | **153** | **28** |

# INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF GOVERNORS AND BOARD OF DIRECTORS OF THE ROBERT JONES AND AGNES HUNT ORTHOPAEDIC HOSPITAL NHS FOUNDATION TRUST

## Report on the audit of the financial statements

### 1. Opinion

In our opinion the financial statements of The Robert Jones and Agnes Hunt Orthopaedic Hospital Foundation Trust (the 'foundation trust') and its subsidiary (the 'group'):

- give a true and fair view of the state of the group's and foundation trust's affairs as at 31 March 2020 and of the group's and foundation trust's income and expenditure for the year then ended;
- have been properly prepared in accordance with the accounting policies directed by NHS Improvement – Independent Regulator of NHS Foundation Trusts; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

We have audited the financial statements which comprise:

- the group and foundation trust statements of comprehensive income;
- the group and foundation trust statement of financial position;
- the group and foundation trust statements of cash flow;
- the group and foundation trust statements of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 37.

The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by NHS Improvement – Independent Regulator of NHS Foundation Trusts.

### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the foundation trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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.

## 3. Summary of our audit approach

| | |
|---|---|
| **Key audit matters** | The key audit matters that we identified in the current year were:<br>• Recognition of NHS clinical revenue; and<br>• Property Valuation.<br><br>Within this report, key audit matters are identified as follows:<br>  Newly identified<br>  Increased level of risk<br>  Similar level of risk<br>  Decreased level of risk |
| **Materiality** | The materiality that we used for the group financial statements was £2.38m which was determined on the basis of 2% of revenue. |
| **Scoping** | The scope of the audit is in line with the Code of Audit Practice issued by the National Audit Office.<br>Audit work to respond to the risks of material misstatement was performed directly by the group engagement team. |
| **Significant changes in our approach** | We have identified Property valuations as a new Key audit matter for the current year. This is due to the outbreak of COVID-19, which has caused a material uncertainty clause to be included within the valuers report.<br>There have been no other significant changes in our approach. |

## 4. Conclusions relating to going concern

| | |
|---|---|
| We are required by ISAs (UK) to report in respect of the following matters where:<br><br>• the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or<br>• the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the foundation trust'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. | We have nothing to report in respect of these matters. |

## 5. 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.

### 5.1 Recognition of NHS clinical revenue

| | |
|---|---|
| **Key audit matter description** | As described in note 1, Accounting Policies and note 1.26, Critical Accounting Judgements and Key Sources of Estimation Uncertainty, there are significant judgements in the recognition of revenue from care of NHS patients and in provisioning for disputes with commissioners due to:<br>• the complexity of the Payment by Results regime, in particular in determining the level of overperformance and revenue to recognise;<br>• the judgemental nature of accounting for disputes, including in respect of outstanding overperformance income for quarters 3 and 4.<br>Details of the group's income, including £53.3m (2018/19: £53.9m) of Commissioner Requested Services, are shown in note 3.2 to the financial statements. NHS receivables are shown in note 21 to the financial statements.<br>The Group earns revenue from a wide range of commissioners, increasing the complexity of agreeing a final year-end position. |
| **How the scope of our audit responded to the key audit matter** | We obtained an understanding of relevant controls over recognition of Payment by Results regime, including settling disputes and recognition of over performance.<br>We performed detailed substantive testing on a sample basis of the recoverability of overperformance income and adequacy of provision for underperformance through the year, and evaluated the results of the agreement of balances exercise.<br>We challenged key judgements around specific areas of dispute and actual or potential challenge from commissioners and the rationale for the accounting treatments adopted. In doing so, we considered the historical accuracy of provisions for disputes and reviewed correspondence with commissioners. |
| **Key observations** | We have concluded that the NHS clinical revenue and provisions recognised are appropriate. |

### 5.2 Property valuation

| | |
|---|---|
| **Key audit matter description** | The Group holds property assets within Property, Plant and Equipment at a modern equivalent use valuation of £65.8m as at 31 March 2020 (£64.3m as at 31 March 2019).<br>The valuations are by nature significant estimates which are based on specialist and management assumptions (including the floor areas for a Modern Equivalent Asset, the basis for calculating build costs, the level of allowances for professional fees and contingency, and the remaining life of the assets) and which can be subject to material changes in value.<br>As detailed in note 1.26, in applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuer has declared a 'material valuation uncertainty' in the valuation report. This is on the basis of uncertainties in markets caused by COVID-19, and therefore less weight can be attached to previous market evidence for comparison purposes, to inform |

| | |
|---|---|
| | opinions of value. In addition, properties which are priced on their trading potential, including healthcare establishments, may experience a greater impact on pricing in comparison to other asset classes. |
| **How the scope of our audit responded to the key audit matter** | We assessed whether the valuation and the accounting treatment of the revaluation were compliant with the relevant accounting standards, and in particular whether impairments should be recognised in the Income Statement or in Other Comprehensive Income.<br><br>We have reviewed the disclosures in notes 1.26 and 18 and evaluated whether these provide sufficient explanation of the basis of the valuation and the judgements made in preparing the valuation.<br><br>We considered the impact of uncertainties relating to the COVID-19 pandemic upon property valuations in evaluating the property valuations and related disclosures including the adequacy of the disclosure of the material valuation uncertainty. |
| **Key observations** | While we note the increased estimation uncertainty in relation to the property valuation as a result of COVID-19, and as disclosed in note 1.26 and note 18, we consider that the valuation of the properties of the group are appropriately stated. |

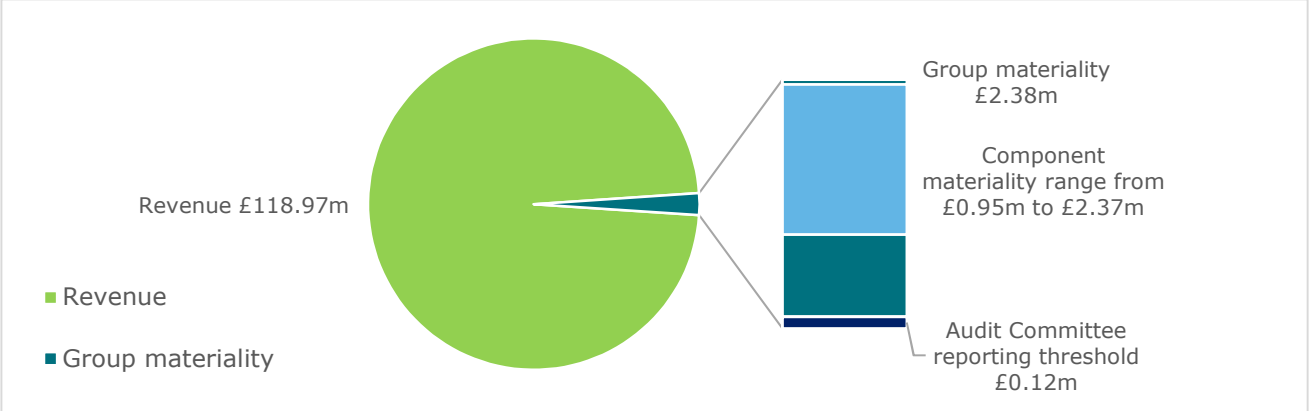
# 6. Our application of materiality

### 6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

| | Group financial statements | Foundation Trust financial statements |
|---|---|---|
| **Materiality** | £2.38m (2018/19: £2.27m) | £2.37m (2018/19: £2.25m) |
| **Basis for determining materiality** | 2% of revenue (2018/19: 2% of revenue) | |
| **Rationale for the benchmark applied** | Revenue was chosen as a benchmark for both the group and the foundation trust, on the basis that the foundation trust a non-profit organisation, revenue is a key measure of financial performance for users of the financial statements, and the majority of the group's operations are carried out by the foundation trust. | |




### 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 75% of group materiality for the 2019/20 audit (2018/19: 75%). In determining performance materiality, we considered the following factors:

a. our risk assessment, including our assessment of the group's overall control environment; and
b. our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

### 6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.12m (2018/19: £0.11m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

### 7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

Audit work to respond to the risk of material misstatement was performed directly by the group audit engagement team, focussing on the foundation trust.

## 8. Other information

The accounting officer is 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 have nothing to report in respect of these matters.

## 9. Responsibilities of accounting officer

As explained more fully in the accounting officer's responsibilities statement, 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.

In preparing the financial statements, the accounting officer is responsible for assessing the group's and the foundation trust's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the group or the foundation trust or to cease operations, or has no realistic alternative but to do so.

## 10. 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

# Report on other legal and regulatory requirements

## 11. Opinion on other matters prescribed by the National Health Service Act 2006

In our opinion:

- the parts of the Directors' Remuneration Report and Staff Report to be audited have been properly prepared in accordance with the National Health Service Act 2006; and
- the information given in the Performance Report and the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## 12. Matters on which we are required to report by exception

### 12.1. Annual Governance Statement, use of resources, and compilation of financial statements

Under the Code of Audit Practice, we are required to report to you if, in our opinion:

- the Annual Governance Statement does not meet the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual, is misleading, or is inconsistent with information of which we are aware from our audit;
- the foundation trust has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; or
- proper practices have not been observed in the compilation of the financial statements.

We are not required to consider, nor have we considered, whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in respect of these matters.

### 12.2. Reports in the public interest or to the regulator

Under the Code of Audit Practice, we are also required to report to you if:

- any matters have been reported in the public interest under Schedule 10(3) of the National Health Service Act 2006 in the course of, or at the end of the audit; or
- any reports to the regulator have been made under Schedule 10(6) of the National Health Service Act 2006 because we have reason to believe that the foundation trust, or a director or officer of the foundation trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency.

We have nothing to report in respect of these matters.

# 13. Certificate

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

# 14. Use of our report

This report is made solely to the Council of Governors and Board of Directors ("the Boards") of The Robert Jones and Agnes Fund Hospital NHS Foundation Trust, as a body, in accordance with paragraph 4 of Schedule 10 of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Boards 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 foundation trust and the Boards as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Howse, CPFA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom
23 June 2020